



# Barclays Africa Group Limited

1H17 results presentation

28 July 2017





# Strategic update

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# Financial review

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# Normalisation principles

## Items that will be normalised

PLC investment

Endowment benefit

Hedging linked to separation activities

Change spend

Depreciation, amortisation and impairment

Transitional Services Agreement costs

Consequential tax impact of above items

## Lower credit charge drove solid underlying growth

	1H16 Rm	1H17 Rm	Change %	Adjustment	1H17 normalised Rm	Change %
Net interest income	21 093	20 837	(1)	46	20 791	(1)
Non-interest income	15 415	15 487	-	238	15 249	(1)
Total income	36 508	36 324	(1)	284	36 040	(1)
Impairment losses	5 197	3 773	(27)	-	3 773	(27)
Operating expenses	19 487	20 498	5	(460)	20 038	3
Other*	(1 217)	(1 041)	(14)	(325)	(716)	(41)
Taxation	2 997	3 080	3	111	3 191	3
Non-controlling interest	591	541	(8)	-	541	(8)
<b>Headline earnings</b>	<b>7 252</b>	<b>7 618</b>	<b>5</b>	<b>(152)</b>	<b>7 770</b>	<b>7</b>

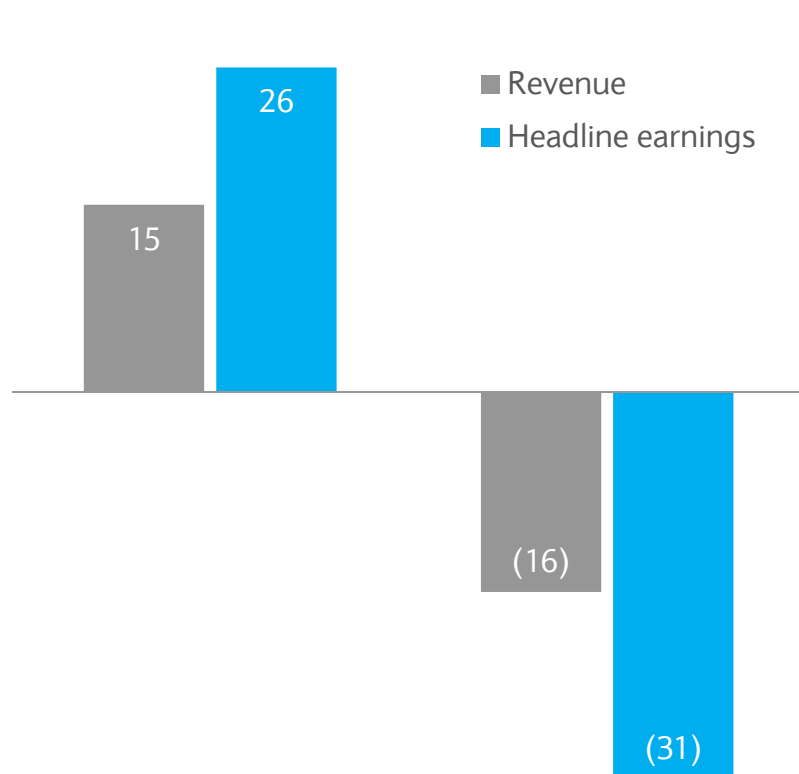
Note: \* includes other impairments, indirect tax and associates' share of post tax results

## Salient features (normalised)

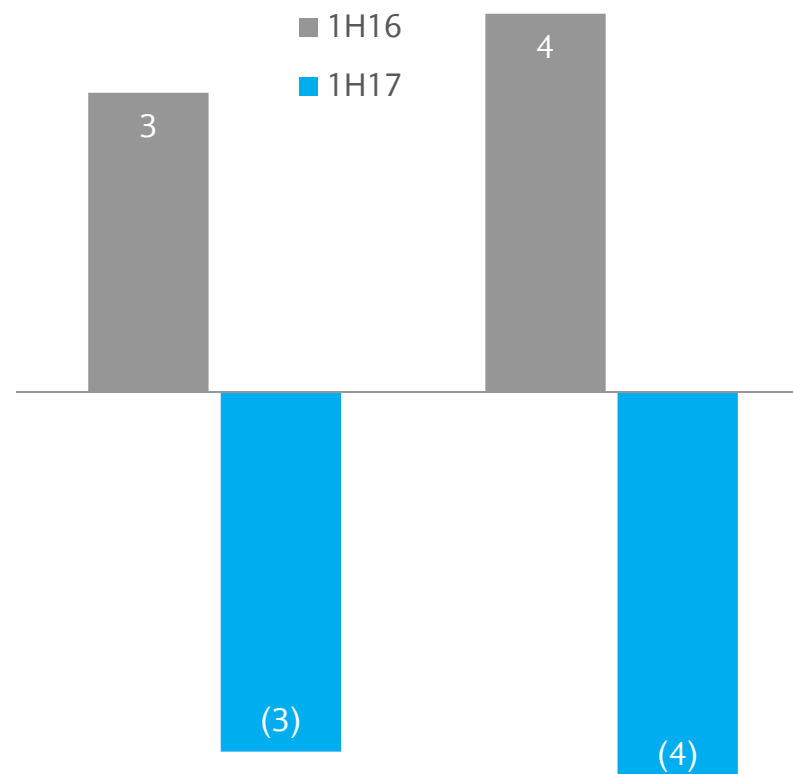
	1H16 %	1H17 %
Diluted headline EPS growth	7	7
Dividend per share growth	2	3
Return on equity	16.1	16.8
Return on assets	1.29	1.40
Net interest margin	5.01	4.93
Cost to income ratio	53.4	55.6
Credit loss ratio	1.29	0.96

# Noticeable currency impact on our results

Currency impact on rest of Africa (%)



Currency impact on group (%)



1H16

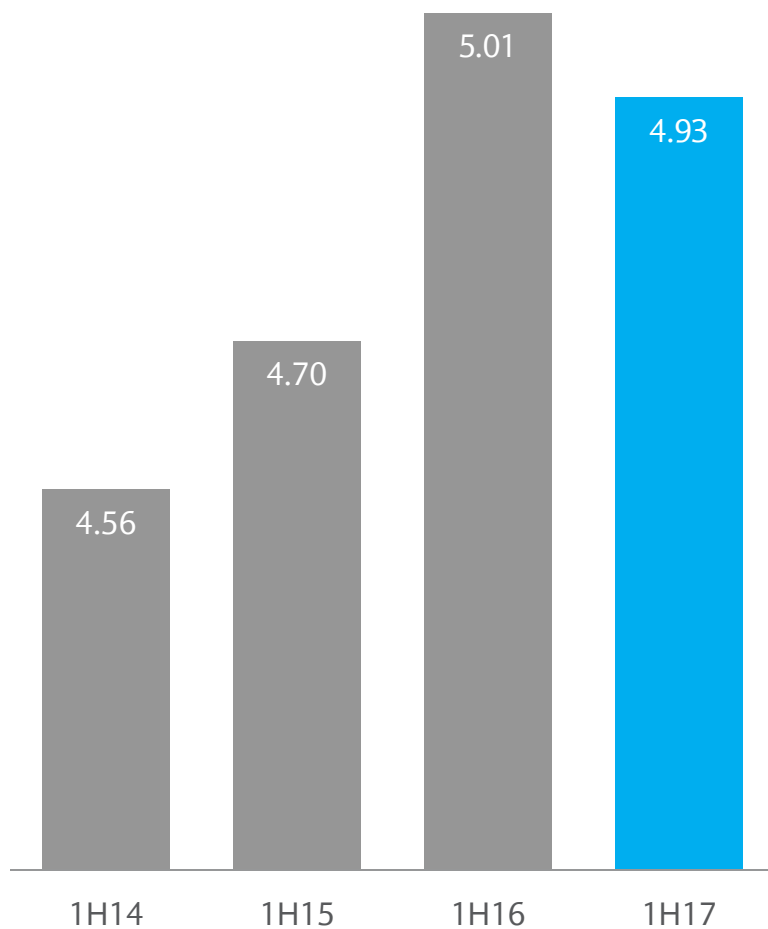
1H17

Revenue

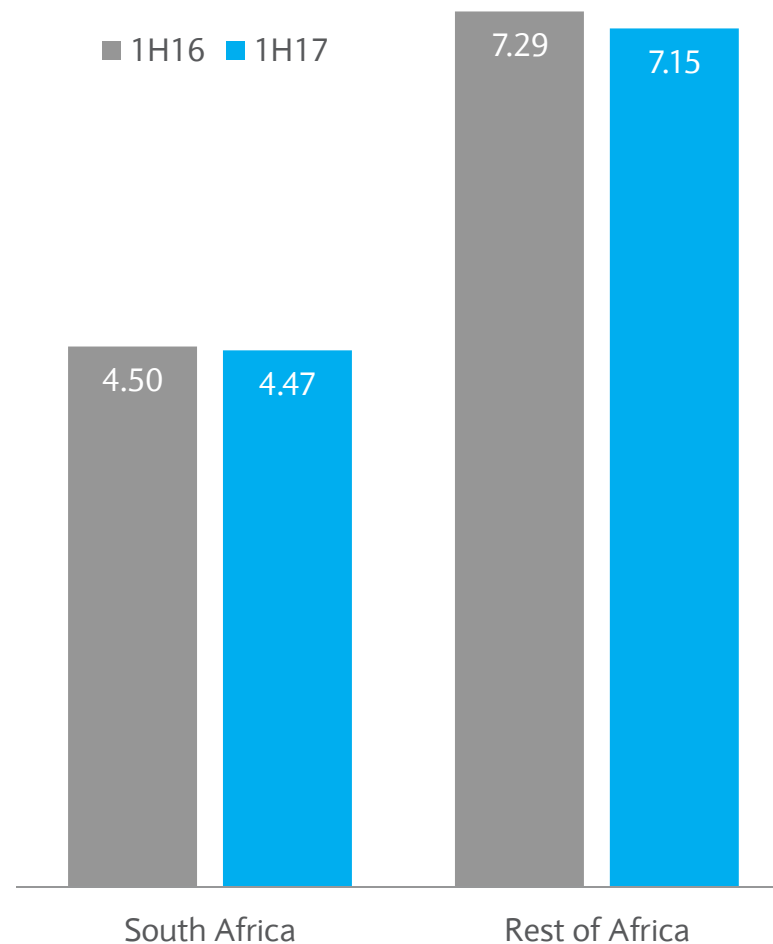
Headline earnings

# Net interest margin declines ...

Net interest margin\* (%)



Net interest margin \* (%)

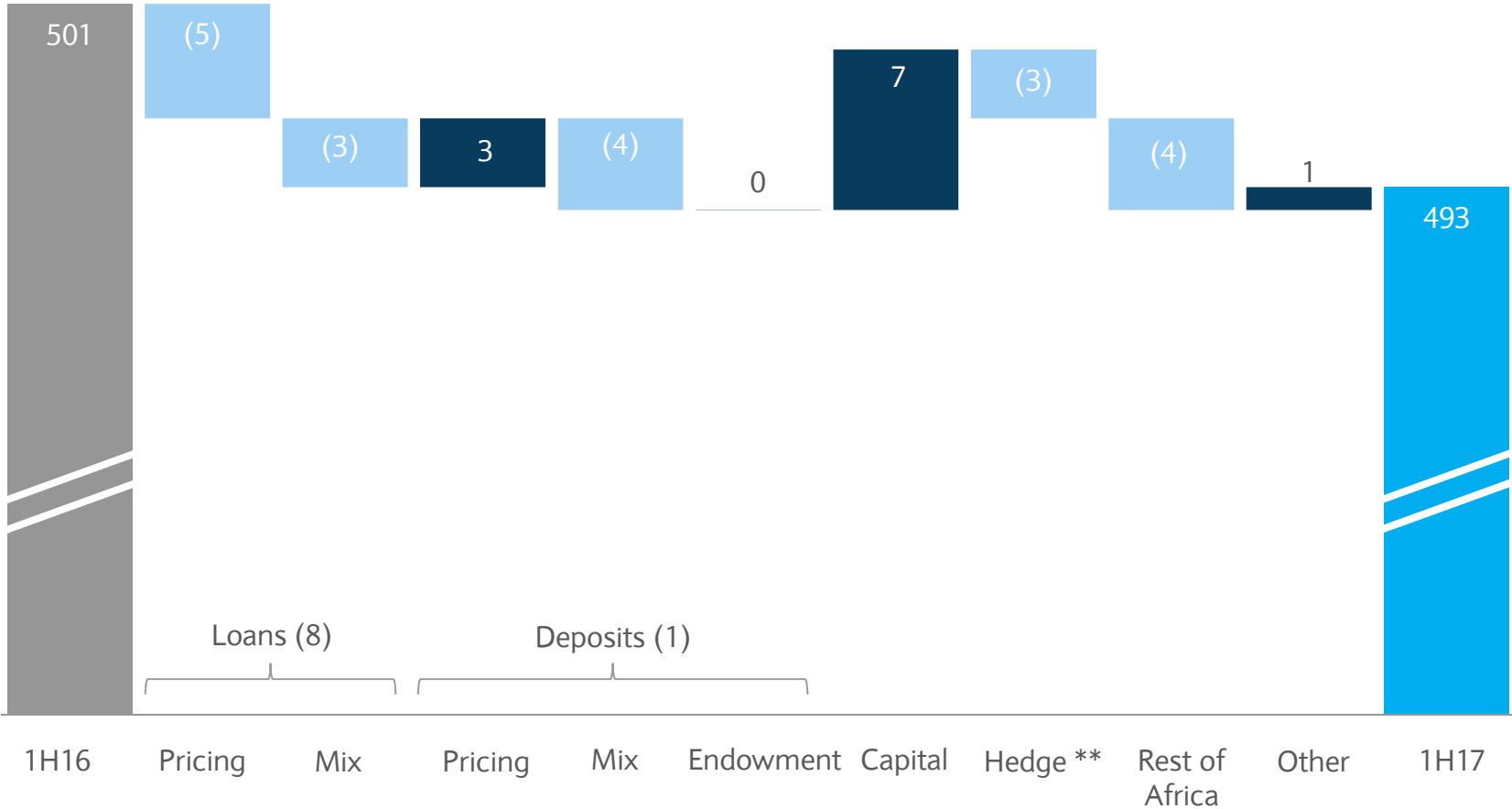


Note: \* average interest bearing assets



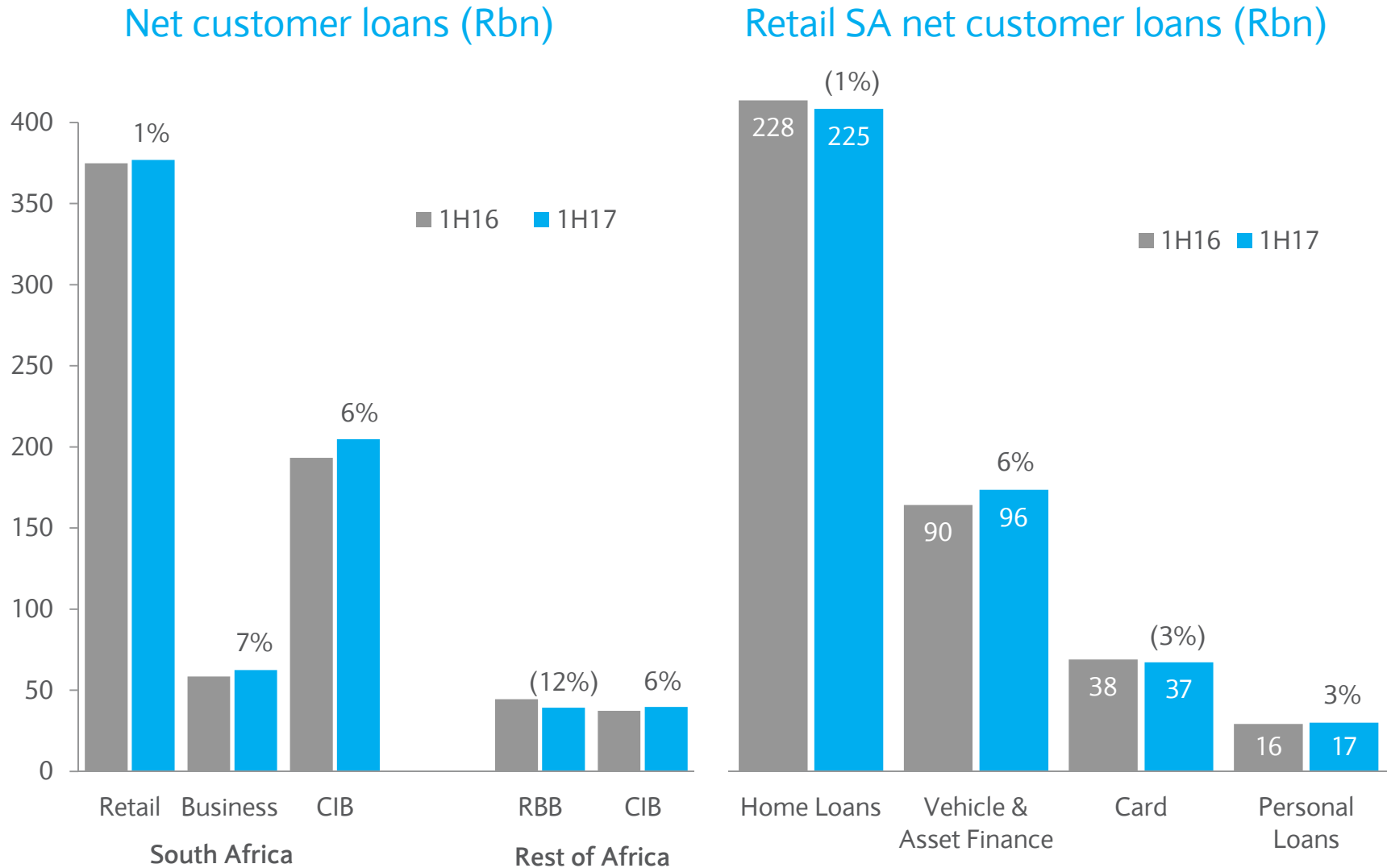
# ... reflecting regulatory and mix changes

Change in net interest margin\* (basis points)



Note: \* average interest bearing assets; \*\* interest rate risk management

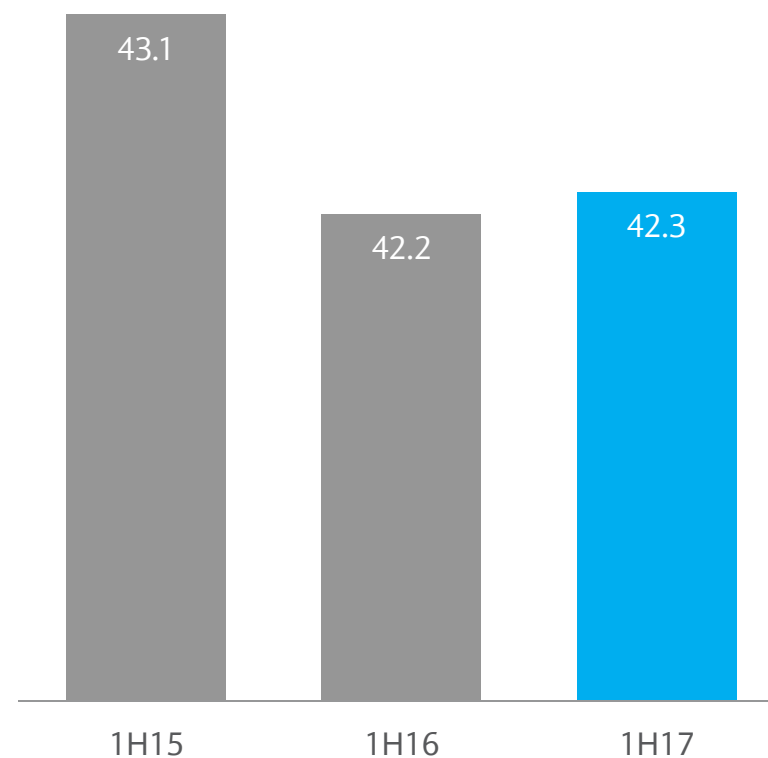
# Modest loan growth, particularly in Retail



# Lower non-interest income

	1H17 Rm	Change %	Mix * %
South African Banking	10 452	3	69
<ul style="list-style-type: none"> <li>• Retail</li> <li>• Business Banking SA</li> <li>• CIB</li> </ul>	6 512	4	43
	1 832	4	12
	2 108	0	14
Rest of Africa Banking	2 469	(7)	16
<ul style="list-style-type: none"> <li>• RBB</li> <li>• CIB **</li> </ul>	1 257	(14)	8
	1 212	3	8
WIMI	2 509	0	16
Head office and other	(181)	<(100)	(1)
<b>Total</b>	<b>15 249</b>	<b>(1)</b>	<b>100</b>

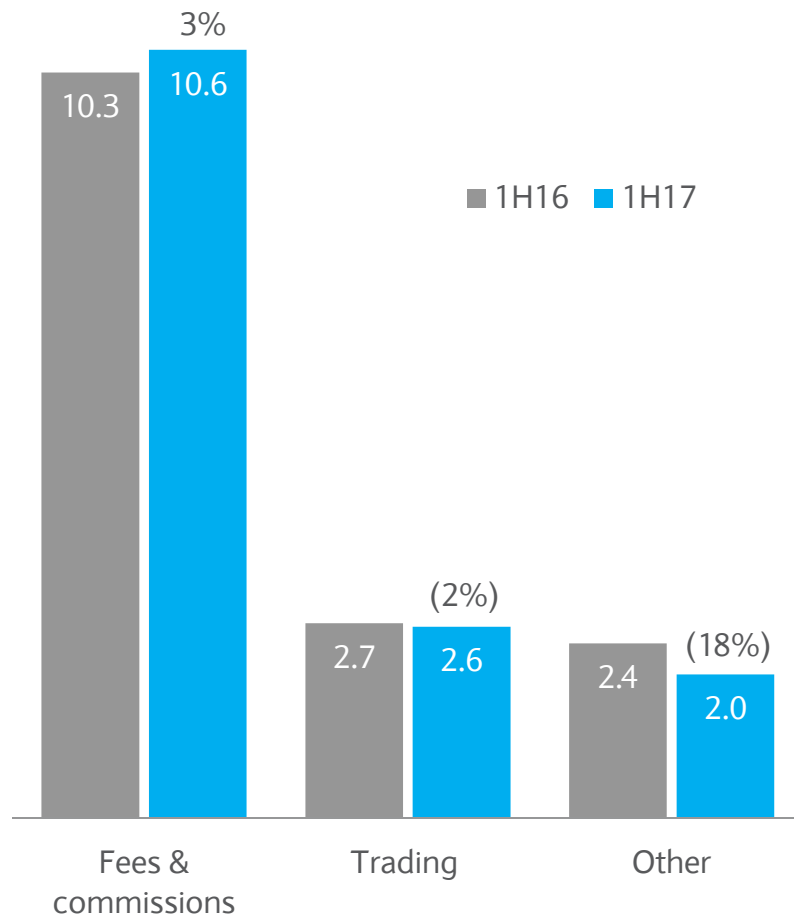
## Non-interest income/total revenue (%)



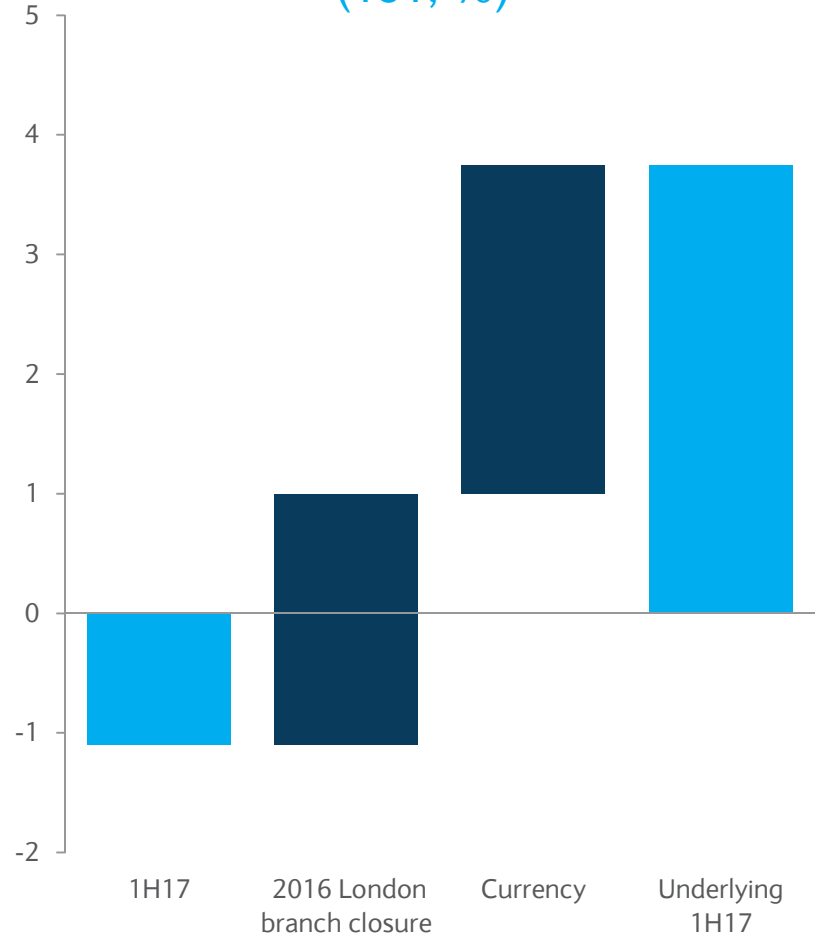
Note: \* excluding head office and other \*\* Includes rest of Africa head office and other

# Resilient fee income

Group non-interest income mix (Rbn)



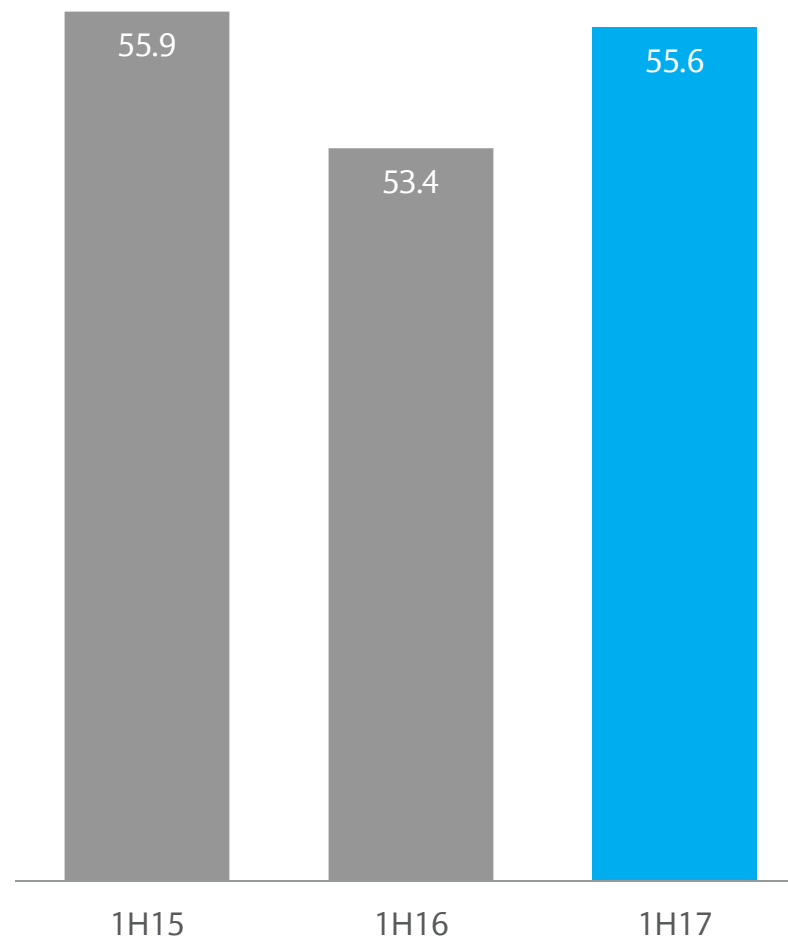
Change in non-interest income (YoY, %)



# Costs remain well managed while investing

	1H17 Rm	Change %	Mix %
Staff	11 276	4	55
Technology	1 677	15	8
Property-related	1 654	0	8
Professional fees	1 157	19	6
Depreciation	937	14	5
Marketing	785	29	4
Communication	666	(14)	3
Amortisation	348	11	2
Other *	1998	(3)	10
<b>Total</b>	<b>20 498</b>	<b>5</b>	<b>100</b>
Separation	(460)		
<b>Normalised</b>	<b>20 038</b>	<b>3</b>	

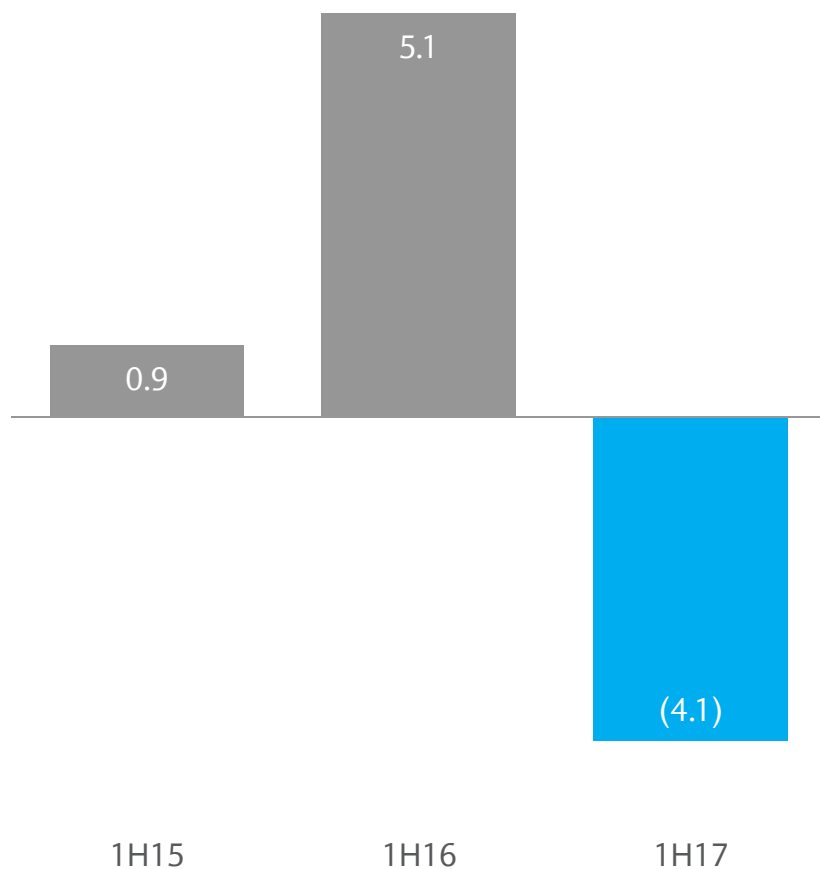
Cost to income ratio (%)



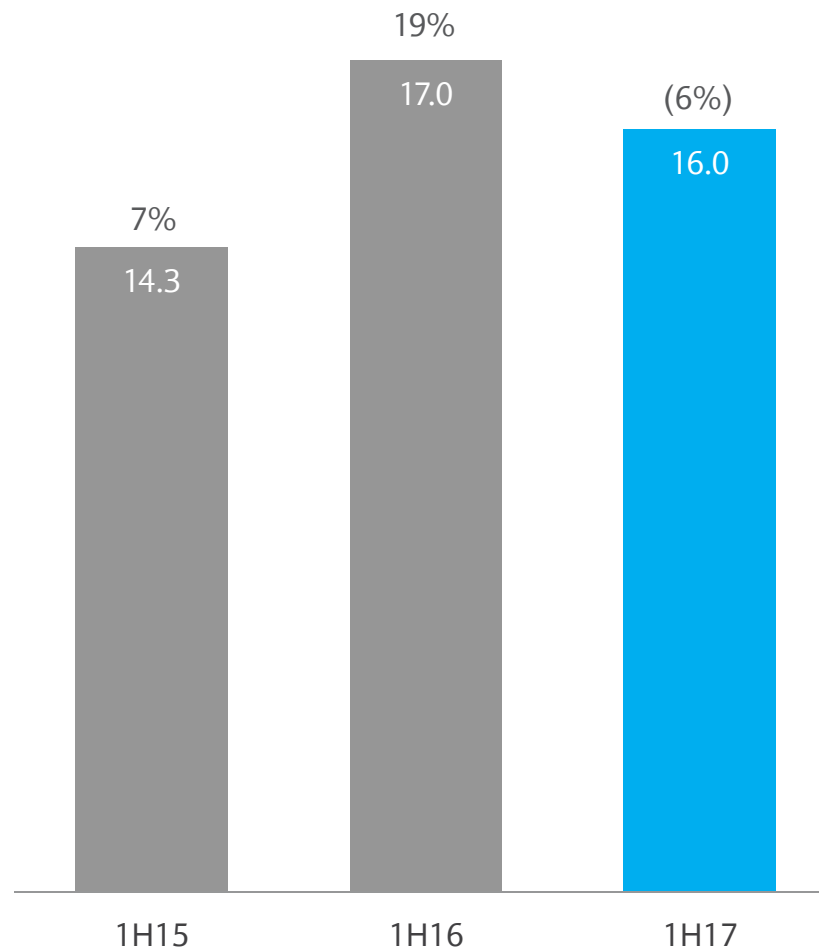
Note: \* includes cash transportation costs, administration fees, equipment costs, fraud, travel and entertainment etc

# Negative JAWS reduced pre-provision profits

Group operating JAWS \* (%)



Pre-provision profit (Rbn)

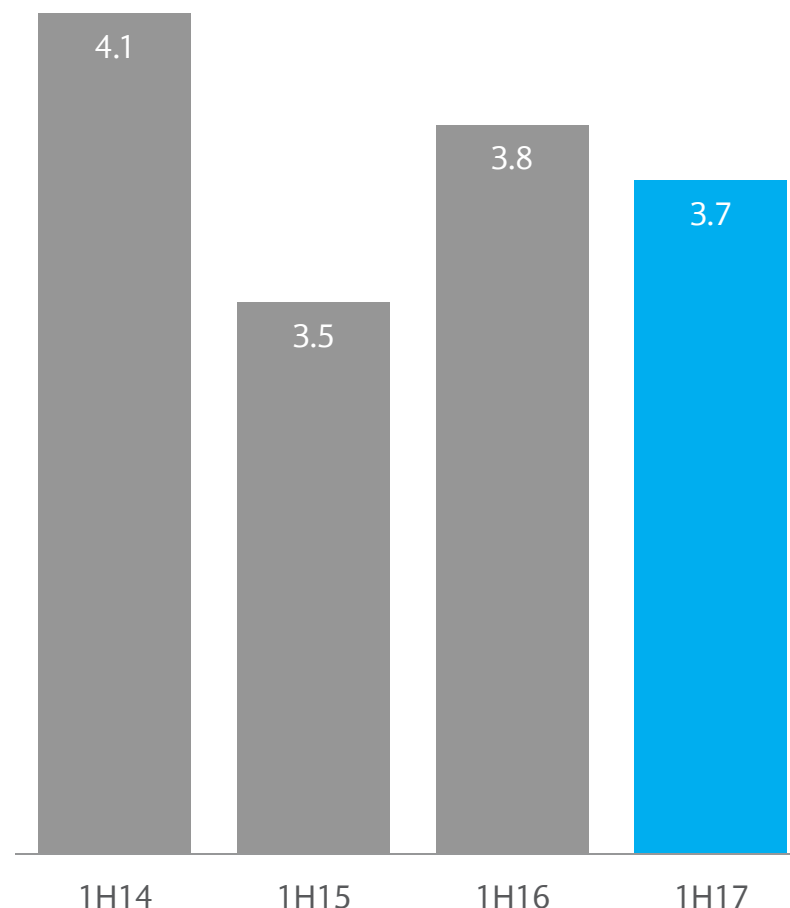


Note: \* revenue growth minus operating expenses growth

# Credit impairments declined noticeably ...

	1H17	1H16	1H17	1H16
	Credit loss ratio (bps)		NPL cover (%)	
SA Banking	91	128	42	42
RBB SA	128	143	42	42
Retail Banking	139	148	43	43
Cards	538	595	72	71
VAF	101	113	47	41
Mortgages *	41	44	21	22
Personal Loans	623	585	67	65
Business Banking	62	112	36	36
CIB SA	18	97	38	47
ROA Banking	138	168	51	50
WIMI	9	(5)	48	29
<b>Group</b>	<b>96</b>	<b>129</b>	<b>44</b>	<b>44</b>

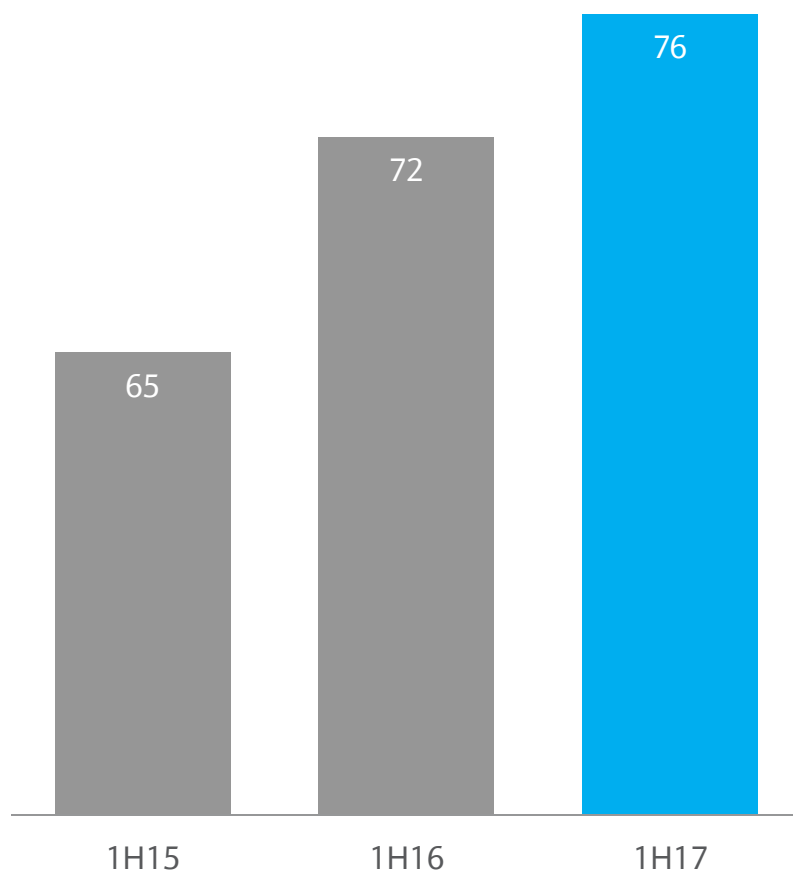
### Non-performing loans (%)



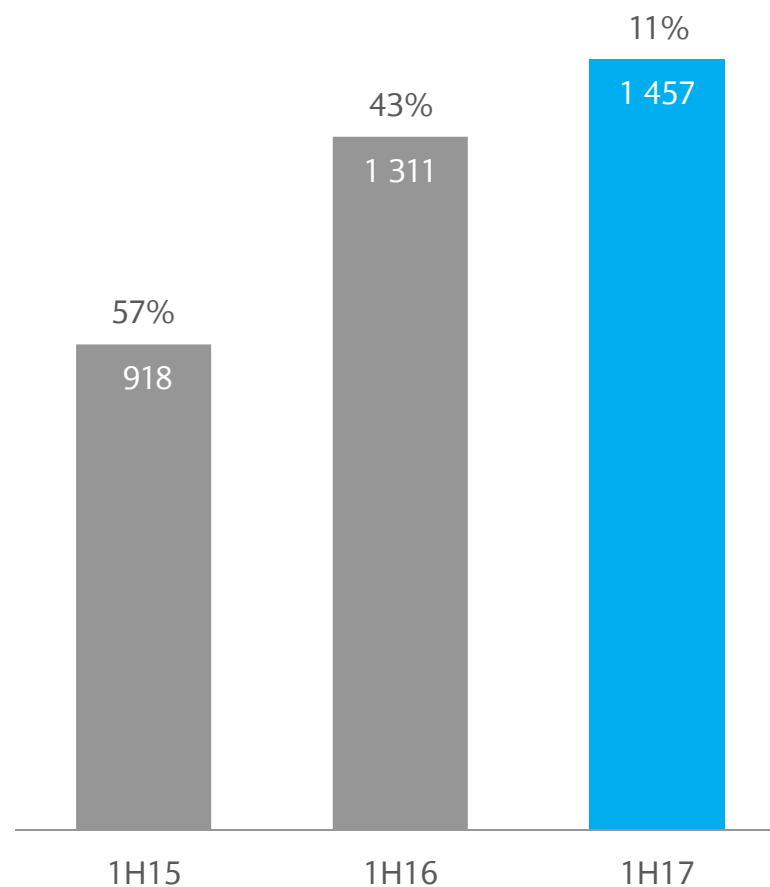
Note: \* Home Loans credit loss ratio

# ... while portfolio provisions remain conservative

Portfolio provisions to performing loans\* (bps)



Macroeconomic unidentified impairments (Rm)

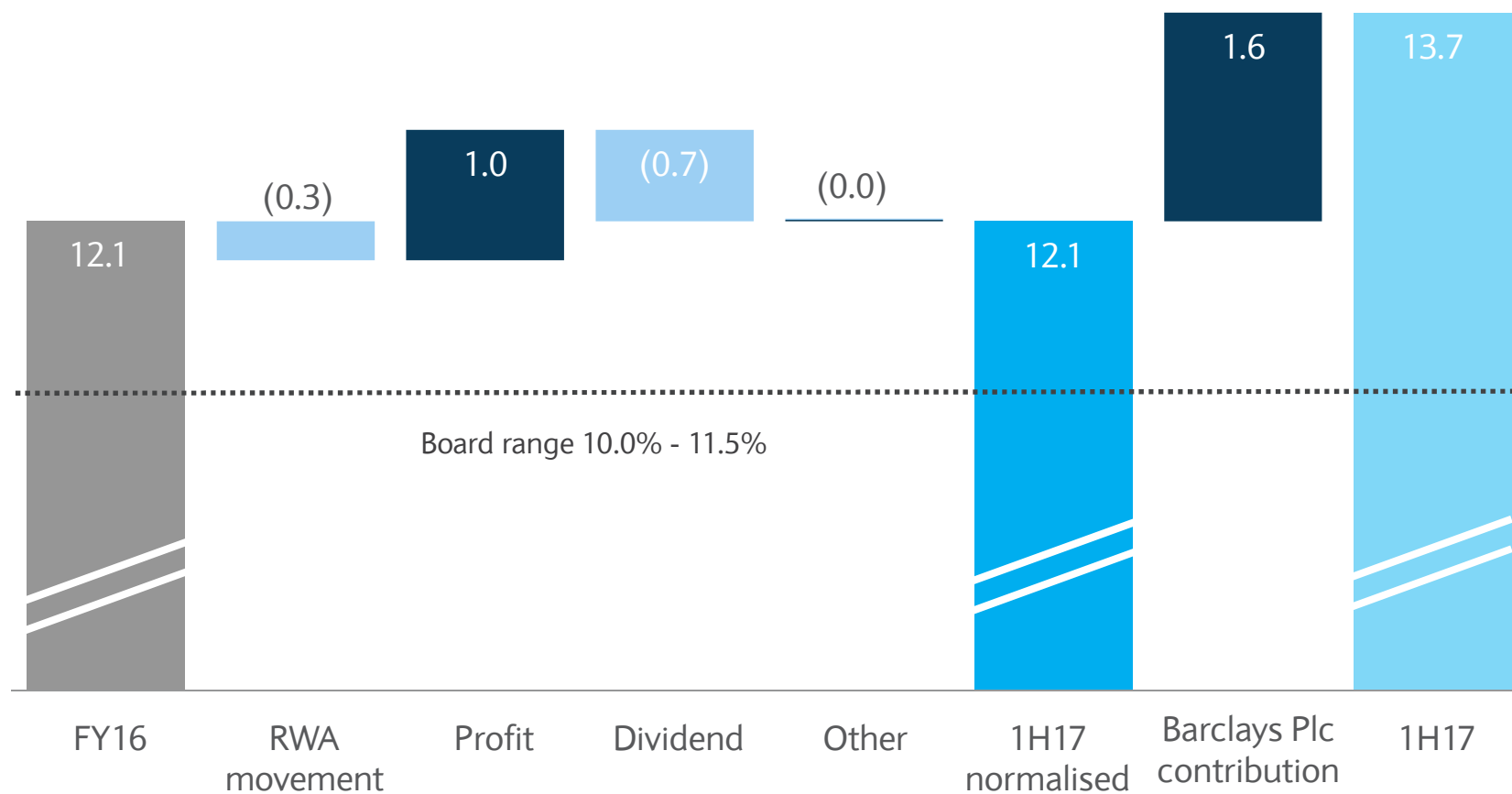


Note: \* loans and advances to customers and banks



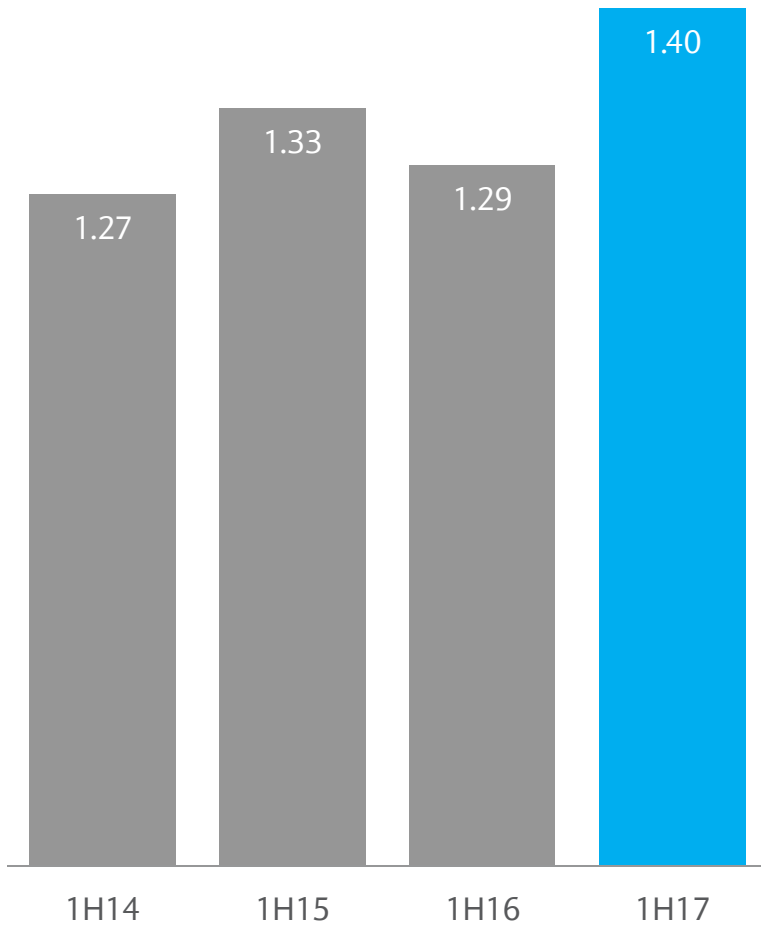
# Capital levels remain very healthy

Barclays Africa Group Common Equity Tier 1 ratio (%)

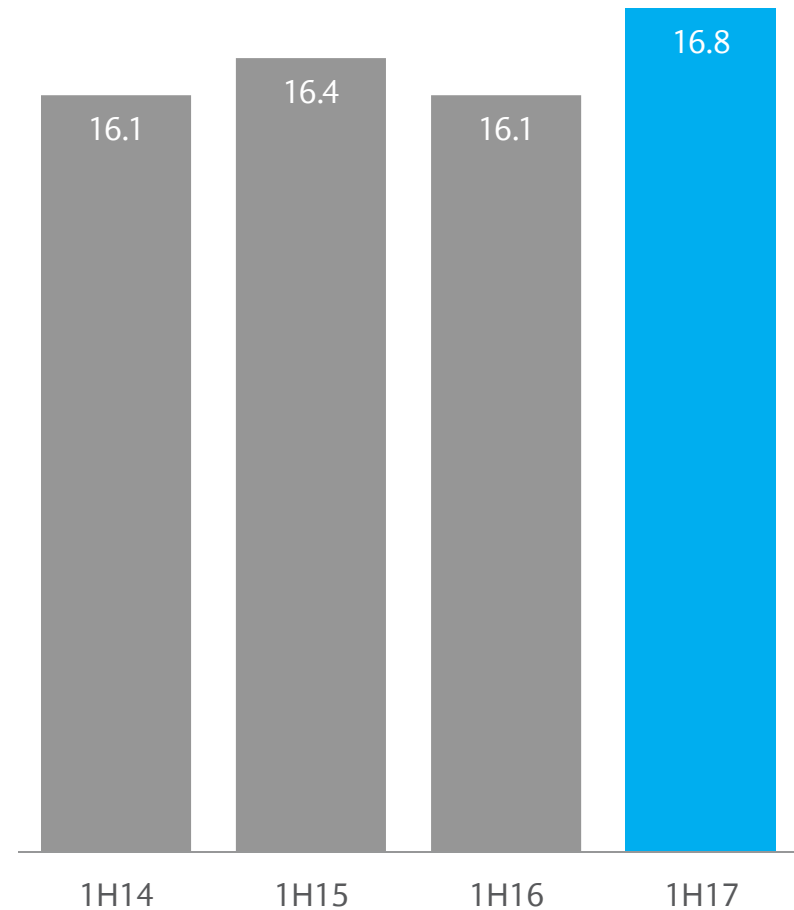


# Returns improved despite the macro backdrop

Return on assets (%)

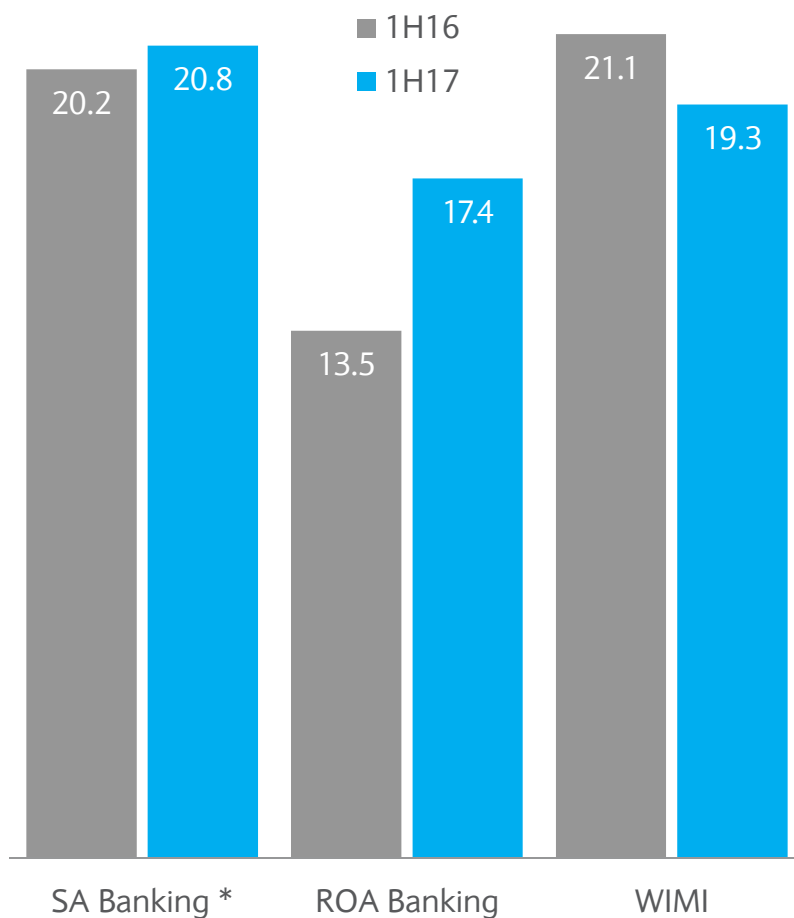


Return on equity (%)

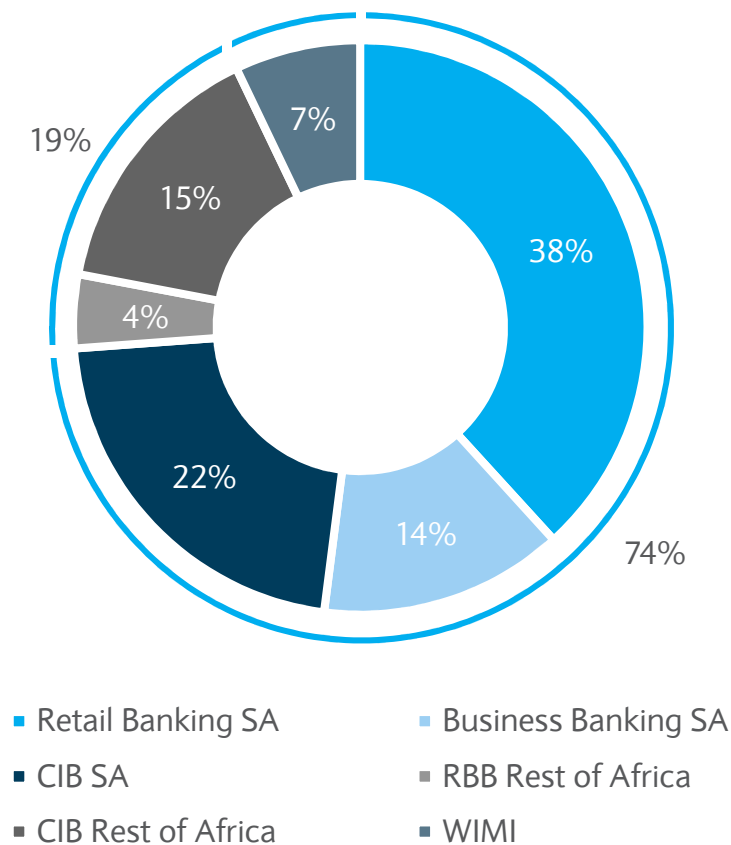


# Strong returns across a well-diversified portfolio

Divisional RoE (%)



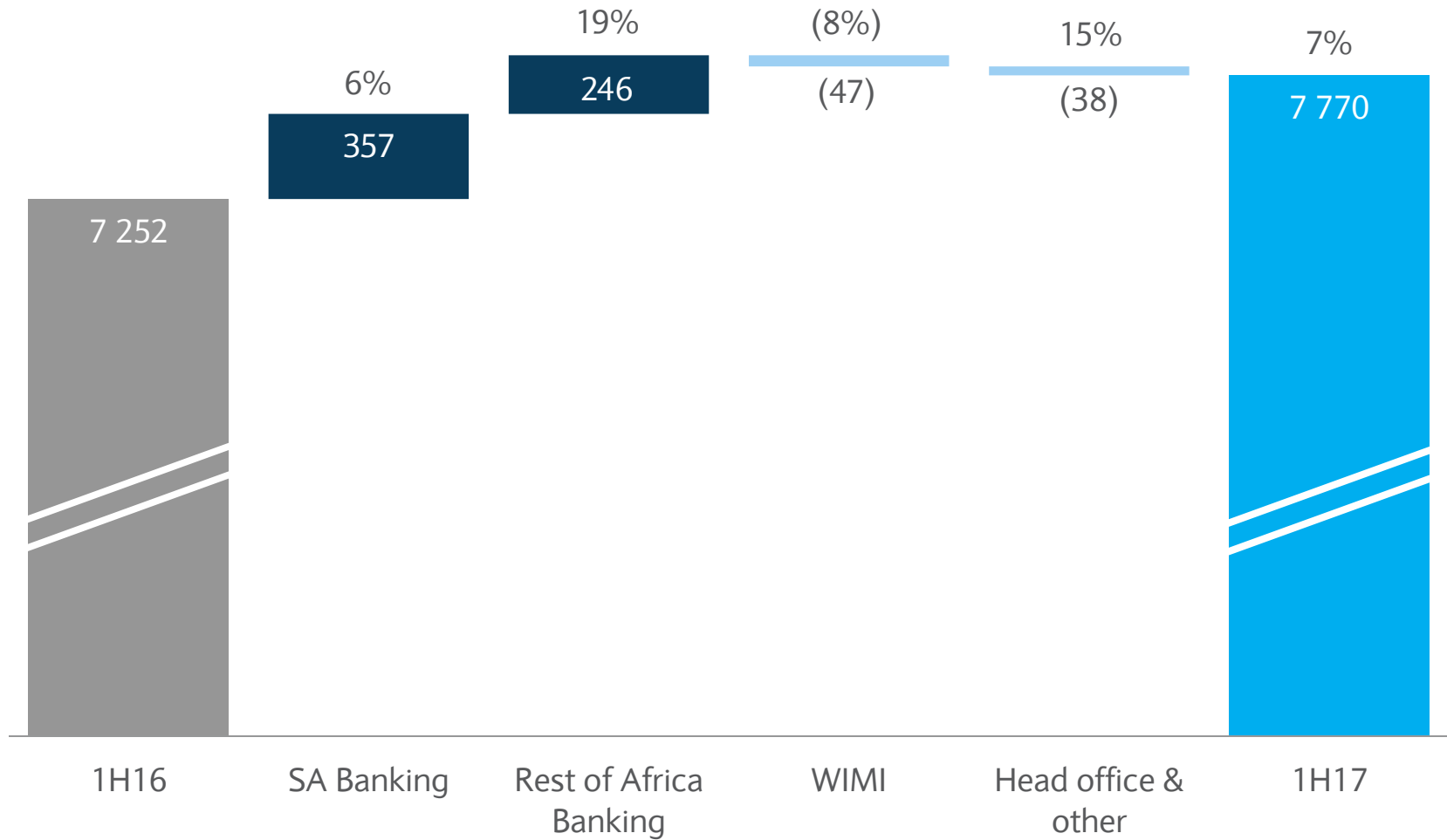
Headline earnings mix 1H17



Note: \* return on regulatory capital

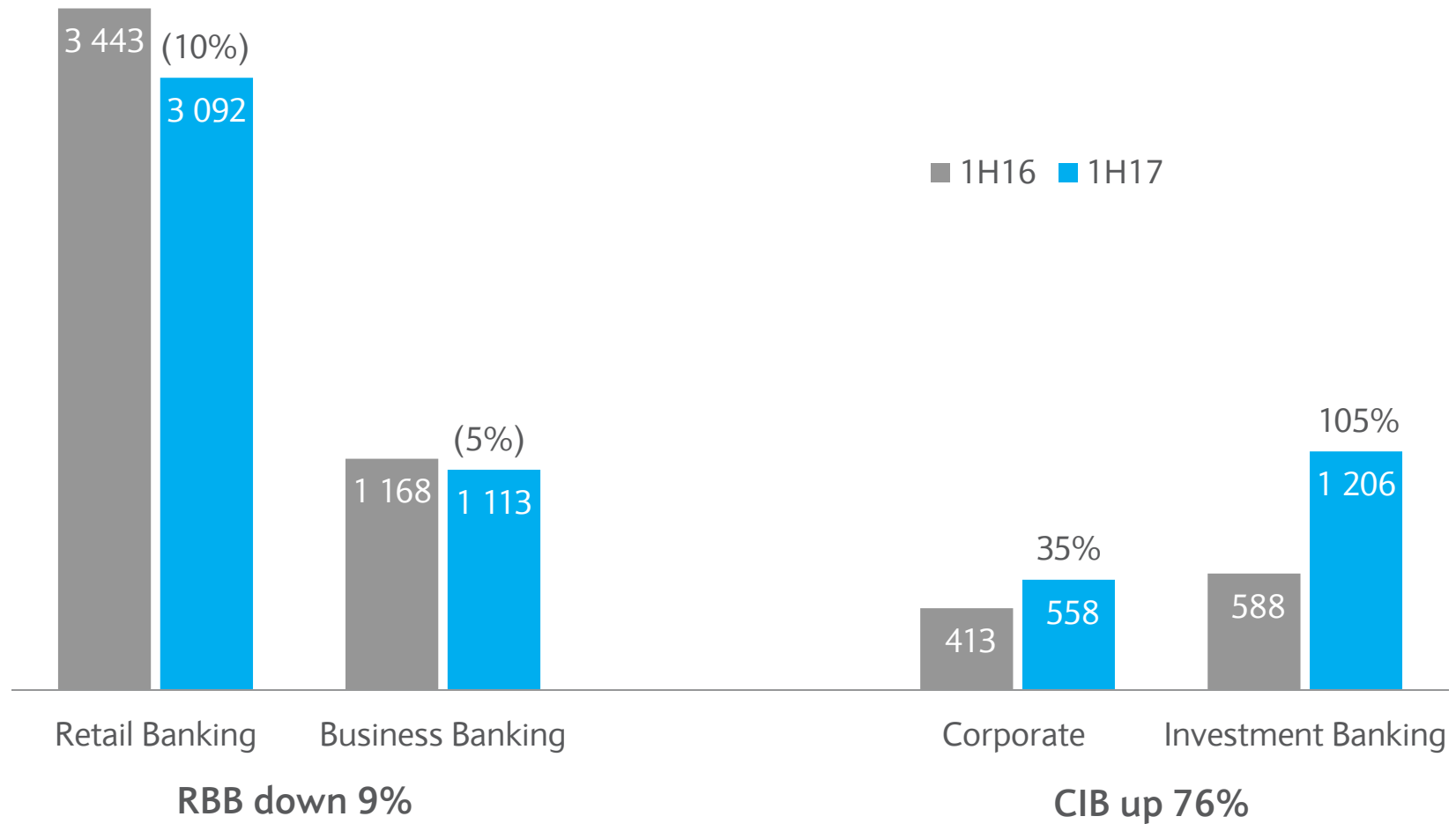
# Rest of Africa Banking drove earnings growth

Group headline earnings growth (Rm)



# CIB underpins SA Banking growth

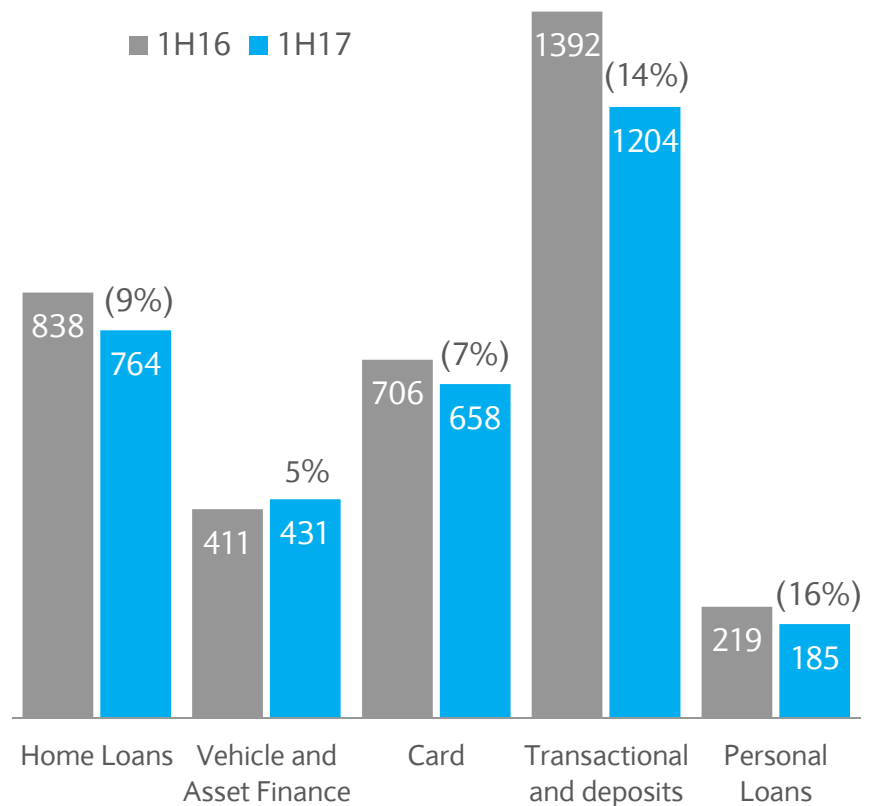
South Africa Banking headline earnings (Rm)



# Retail Banking SA remains a priority

- Asset strategies aim to improve low loan growth
- Regulatory changes and higher liquidity premiums reduced net interest margin
- Progress in some targeted customer segments
- Continued cost management funded increased digital and marketing spend
- Credit quality improved across most books
- Returns remain solid

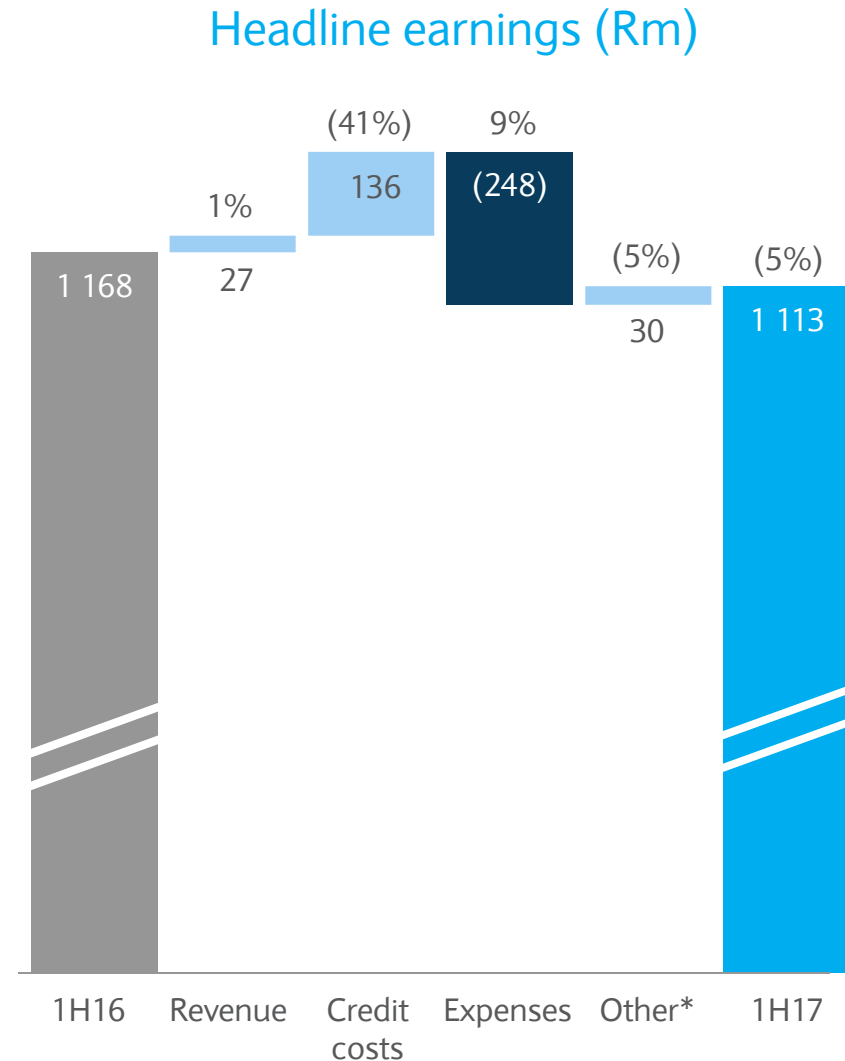
Headline earnings\* (Rm)



Note: \* excludes Other, which is largely central costs and lost R150m

# Continued investment in Business Banking SA

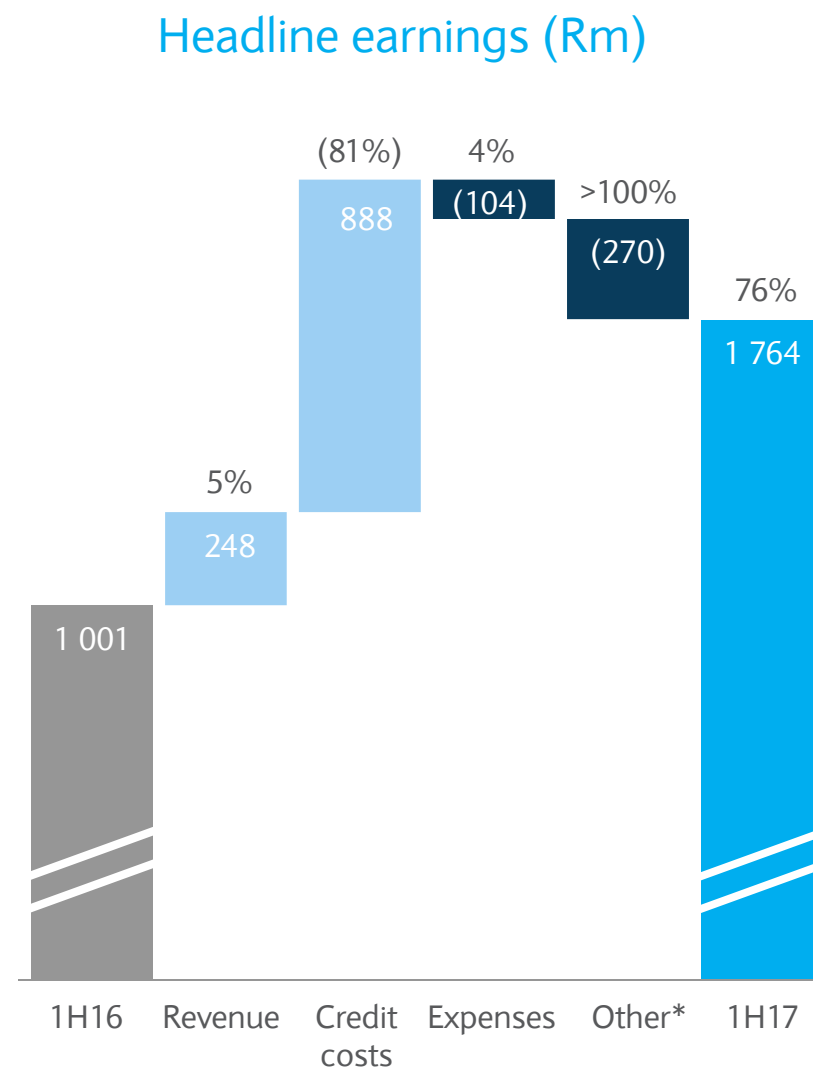
- Higher funding costs offset solid loan growth
- Robust underlying non-interest revenue growth
- Continued investment in electronic channels and frontline staff
- Lower new defaults and improved collections reduced credit costs significantly
- A large deposit franchise that produces attractive returns



Note: \* includes other operating expenses, taxation, non-controlling interest and non-headline items

# Substantial growth from CIB South Africa

- Continue to grow revenue through diversification
- Focus shifts to transactional revenue as loan growth slows
- Significant improvement in credit impairments
- Cost growth contained despite further investment in IT
- Separation from Barclays PLC is proceeding to plan



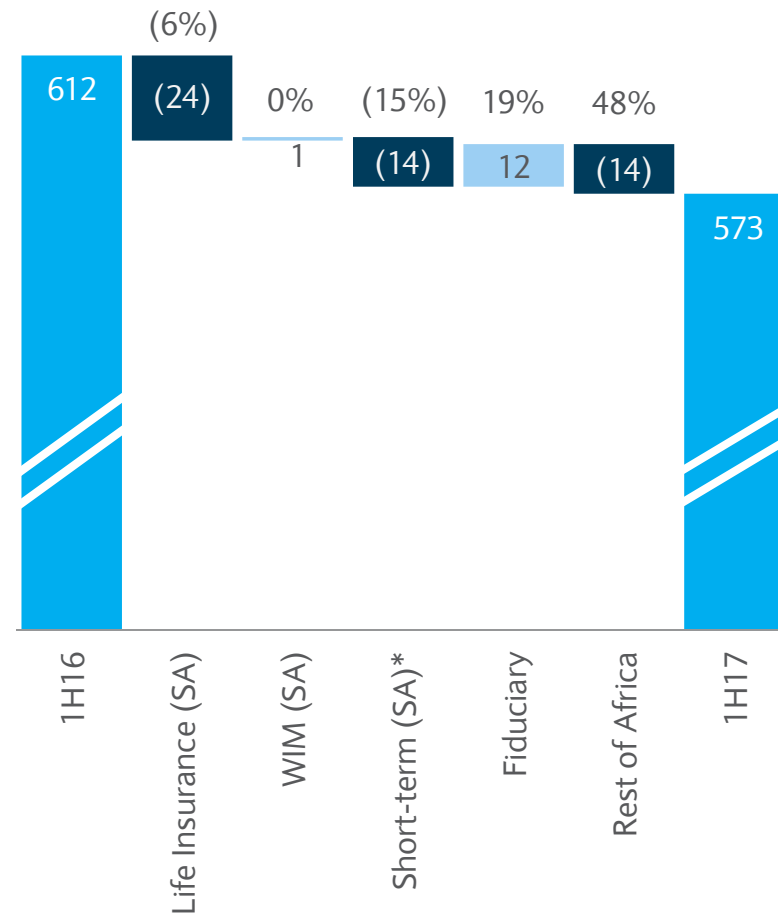
Note: \* includes other operating expenses, taxation, non-controlling interest and non-headline items



# Natural disaster claims reduce WIMI earnings

- Earnings fell due to claims on two catastrophic events
- Life South Africa impacted by single premium guaranteed product and new business strain
- Continued growth in assets under management
- Underlying short-term claims and underwriting margin improved in South Africa
- Life returned to profitability in rest of Africa, while short-term was loss-making

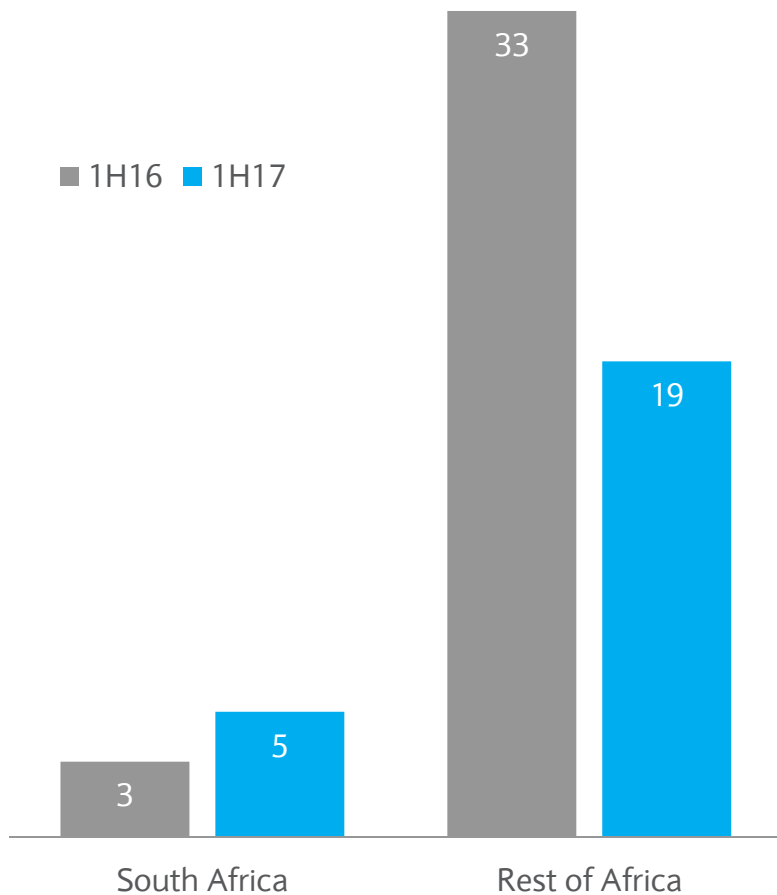
Change in continuing line headline earnings (Rm)



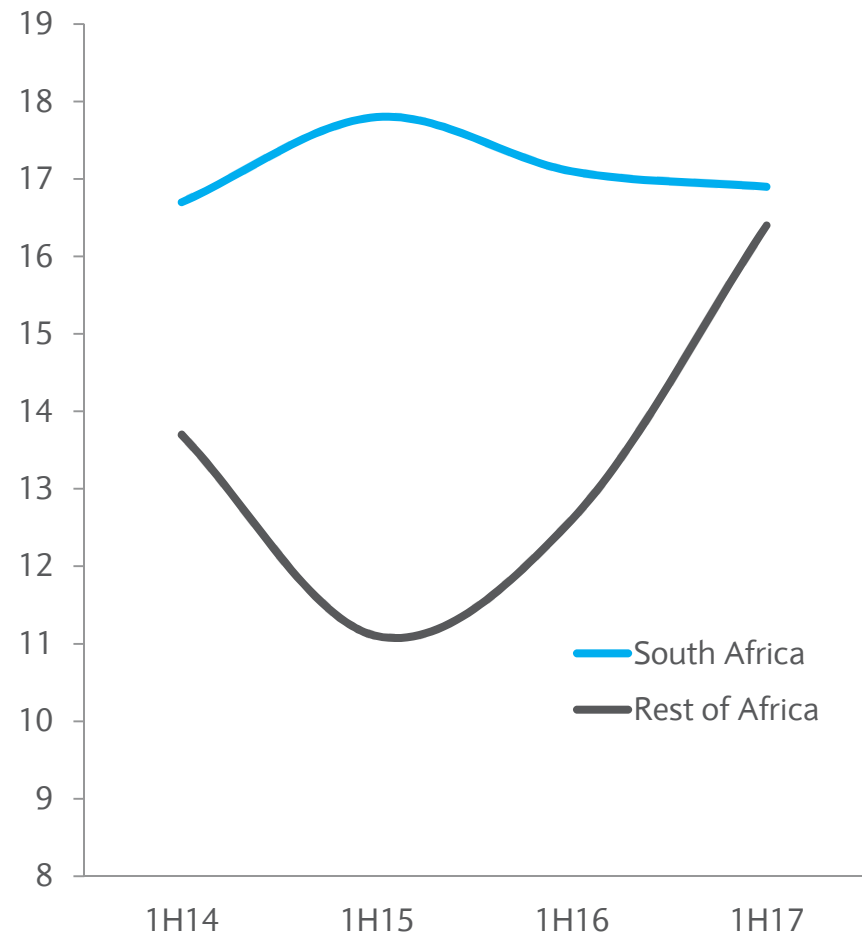
Note: \* excludes terminating lines

# Strong Rest of Africa growth improves its returns...

Headline earnings growth \* (%)



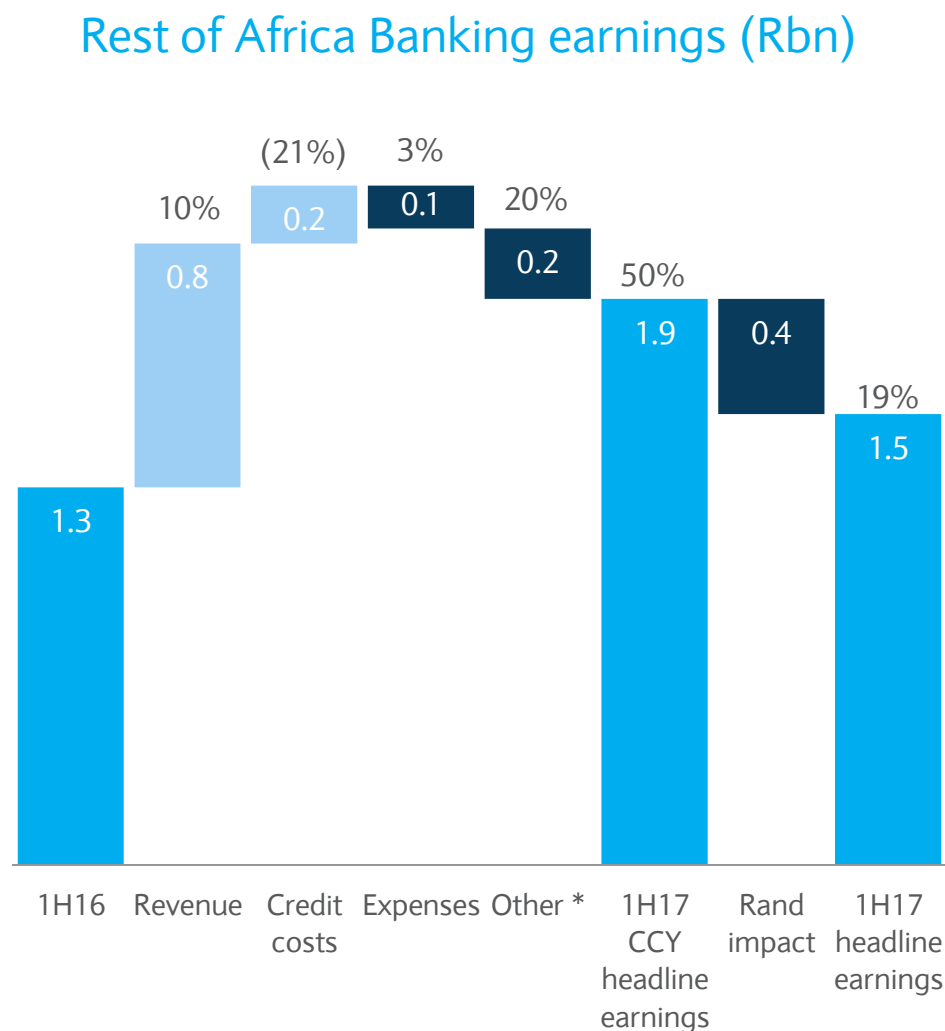
Return on equity (%)



Note: \* normalised

## ... reflecting CIB's performance

- Strong growth outweighed Rand appreciation
- Continued to benefit from a well diversified portfolio
- Regulatory changes and tough macro backdrop reduced RBB revenue
- Substantial revenue growth and lower credit costs in CIB
- Focus on managing the separation from PLC



# Outlook for 2017 unchanged

- Low to mid-single digit loan growth, with CIB above RBB
- Net interest margin is expected to decline slightly
- Slower revenue growth likely to produce negative JAWS, despite continued cost management
- Credit loss ratio is expected to improve from 2016
- RoE is likely to be similar to 2016
- Rest of Africa growth should exceed South Africa's
- Dividend cover is likely to increase slightly medium-term

# Disclaimer

## Forward-looking statements

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