Barclays Africa Group annual results presentation for the period ended 31 December 2015

1 March 2016

Maria Ramos, Chief Executive Officer

Good morning everyone and welcome to the Barclays Africa results presentation for 2015. In a moment we will share the results with you but I'd like to start this morning by making some remarks about Barclays Africa, and to respond to the announcement by Barclays PLC.

In 2013 we formed Barclays Africa. We did this by purchasing the majority of Barclays PLC's operations in Africa – the largest acquisition ever by an African bank on the continent. This marked the first step in the journey to fulfill our ambition, and my ambition, to build an African bank we are all proud of.

In 2014, I set out a 3-year strategy to deliver on this ambition. Today, and in the results we are sharing, you will see we are delivering against this strategy. Our vision for Barclays Africa is becoming a reality.

What does this look like?
- Barclays Africa has a strong balance sheet of over R1 trillion.
- We are well-capitalized and independently funded.
- We have an extensive reach across the continent.
- We serve over 12 million customers in 12 countries.
- And we employ 42,000 people.

Our financial strength is matched by our long legacy on the continent, and depth of local knowledge and relationships. Our roots are deep in Africa, reaching back over 100 years in some countries. We are hugely important in most of the countries in which we operate. In South Africa, our largest market, 1 in 4 households have a mortgage with us, and we have a 25% market share of deposits. Barclays Africa is a significant, broad-based economic contributor. Last year, we paid R7.3 billion in taxes, and shareholders received R8.6 billion in dividends. As an African bank, we are proud of that. We also spent R15 billion with over 5,000 suppliers, including 1,200 SMEs in South Africa, of which 560 are black-owned, and 226 are black women-owned. This creates employment opportunities and contributes to long-term economic growth. As an African bank, we are proud of that.

We invest in and support the communities in which we operate. We have made a commitment to invest R1.4 billion in youth education across Africa over the next three years. As an African bank, we are proud of that. We're a bank with a big ambition. We've been growing this franchise since 2013. We've demonstrated what we can do and we are delivering on our promises. But there is more to do. Our strong results today are another important step on that journey. We're manifestly ambitious about what Barclays Africa can achieve.

I'd now like to turn to our results. As in previous years, I will summarise our performance and David Hodnett will cover the financial detail following my remarks.

We delivered a strong set of results for the second consecutive year of our strategy. Headline earnings are up 10% driven by improving revenue momentum and below inflation cost growth.

- Our return on equity increased to 17.0% – our highest return since 2008. Our business in South Africa, our largest market, is already at 18% and we see further scope to improve our returns in the Rest of Africa. While our 18-20% target still remains appropriate for our business, current economic conditions will delay our progress in achieving it.
- Our share of revenue from the Rest of Africa grew to 21%, placing us in our target range of 20-25%.
- We are top three by revenue in four of our five largest markets, South Africa, Botswana, Ghana and Zambia.
- Our cost-to-income ratio decreased to 56% reflecting improved efficiency of our business and strategic cost reduction programmes. We continue to demonstrate strong cost control while investing in targeted growth areas.

Let me turn to performance in each of our three businesses.
Two years ago I told you that we would turn our Retail and Business Bank franchise around. We have made real progress. Last year RBB showed strong headline earnings growth of 14%, playing a key role in driving our overall growth. We continue to invest heavily in our branch network and technology infrastructure to create a more accessible and compelling offering. As evidence of this, we added 855,000 new to bank customers in 2015.

In our Corporate and Investment Bank I said we would expand the reach of our Corporate Bank across the continent and invest in our technology platforms. Our pan-African strategy is working, with earnings from our business in the rest of Africa increasing by 21%. This now accounts for almost 40% of overall CIB earnings. And we now have over 640 clients on Barclays.Net – our full-featured cash management platform. These clients made over 90,000 transactions worth R3.7 billion last year.

In our Wealth, Investment Management and Insurance business I told you we would expand into East Africa and restructure the Wealth and Investment cluster. We have. We've delivered earnings growth of 11% in WIMI. We concluded the acquisition of First Assurance in Kenya and Tanzania, and continue to look at opportunities in Ghana. Our assets under management increased by R15 billion to R274 billion making us the 7th largest asset manager in South Africa.

In summary, I am pleased that we have shown strong growth in the priority areas identified in our strategy. While these financial results are strong, I firmly believe banking is ultimately about people. I want Barclays Africa to be the destination of choice for the best talent across the continent, and so we invested R1.8 billion in learning and development last year. In fact, this is a strategic imperative for us. We are also deeply committed to diversity and inclusion in our workplace. In South Africa, our commitment to Employment Equity is of paramount importance. And although we are making progress, there is a lot more we have to do.

I've always believed that we have a responsibility to leave things in a better position than we found them. At Barclays Africa, we call this Stewardship. In many countries across our continent, the challenges of job creation and access to quality affordable education remain critical. We are rising to the challenge and have evolved our citizenship approach to what we call Shared Growth.

Our Shared Growth priorities are employability and skills, enterprise development, and financial inclusion. For example, we launched our flagship ReadytoWork programme which delivers online skills-building curricula, and has been activated in six countries, receiving many accolades. It will be

rolled out to the rest of our countries in 2016. And, as I noted earlier we have made a commitment to invest R1.4 billion in youth education across Africa over the next three years. So let me now re-state our continued priorities for 2016, the third year of our strategy.

- First, continue the Retail and Business Bank turnaround.
- Second, further expand our Corporate business across the continent.
- Third, grow Wealth, Investment Management and Insurance in existing and new markets
- And fourth, deliver on our talent agenda, with a focus on diversity and inclusion, including Employment Equity

To conclude, I'd like to acknowledge that we could not have delivered these strong results were it not for the people of Barclays Africa. I am immensely proud of their individual and collective contributions in delivering for our customers every day. Together we have built an African bank which is strong, well-capitalised, and has a long and enduring legacy. Now let me hand it over to David who will take you through our detailed financial results for 2015.

David Hodnett, Deputy Chief Executive and Financial Director

Thanks Maria.

Pre-provision profit drove earnings growth

We delivered another satisfactory performance in 2015, meeting our guidance for a third consecutive year despite the deteriorating macro backdrop and increasing regulatory pressures. Importantly, we achieved positive JAWS that increased our pre-provision profit 8% to R29.5 bn. This drove our 10% growth in headline earnings and further progression in our RoE to its highest level since 2008.

Our net interest margin widened further and remains a key factor in revenue growth with loan growth exceeding our expectations, in part due to rand depreciation. Improving our non-interest income trajectory remains a priority, and I'll show how growth has increased in a number of annuity businesses. Our costs remain well managed, growing 5%, as we continue to optimize in the right areas to fund investment in growth initiatives. While the credit cycle has turned, we continued to reduce NPLs and build portfolio provisions, and the benefit of our prudent lending strategy was evident in RBB's lower credit loss ratio in South Africa.

Entering a tough and volatile economic period, our early arrears in RBB are rising and there is increasing tail risk in our wholesale portfolio. However, we have grown our lending prudently and are gaining traction in annuity businesses. Our balance sheet is also well positioned for this deteriorating macro environment, given our highest level of portfolio provisions since 2007, our lowest NPLs since 2005, and strong capital ratios and liquidity.

Gaining traction in growing annuity revenue …

Despite the deteriorating macro backdrop, we continue to gain revenue momentum in several target areas. Improved traction in our South African retail transactional non-interest income reflects our continued turnaround of this core franchise, with revenue increasing 5% after two years of low growth. Higher client activity and growing customer numbers outweighed customer migration to digital channels and lower-cost bundles as well as sub-inflation price increases. At almost R7 bn, this annuity revenue stream is 10% of our total income.

Corporate in South Africa maintained its double digit net revenue growth to R4 bn, with strong growth in trade finance and deposits. With a market share still in the mid-teens, we expect

Corporate to continue growing its transactional revenue, particularly after we migrate all our local clients onto Barclays.Net this year.

… in the rest of Africa …

Our revenue growth in the rest of Africa doubled to 13% in constant currency and increased to 21% of group revenue. I highlighted last year that investing heavily in RBB Rest of Africa improved its underlying metrics, such as growing sales and customer numbers. This momentum is now evident in our revenue, which grew 12% to R8.9 bn, including 21% higher non-interest income.

Even with the commodity downturn, we believe RBB Rest of Africa offers a longer-term structural growth story, given low credit penetration and access to banking. We also remain underweight in SMEs, agri and the public sector, which are all areas of strength in South Africa.

WIMI in the rest of Africa remains a strong growth story, with net premiums up 26%, in part due to rand depreciation. Acquiring 63% of First Assurance, a Kenyan short-term insurer, will enhance its revenue growth.

Markets in the rest of Africa continued its strong growth, with revenue up 23% to R1.4 bn, 35% of CIB's total trading. This is largely foreign exchange trading, which benefited from currency volatility and increased client flows. With our FX platform and risk systems operational in all our markets, we expect continued growth here, as more countries contribute and our corporate flows increase medium-term.

… and in less capital intensive activities

We continue to grow our capital lite, fee generating activities. Card is a strong, high RoE franchise, which made almost R1.7 bn and accounts for 11% of our earnings.

We remain the largest merchant acquirer in Africa and sustained our double digit volume growth in South Africa to R241 bn, despite lower prescribed interchange fees reducing revenue by R300m last year. Our rest of Africa acquiring volume grew 10% to R14bn and continues to offer attractive growth prospects.

While enhanced digital functionality and actively migrating customers to electronic channels reduced Business Banking South Africa's cash-related revenue, electronic banking fee income grew 10%.

Loan pricing and rest of Africa lift margin

Our net interest margin improved further, rising 15 bps to 481 bps. As usual, there were several moving parts, although our improved lending margin was the biggest driver. Loan pricing added 8bps, as improved pricing in Home Loans, Personal Loans and the Investment Bank were partly offset by some compression in Vehicle and Asset Finance. Loan mix had no overall impact, as strong CIB growth offset a lower proportion of mortgages.

Within deposits, compression in Business Banking offset improved retail spreads and the mix benefit of less wholesale funding. Structural hedging contributed 14 bps of our margin, with R1.1 bn released to our income statement. This is 6 bps less than in 2014. Our cash flow hedging reserve decreased to a debit of R2.1 bn after tax, from a R400 m credit.
Rest of Africa's margin rose 10 bps to 823 bps and given its increased weighting after 28% loan growth, it added 4 bps to our group margin.

In ‘other’, changing our funding model for foreign currency loans added over R600 m or 8 bps to our margin, with an equal reduction in non-interest income, while higher liquid assets reduced it by 3 bps.

Our liquidity remains healthy, with 13% growth in liquid assets and other sources of liquidity to R199 bn. Our liquidity coverage ratio averaged 70% in the fourth quarter, well above the current regulatory requirements of 60%. The Reserve Bank is providing a committed liquidity facility, which we will start using this year. Net stable funding ratios become effective on 1 January 2018 although recently proposed changes would see us complying with it already.

Strong net interest margin trend

Our net interest margin has improved consistently in the past 4 years, increasing 58 bps since 2012. Reasons for this include changing our loan mix, with property-related lending declining to 38% of our total from 49%, a higher proportion of rest of Africa loans, strong RBB deposit growth and some endowment benefit with rising rates.

Despite releasing R1.1 bn to our net interest income in 2015, the contribution from our hedge programme has halved to 14 bps of our margin from 29 bps in 2012. So although this programme has performed well, it has not increased our margin in recent years.

Strong CIB and rest of Africa loan growth

Due to late rand depreciation, our loans grew more than expected, increasing 11% to R703 bn. Our constant currency loan growth was closer to 9%, and excluding the substantial increase in reverse repurchase agreements, about 7%, in line with guidance.

With 13% higher Home Loan registrations and commercial property finance payouts up 28%, our net property-related book grew 2%, its first increase in several years, although we continued to lose market share in both. Excluding these two books and repos, our net loans grew 14%, largely due to CIB increasing 21% after a strong fourth quarter. CIB Rest of Africa grew 31%, with two-thirds of this from Rand depreciation, while term loans and pref shares increased strongly, and commercial property finance grew significantly off a low base.

RBB Rest of Africa’s loans increased 26% or 14% in constant currency, with strong growth in credit cards as we entered additional countries, mortgages after opening mortgage centres, and personal loans through improved risk segmentation. Commercial loans also rose 22% off a low base.

In South Africa, Vehicle and Asset Finance grew 6% despite industry new vehicle sales falling 4%, although retail slowed notably in the second half. Our Ford Financial Services joint venture grew new business 30%, as Ford gained market share. Card grew 2%, with Edcon falling 10% to offset solid growth from Woolworths Financial Services and Absa Card. Personal Loans increased 8%, with improved sales and limit increases to existing low-risk customers.

Our market share across the South African retail portfolio has declined slightly. This is due to our focus on lending to existing low risk customers and lower loan to value mortgages than peers, which is also evident in our credit loss ratio improving further.

Non-interest income growth improving

Our non-interest income growth improved to 5% from 2% in 2014. Excluding our lower interchange revenue and reduced hedging revenue from changing how we fund foreign currency loans, the underlying growth was closer to 7%.

Our revenue remains well balanced as non-interest income is 48% of our revenue after credit impairments. It also has a high annuity component with fee and commissions growing 8% to R20 bn, accounting for 70% of the total.

RBB's non-interest income increased 7%, with RBB South Africa's growth improving to 5% and accounting for 53% of our group non-interest revenue. Business Banking is largely annuity in nature, with fee and commission income representing 93% of its non-interest revenue. Despite regulatory pressure, RBB Rest of Africa's non-interest revenue grew 21% on higher transaction volumes and strong foreign exchange sales. CIB's non-interest revenue declined 9%, as pressure on trading in South Africa offset solid 13% growth in the rest of Africa, given strong Markets growth. WIMI's non-interest income rose 7%, as net insurance premiums growth improved to 8% and Wealth and Investments increased by 10% on higher assets under management. Our Group revenue remains well diversified, although non-interest income declined slightly to 43% of the total. At 45%, South Africa's level of non-interest income remains well above Rest of Africa's 35%, which we expect to increase as WIMI and CIB grow across the continent.

Continue saving to invest for growth

Operating expenses increased 5% to improve our cost to income ratio to 56%. South Africa's 4% cost growth was well below inflation, while rest of Africa costs rose 9%, reflecting continued investment spend. Our structural cost programmes continue to produce efficiency gains that allow us to invest in strategic initiatives. Our property-related costs fell 1%, as we continue to optimise this portfolio, given above-inflation growth in rates and utility costs. We see further savings opportunities in our operations area, IT and the rest of Africa branch network.

Our staff costs rose 8% and accounted for 56% of total expenses. Salaries grew 8% due to higher wage increases for entry level employees and additional headcount in specialist areas such as IT. We restricted our non-staff cost growth to 1%, despite 18% higher professional fees, which largely relates to strategic projects and increased FICA remediation costs.

While direct IT costs grew 5%, our total IT spend rose 7% and accounted for 18% of group expenses, as we continued to hire key resources and increase investment and infrastructure spend. Amortisation fell 6% due to impairments recognized in 2014 and our intangibles remain low at R2.8 bn.

Marketing costs grew 10%, reflecting increased product advertising, while cash transportation costs rose 7% driven by higher volumes.

As part of our rest of Africa acquisition, Barclays PLC is spending 30 m pounds a year on IT, a substantial benefit that is not immediately evident in our income statement. This still has another 2 years to run. 'Other' costs fell 7%, largely due to reduced fraud and losses.

Building portfolio provisions increases charge

The credit cycle has started to turn, and our credit impairments grew 10% to R6.9 bn, increasing our credit loss ratio by 3 bps to 105 bps, its first rise since 2012. South Africa's credit loss ratio improved 3 bps to 97 bsp, reflecting our focus on originating quality loans and substantially improving our collections in recent years. Rest of Africa increased 53 bps to 170 bps, given a more normalised RBB charge and significantly higher CIB provisions.

We calculate our credit loss ratio differently from peers. On a like-for-like basis, including loans to banks and excluding collection costs of R295 m, our charge was 90 bps. Our secured NPL cover

decreased due to higher legal write-offs, but our total NPL cover was flat largely due to specific provisions in CIB and mix changes.

Retail Banking South Africa's credit loss ratio fell slightly, with all our main loan categories improving, despite booking an additional R150 m of macro-economic overlays. Our card credit loss ratio decreased to 607 bps, as further improvement in our Edcon portfolio offset slightly higher charges in Absa Card and Woolworths due to natural maturation of recent growth, higher debt counselling applications and increased portfolio provisions. Our vehicle and asset finance ratio improved due to strong recoveries across the portfolio, although debt counselling inflows and early arrears increased. Our mortgage credit impairments fell another 20%, due to improved recoveries and cleaning up old legal accounts, which reduced its NPL cover. Personal Loan's charge fell 6%, reflecting our strategy of lending to low risk existing customers in recent years.

Business Banking South Africa's credit loss ratio was flat, as commercial property improved further to 16 bps offsetting macro overlays of R115 m and higher Commercial defaults. RBB Rest of Africa's charge rose slightly due to increasing the emergence period in our models, strong recoveries in the base and macro pressures in certain countries. CIB's credit impairments increased significantly particularly in the rest of Africa, reflecting strain in the mining and resources sector and higher portfolio provisions.

We continued to build our balance sheet portfolio provisions, which grew 16% to R5.1 bn, or 73 bps of performing loans, the highest level since 2007. This included R418 m of additional macro-economic overlays, which have trebled since 2013 to R1.1 bn.Our non-performing loans improved to 3.9% of gross loans, the lowest level since 2005, although this has probably troughed. The composition remains largely as expected, with continued improvement in our property-related books partly offset by increases in the more cyclical books like vehicle finance, personal loans and credit cards, as well as commodity exposures in CIB. Our stock of repossessed vehicles has dropped 44% since 2011 to 1 191, while our 126 properties in possession are 94% below 2011's peak.

With South Africa experiencing our worst drought since records began, I should update you on our agricultural book of R31 bn, about 4% of group loans. Approximately R22 bn sits in Business Bank and R9 bn in CIB, which is to large, well-diversified co-operatives. Depending on weather patterns, we do not expect agri to increase our group charge significantly this year, given resilient farm values, farmers with reasonable harvests benefitting from far higher prices and our prudent credit granting over the past 4 years.

Our CIB portfolio remains well diversified across industries and our group exposure to the mining sector remains low at 1% of our loans, although we continue to watch specific names, particularly among junior miners.

Capital levels remain strong

Looking at the drivers of our Group core equity tier 1 ratio, our risk-weighted assets grew 14%, in line with our asset growth and expected regulatory changes, for example the exclusion of credit valuation adjustments. We remain very capital generative, as earnings added 2.1% to our CET1 ratio. With our high payout, R8.2 bn of ordinary dividends reduced our ratio by 1.2%. In 'other' our foreign currency reserve grew by R3 bn to offset the RWA growth from Rand depreciation. At 11.9%, our CET1 ratio remains above the 11.5% top end of our board range. Our Group leverage ratio was 6.7%, well above the minimum requirement of 4%.

We expect to remain at the top end of our target range, given changing regulations and uncertain economic conditions. Although we are still evaluating its likely quantum, introducing IFRS9 in 2018 is likely to reduce our CET1 ratio.

For 2016, our Board increased the Group's total capital adequacy ratio target range by 50 bps to between 13% and 15%. This is likely to increase further in the next few years. Given growth in our business and the uncertain economic environment, we will maintain a CET1 ratio at the top end of our board target and our dividend cover is likely to increase in the coming years.

Return on assets continues to drive higher RoE

Improving our return on assets to 1.37% was the principal reason our return on equity rose to 17% and 17.6% in the second half. Our RoA is similar to 2008's high of 1.38%, when our RoE was 23% given considerably greater leverage than the current 12.4 times. South Africa's RoE improved slightly to 17.9%, so it has already achieved our Group target. Although Rest of Africa's RoE improved to 13.5%, this still remains well below our medium-term expectations.

Strong returns across diversified franchise

Moving to our divisional contributions. RBB's return on regulatory capital improved to 22% and WIMI's RoE to 25%, while CIB's returns declined due to higher risk-weighted assets. Our earnings remain well diversified. Although Retail Banking in South Africa was 44% of group earnings, it is well diversified itself, with four large businesses.

RBB drove group earnings growth

RBB was the main driver of group growth, given 14% higher earnings as its pre-provision profit grew 10%. CIB's earnings increased 6%, with 6% higher pre-provision profits, significantly higher credit impairments off a low base, and 25% lower taxation. Improved revenue growth enabled WIMI to achieve 10% pre-provision profit growth, which underpinned 11% earnings growth. Our Head Office headline loss grew 48%, largely due to dilapidations in 2014 that were excluded from headline earnings.

Retail Banking SA momentum continues…

Retail's headline earnings grew 16% to R6.6 bn, as revenue growth improved to 6% and costs were well managed to produce 3% positive JAWS, while credit impairments fell 2%. We aim to achieve sustainable, profitable growth in Home Loans. While its book was flat, after declining for 6 years, earnings grew 15% to R1.8 bn, as credit impairments dropped a further 20%, costs fell 9% and its margin widened. Home loans remain an anchor retail product that offers attractive returns, and we increased our share of new business to 20% from 19%, although this remains below our back book market share of 26%.

Vehicle and asset finance benefitted from its partnership with Ford and its strong market share in used cars, as industry new car sales fell 4%. VAF's earnings decreased 3% to R1 bn, given 6% higher credit impairments and negative JAWS due to margin compression and investing in automation. Card aims to entrench its leading position, with its one third market share of issuing and acquiring. Its earnings rose 25% to R1.7 bn, as 6% revenue growth exceeded 1% lower costs and its credit loss ratio improved. Our Edcon portfolio made R123 m from a loss of R9 m, due to 15% lower credit impairments.

With improving customer numbers and core fee generation, our Transactional and Deposits earnings grew 9% to R2.7 bn, which accounts for 20% of total group earnings. Its revenue growth doubled to 8%, on 14% higher net interest income due to 11% growth in deposits.

Personal Loans' net interest revenue grew 12% with wider margins and 22% higher new business, largely via increasing limits to existing low-risk customers. Combined with 10% lower costs and impairments dropping 6%, its earnings increased substantially.

… as customer trends continue to improve

Our retail customers grew 2% to R8.8 m, due to improved customer acquisition, and attrition rates declining 28%. Our affluent and private bank customers grew 6%, all in the second half, while middle market rose 1% and mass market increased 3% despite slower PEP account sales in the second half. Given the change in our customer mix and closure of dormant accounts, our revenue per customer has grown at a double digit rate since 2012.

Stabilizing Business Banking SA

We flagged that Business Banking South Africa's earnings growth would slow in the second half, due to base effects. Its earnings increased 5% to R2.2 bn, on 3% pre-provision profit growth as moderate 3% revenue growth was slightly below 4% higher costs, and its credit loss ratio was flat. Business Banking's moderate revenue growth masks solid growth in target areas, as electronic banking fee income grew 10% and cheque account fees 15%, offset by declines of 21% and 3% in cheque payments and cash-related fees respectively. Business Banking has a high proportion of annuity revenue as fees account for 93% of its non-interest income.

While total customer numbers decreased 2%, our Commercial base grew by 685, as we opened 11% more new accounts and reduced closures by 16%. Importantly, Business Banking's balance sheet growth has improved, with term loans up 15% and agri loans increasing 9%. It remains a strong net provider of deposits to our group, after 9% growth to R110 bn. The continued migration of customers to digital channels also reduced costs, which helped fund the hiring of additional relationship managers and rolling out Barclays.Net. Its credit impairments included a further R115 m of macro-economic overlays, increasing its performing loan coverage to 107 bps.
Business Banking continues to generate attractive returns, producing a strong 26% return on regulatory capital.

WIMI strategy delivers growth …

In 2014 we positioned WIMI for sustainable growth. Delivering on this strategy produced 11% earnings growth and 16% higher net operating income. We have turned around Short-term insurance in South Africa. Earnings grew 23%, as our underwriting margin increased to 5%, after we discontinued crop insurance as an underwriting line, reduced our high expense ratio in personal lines and experienced benign weather conditions. We also improved our re-insurance, which helped reduced earnings volatility. We are making good progress in increasing the margins and returns on our Commercial and Industrial lines.

As noted, our rest of Africa expansion continues to deliver, with net operating income growing 30%, in part due to rand depreciation. We launched life assurance in Kenya, and bought 63% in First Assurance, which gives us some scale and a presence in Tanzania. We consolidated First Assurance for two months and its integration is progressing well. Life Insurance earnings grew 12% in South Africa due to 9% higher net premium income and 5% lower costs. Growth in net premium income was assisted by improved premium collections and significant growth in the number of policies sold through RBB branches.

Lower bond and equity markets impacted our results in the second half, reducing income from our shareholder funds 28%. Excluding this, our SA Life earnings increased 16%. We have completed Fiduciary's turnaround and improved its margin to target levels, which increased earnings 17% to

R137 m, while Distribution returned to profitability. WIMI's returns remain attractive as its RoE improved to 25% from 23%.

… in AUMs and new business volumes

As Maria mentioned, Wealth and Investments is South Africa's seventh largest asset manager, with assets under management increasing 6% to R274 bn. There was a substantial R19 bn positive swing in net inflows, largely due to institutional net flows improving by R13 bn. Higher systems spend and implementing a franchise model increased costs 12%, which limited earnings growth to 5%. Our embedded value of new business declined 4% due to lower volumes in South Africa and aligning credit life products and pricing across the continent. In line with industry trends, advice risk volumes remained under pressure during the year. However, sales volumes improved materially in the second half as a result of continued African expansion and greater cross sell between RBB and WIMI, which saw our embedded value of new business increasing 14% in the second half.

Credit impairments dampen CIB's topline growth

CIB's earnings increased 6% to R3.9 bn, with rest of Africa earnings growing 20% or 14% in constant currency to contribute almost 40% of CIB's earnings. Our Pan African strategy is working and clients are benefitting from our integrated regional presence.

South African earnings declined 2%, as the Investment Bank fell 19%, offsetting Corporate's strong 30% growth. Term loans increased 27% or by R35 bn to R167 bn, with most of the growth from South Africa where loans grew by R26 bn. The quality of new business improved from 2014, as we tightened credit granting criteria and increased margins. The loans were to leading SA corporates and large international groups involved in renewable energy. Much of the growth came in the fourth quarter, which will provide momentum into 2016. Although CIB's rest of Africa loans grew 31%, Rand depreciation accounts for two-thirds of this growth.

Impairments trebled off a low base, driven primarily by pressure in the mining and resource sector. As mentioned, CIB's book remains well diversified and its portfolio provisions doubled to R766 m, or 36 bps of performing loans from 23 bps. Operating costs rose 9%, given a significant increase in IT spend, as we accelerated investment in systems and technology.

In 2015 we launched Barclays.Net and have currently migrated 640 clients to this platform, which enables us to offer a full cash management suite through one online banking channel. We will migrate all our existing South African clients in 2016 and will roll it out across the rest of Africa in the next two years. Our electronic FX trading platform and risk system are now live in all of our countries and combined with Barclays.Net will provide a strong offering that positions us well for future growth.

CIB's client focus generates robust revenue growth

Corporate's revenues in the rest of Africa increased 10%, largely due to strong balance sheet growth. As key systems are implemented, its growth will switch to more non-interest income driven, and we expect to continue gaining share among multinationals operating across Africa. As mentioned, Corporate in South Africa recorded another year of double digit revenue growth due to solid growth in cheque deposits, increased transactional volumes and improved margins on trade products. Banking revenues grew 16%, benefiting from deeper client relationships and increased cross-border activity.

Our South African Markets revenue dropped 13%, as our largest desks – fixed income and foreign exchange – were impacted by lower client flow, volatility and margin compression. Diversifying into Equities and Prime Services continues to pay off, as revenue grew 21% to R696 m.
Strong growth in Markets revenue in the rest of Africa increased its headline earnings 58% and we expect further growth, as more countries contribute and we gain additional corporate flows. Our trading remains predominantly client-driven, as shown by our low average daily value at risk of R27 m. We reduced our non-core private equity portfolio by 17% to R2.4 bn, after realisations of over R800 m at above carrying values. We continue to look for opportunities to reduce it further.

Strong growth across Rest of Africa portfolio

Our Barclays Africa acquisition remains earnings enhancing and our portfolio in the rest of Africa grew headline earnings 17% or 12% in constant currency. Revenue momentum has started to improve with constant currency growth of 13%, and our banking operations achieved positive JAWS, improving the cost to income ratio by 2.8% to 61%. The effective tax rate also fell off a high base. These offset a 67% increase in credit impairments, mainly in our CIB portfolio as macro conditions deteriorated in various countries.

Rest of Africa's revenue contribution to CIB increased to almost 40% of its total revenue and we still see considerable room to grow this, initially in Markets and lending, and then in Corporate transactional business, once we roll out our core systems. As we have highlighted, WIMI maintained its strong rest of Africa revenue growth. Our Kenyan acquisition and expanding into Ghana will enhance this growth.

RBB's improving momentum is becoming evident, with 24% earnings growth. There remains considerable room to reduce its high 69% cost to income ratio. Although 17% earnings growth lifted rest of Africa's RoE to 14%, it remains below target. We see a clear path to improve its returns, through reducing its effective tax rate and RBB's high cost to income ratio, and turning around under-performing operations in Tanzania.

Outlook

Before handing you back to Maria, I want to run through our expectations for 2016. As Maria said, our strategy remains intact and we continue to see opportunities for growth. We also believe that our Group targets are still correct medium-term, although with a deteriorating macro environment we are unlikely to achieve our RoE and cost to income targets in 2016.

We forecast 0.9% GDP growth in South Africa, with downside risks from drought and electricity shortages, and we think interest rates will increase another 75 bps this year. We expect 5.1% GDP growth in our other presence countries in Africa. We see low single digit loan growth, with CIB growing faster than RBB and rest of Africa more than South Africa. Deposit growth should exceed our loan growth. Our net interest margin should decline slightly, as increased liquidity costs, a higher proportion of CIB lending, a reduced contribution from our hedge programme and the introduction of NCA caps in May are likely to offset the endowment benefit.

However, continued focus on revenue growth and cost management should produce positive JAWS, further reducing our cost-to-income ratio. Our credit loss ratio will increase, as arrears are rising and we believe our NPLs have bottomed. Our effective tax rate will probably decline slightly and our RoE is likely to be similar to 2015's. Lastly, Rest of Africa's earnings growth should continue to exceed South Africa's.

Thank you, I will hand you back to Maria.

Maria Ramos, Chief Executive Officer

Thank you David.

I'd now like to make a few remarks on the current economic environment which provides the backdrop for our results today. I'd also like to address the announcement earlier this morning from Barclays PLC regarding their shareholding in Barclays Africa.

2016 will be a difficult year for Africa's economies. In South Africa, we expect economic growth to be 0.9%. A worsening drought will further raise food prices while electricity supply constraints and low commodity export prices will continue to weigh on key sectors. And we expect the South African Reserve Bank to maintain a rate hike bias.

As a leading financial institution, we are committed to working with minister Pravin Gordhan and other stakeholders in addressing the economic challenges in South Africa. Indeed, as a leading African bank, we have an obligation to partner with governments and society across the continent to build the foundations for future prosperity. Many countries across Africa are facing a similar set of economic factors. I anticipate these economic conditions across the continent are likely to persist into 2017.

However, I am a long-term optimist, and despite the seriousness of the current environment, I believe that the structural growth case for Africa is stronger than the current cyclical challenges we are facing. As Barclays Africa, we are well-positioned to seize this opportunity. As I highlighted at the beginning of my remarks, we fulfilled our ambition to build a leading African bank when we brought together 11 banks across the continent and formed Barclays Africa. In doing so, we put the future of this organization firmly in our own hands. With an independent Board and a separate listing on the Johannesburg Stock Exchange we are in control of our future.

We are a leading bank in all of the markets in which we operate with total assets of over R1 trillion, an extensive network of 1 250 branches and 10 400 ATMs. We offer a full and integrated range of products and services across Retail and Business Bank, Corporate and Investment Bank, and Wealth, Investment Management and Insurance. We serve over 12 million customers in 12 countries across Africa, where we employ 42 000 people.

Today Barclays PLC announced their intention to reduce their ownership in Barclays Africa to a level which will permit them to deconsolidate from an accounting and regulatory perspective, subject to shareholder and regulatory approvals. This will be done over the next two to three years.

I would like to emphasize Barclays PLC CEO Jes Staley's remarks that their decision has been driven by regulatory burdens specific and particular to Barclays PLC as a UK headquartered and globally significant financial institution. These burdens significantly decrease Barclays Africa's standalone returns for Barclays PLC.

Jes noted, and as I've evidenced today, the quality of the Barclays Africa franchise, the success of our strategy to date and the strength of our management team and colleagues,.

We have had a proud and mutually beneficial relationship with Barclays PLC, who have been a supportive shareholder over the past 10 years. As we enter into this period of transition, we will actively engage with Barclays PLC and our regulators to ensure that this process has an appropriate and satisfactory outcome for all our stakeholders.

So what does this now mean for Barclays Africa. My message to you all is clear. While our shareholders will be changing over time, our destiny is firmly in our own hands. I have never been more convinced and prouder of what we have built in Barclays Africa. Today, we embark on the next chapter of our journey.

In this period of transition, my commitment and that of Barclays Africa to our customers and colleagues remains unwavering. And we will continue to serve and invest in our communities, as we have always done.

Our future as Barclays Africa is very bright and our ambition to be Africa's leading bank remains unchanged. We are a strong, well-capitalised and independently funded business. With our destiny firmly in our own hands, the way is now clear for us to shape an exciting future, using our strong balance sheet to invest for growth. What an opportunity this presents for us!

We are deeply committed to the success of our continent. Our destiny is Africa.

[END]