Condensed results of the reviewed consolidated financial statements for the period ended 30 June 2019

Economic outlook

Global and Sub-Saharan Africa outlook

Global growth is expected to ease to 3.3% in 2019 from 3.6% in 2018 before picking up moderately to 3.6% in 2020 according to IMF forecasts. Growth expectations were lowered on account of trade tensions, heightened global financial volatility and the ongoing risk of a high oil price shock to the global economy. NDR’s Global Economic Monitor published in March 2019 showed that the increase in risk premiums in the global financial market had affected the emerging markets and that the financial crisis risk remains high.

Economic recovery in Sub-Saharan Africa (SSA) remains on track despite some larger markets, notably South Africa and Nigeria continuing to experience headwinds. Unsurprisingly, the recovery remains fragile in particular for the region’s largest markets, South Africa and Nigeria. South Africa has a high potential output gap and is experiencing high unemployment, weak export performance and subdued domestic demand. Nigeria continues to face the challenges of low oil prices, high public debt and high inflation.

Domestic economic outlook

The local economy remained resilient in the few months of the year despite 4.3% year-on-year in the first quarter of 2019 (Q1 - 2019). Despite the promising start to the year we expect GDP growth to slow down to 3.9% this year from 4.5% in 2018 as both the mining and non-mining sectors experience a more challenging environment. Key risks to growth include a real GDP growth to slow down to 3.9% this year from 4.5% in 2018 as both the mining and non-resource-intensive countries partially offsets the lacklustre performance of the region’s largest economies.

Financial performance

Statement of comprehensive income

Despite the challenging environment we operate in, a steady growth in income across the business segments relative to the previous year has characterised our performance for the period under review. We achieved a profit before tax of P537 million on a statutory basis representing growth of 46% year-on-year. The performance was influenced by growth in income, controlled costs and favourable credit losses. Total income is up on year by 5% translating to an increase in profit of 50%.

Key performance highlights

Consolidated statement of comprehensive income

For the period ended 30 June 2019

Total income

Revenue from non-resource-intensive sectors is experiencing drought, impacting agriculture output and putting upward pressure on food prices. Capevita is expected to perform 4% and 9% in 2019 and 2020 (MIP forecasts) as strong growth in many non-resource-intensive countries partially offsets the lacklustre performance of the region’s largest economies.

Inflation and interest rate outlook

Headline inflation remained below the Bank of South Africa’s Central Bank’s objective range of 3% - 6% in the second quarter (Q2 - 2019) mainly reflecting lower input costs associated with the increase in public transport tax and electricity tariffs in the second quarter of 2019. We expect inflation to remain at modest levels despite a few months above 5%. Despite inflation pressures continue from public sector salary and minimum wage increases, domestic currency weakness and subdued growth in South Africa leading to an increase in food prices. However, we are countered by low global inflation and muted domestic demand. Therefore we expect inflation to remain within the 3.5% - 5.5% objective range for the medium term.

The central bank reduced the bank rate by 25 basis points from 4% to 4% in August 2019 responding to growth concerns amid weaker global and regional economic growth. On the back of the positive inflation outlook we expect the Bank rate to remain unchanged at 4% but see an increased possibility of another 25 basis points cut due to expectations of lower global monetary policy.

The outlook for the non-mining sector is also uncertain. The current drought is likely to negatively impact agriculture output and put upward pressure on food prices. Capevita is expected to perform 4% in 2019 and 2020 (MIP forecasts) as strong growth in many non-resource-intensive countries partially offsets the lacklustre performance of the region’s largest economies.

Global growth is expected to ease to 3.2% in 2019 from 3.6% in 2018 before picking up moderately to 3.6% in 2020 according to IMF forecasts. Growth expectations were lowered on account of trade tensions, heightened global financial volatility and the ongoing risk of a high oil price shock to the global economy. NDR’s Global Economic Monitor published in March 2019 showed that the increase in risk premiums in the global financial market had affected the emerging markets and that the financial crisis risk remains high.

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### Condensed results of the reviewed consolidated financial statements for the period ended 30 June 2019

**Corporate and Investment Banking (CIB)**

The first half of 2019 has seen strong growth in the business which is reflected in the company’s performance, with a financial performance that is significantly better than the same period last year. The Bank’s anticipated government spending has not materialized as expected, due to the situation in the financial markets and the economy.

**Retail and Business Banking**

Retail and Business Banking has made significant progress towards the delivery of its strategy. Growth of 7% was recorded in loans and advances to customers, which accounted for 53% of the Group’s total income. Net fee and commission income increased year-on-year by 6%, on the back of growing transactional volumes and improved uptake of our digital channels.

In order to provide instant benefits to our customers when they transact at various merchants, Barclays has maintained strong relationships with various payment networks, enabling transactions to be processed quickly, and providing an efficient account management at merchants such as restaurants, hotels, clothing shops as well as health and beauty services.

One of the key components of our strategy is to offer convenience to our customers, ensuring there has been good growth in the organisation and usage of Digital channels such as mobile, internet and the Barclays Application.

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**Segment reporting**

For the period ended 30 June 2019

### Segment reporting

The group has identified its reportable segments based on a combination of products and services offered to customers and clients and the manner in which the Group’s businesses are managed and reported to the Chief Operating Decision Maker (CODM).

**Corporate and Investment Banking (CIB)**

The Bank comprises the following main business segments:

- **Corporate and Investment Banking**
- **Retail and Business Banking**

**Barclays is changing to Absa**

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