Barclays Africa Group interim results presentation for the period ended 30 June 2017

28 July 2017

Maria Ramos, Chief Executive Officer

Good morning and welcome.

Thank you for joining us for the presentation of Barclays Africa's results for 1H17. I'm joined by our Finance Director, Jason Quinn, who will present the financial details after my opening remarks.

Today marks a proud moment in the history of our organisation. It is an important moment for me, our leadership team and for my colleagues across Africa. This is the first set of results we are presenting following the Barclays PLC sell down of its majority shareholding. The opportunity this now gives us, and the exciting future opening up in front of us, are things that I want to address today.

At R37.7bn, the book build was the biggest ever in South Africa. The transaction achieved accounting deconsolidation for Barclays PLC. After the sale we have a 77% free float, half of which are South Africans. This happened faster than we had anticipated and it represents a huge vote of confidence from investors in the bank we are creating. In short, it has been a great success and removes any uncertainty about our future ownership. The transaction now gives us the platform and the opportunity to build a proudly pan-African business for the long term future of the continent.

It re-affirms our optimism in, and ambition for, our franchise. The journey to this point has taken just over a year and many rounds of discussions with regulators and stakeholders in different markets. During this time we restructured our executive committee and reorganized our work so that we continued to deliver on our strategic commitments. It's a demonstration of our ability to manage the complexity of separation, while ensuring a relentless focus on our day-to-day business.

The separation agreement with Barclays PLC valued in excess of R12bn also enables us to complete the process of operational separation while pursuing our growth strategy with renewed impetus. The separation itself will be an over-arching priority for us over the next three years. Successful completion of this work will determine the future shape of our business as a standalone enterprise.

Importantly, we are managing the aggregate level of change to the organisation mindful of finite cost and resource constraints, and in particular, sensitive to the capacity of change across our enterprise. Jason will speak later to our approach to "normalising" the financials so we can track accurately the underlying performance of our businesses. When we presented our 2016 results in February, I said our ambition remains the same and undiminished. We are building a pan-African financial services business with the potential to unlock the real opportunities and competitive advantages we enjoy.

Today, I am pleased to say we are presenting a set of results that demonstrate the real value of the 2013 acquisition of the Barclays businesses in Africa. Both geographically, as well as by customer segment, they are proving their worth in yielding a strong performance for the first half, as our biggest market, South Africa, has suffered the impact of an economic downturn.

The results also speak to the resilience of our franchise. We now have the scale we need to compete across all our markets, to develop options when adverse conditions arise, and to embed value where we have opportunities. In the first six months of this year we have been relentless in pursuing our strategic priorities in an environment that remains challenging notwithstanding the opportunities it presents.

- Our normalised headline earnings grew by 7% to R7.8bn driven by strong earnings growth in the Rest of Africa, and positive earnings growth in SA, featuring strong growth in Corporate Banking.
- Return on equity grew from 16.1% to 16.8%.
- Revenue declined by 1% due to macroeconomic pressures in some markets, Rand appreciation, and the impact of new regulations.
- We kept costs firmly under control while continuing to invest in IT infrastructure. Costs are 3% up for the period, which is in line with inflation in constant currency, and we achieved a cost to income ratio of 55.6%.

I am pleased that we have managed to sustain our earnings growth momentum. Last year, in preparation for the separation, we restructured the organisation around three key business divisions: South Africa; Rest of Africa; and Wealth, Investment Management and Insurance. In doing so, we made changes to the senior executive team with the appointment of David Hodnett and Peter Matlare as deputy CEOs, alongside Nomkhita Nqweni as Chief Executive of the WIMI business and with Arrie Rautenbach leading Separation and Strategy

We remain strong, with a balance sheet of over R1.1t. We have maintained a strong capital position with a normalized CET1 ratio of 12.1% which is above the top-end of the Board guidance, and a total capital adequacy ratio of 14.5%. We are well positioned to meet the challenges of the period ahead, and to take charge of existing and new opportunities. South Africa is in a recession and economic growth forecasts for the full year have once again been revised downwards. We know the economy here will remain challenging, and as a consequence, revenue growth will remain constrained. Costs will need to be controlled carefully and we are conscious that our investments in IT, particularly those underpinning our separation work, will need to build a more efficient and lower cost franchise.

We have a strong track record on cost management and these half year results again pay testament to that. We know, however, that we do not operate in isolation. The recent downgrades of South Africa's sovereign credit rating, create a level of uncertainty that negatively impacts business and consumer confidence. I am confident that we can retain the momentum we have built over the past few years and overcome the headwinds in South Africa and elsewhere. I have spoken about the focus we are bringing to the separation work and how this will remain a fundamental priority for us over the next three years.

Let me now set out our three main priorities for the business for the rest of this year. Firstly, we will continue to focus on our retail and business bank in South Africa, where we have achieved strong returns of 23%.

During the past six months, we have seen notable success with the launch of our Gold Value Bundle aimed at core middle market customers, and with youth and student propositions, which are key feeder streams to that segment. We aim to grow our share of new home loan business and sustain our position in vehicle and asset finance and grow Business Banking.

In Retail, our Rewards membership base has increased by 14% and we have grown the number of new-to-bank customers, although overall customer numbers have reduced as we continue to close dormant accounts. Importantly we have seen 48% growth in the active users of our mobile banking app.

Our second priority is WIMI. WIMI will continue to focus on retention of clients and assets, optimising opportunities presented by the pickup in momentum in RBB SA and returning the business outside of South Africa to profitability.

The third priority is to continue to drive the opportunities in our RoA business, particularly in Corporate and Investment Banking. Our ROA business with earnings growth at 19% and returns at 17.4% is proving its potential for further expansion and also its earnings contribution to the group. Fuelling this potential, our IT investment program is enabling us to rationalize our branch operations, as we expand ATM access and to use ICT infrastructure to provide a wider range of banking services.

As I said at the opening, today is a proud moment in our history. We are now poised to build a standalone pan-African business. What does this mean? We now have the freedom to chart the next chapter in our journey and to do so with confidence and determination. There's a palpable sense of excitement and opportunity … and we want to grab it!

What will this future look like? What is our ambition? We want to create a business that will be modern, agile and fit for purpose. Our ambition, my ambition, is to create a bank that will look and feel different to what has gone before, it will be very distinctive. This will be a bank that uses its scale – the strong platform we've built since 2013 – to invest in our people, our technology and digital innovation. It will be a business that thinks fast and acts smart. There will be a perceptible change in the pace of life here, as we better respond to challenges and seize new opportunities.

At the heart of this change is a cast iron commitment to deliver mutual benefit to our shareholders, customers, communities and our continent. It's what we exist to do. It's what motivates us and what we want our legacy to be. This amazing continent is changing in front of our eyes and we need to change too. Africa already has the youngest population on the planet. While serving the existing needs of our customers, we also have a duty and an opportunity to anticipate the future needs of this vibrant, young, diverse and optimistic continent. So we need to dare ourselves to be different. We're impatient for change. We want to be a truly transformative business.

It will be about growth: we are setting free the entrepreneurial spirit and ethos that is part of our DNA. Let me give you a sense of what we are doing here, as we commit to a step change in the way we do things and better use technology:

- We are investing in artificial intelligence to improve customer experiences. We've been the first in Africa to launch ChatBanking on Twitter, and the world first on Facebook Messenger.
- We're deploying software-based robots to automate and speed up processes.
- We're pioneering blockchain-based solutions and last year executed the first ever blockchain transaction in Africa.
- We've launched a series of ground-breaking talent academies, aimed at identifying and nurturing the technical skills we will need. They include:
  - The Digital Academy, providing rapid internships for young unemployed,
  - A Design Programme, aimed at accelerating interns through our Design office areas,
  - Our Rising Eagles programme, to fast track technology graduates, and
  - Our "Girls in Technology" initiative building a talent pipeline for school age girls.

We've also created a dedicated design team who are reinventing how we build and design these platforms, all to help create incredible customer experiences. I'm determined that we will be a leader in this rapidly changing environment. This work needs to be at the heart of our business. It's the future and this is how we will improve the lives and livelihoods of the people we serve. But there is more we can do as a standalone bank.

- We're already committed to a new employee share ownership scheme.

- Barclays PLC is also contributing the equivalent of 1.5% market capitalization to a broad-based black economic empowerment scheme.
- We will continue to focus on diversity and, in particular employment equity, recruiting the best to drive our growth. I want us to be the best place for talented Africans to work and grow.
- Our commitment to shared growth continues to underpin the way we serve our customers, communities, colleagues – with an approach that speaks to mutual benefit and positive societal change.

Let me conclude. We expect the economic environment to remain challenging but we believe the long-term opportunities remain attractive. Our results today are testament to the resilience of our business and the momentum we are creating. In the short term we are very clear on the priorities we need to focus on in order to maintain that momentum. But importantly, and as I have already said today, we are at a historic moment for Barclays Africa…

We've had a huge vote of confidence from investors, in a transaction that was multiple times oversubscribed. We have a motivated and focused leadership team, impatient for what comes next and ambitious to succeed. We have a strong platform, with the diversity and scale to seize the opportunity in front of us. Above all, we are fully cognisant of the responsibility we have. To build a proud, stand-alone pan African financial services business. We're resolutely determined to deliver on it.

Let me now hand over to Jason to go through our financials.

Jason Quinn, Financial Director

Thank you Maria.

Normalisation principles

Before delving into our numbers, I want to discuss two very important aspects of our first half results. The first deals with the financial effects of our separation from Barclays, and the second, which I will cover a little later, deals with the impact of currency translation on our results.

We provide a normalised view of our results for the first time, which better reflects our underlying performance while we separate from Barclays PLC. We will use this normalised view in our internal reporting, performance management and dividend decisions.

Note that we will continue to present IFRS compliant financial statements, as required by the Companies Act and JSE, as well as a reconciliation between the two views. We have established a set of normalisation principles to exclude the material financial consequences of separating from PLC.

With respect to capital, we will normalise for the R12bn we received from PLC last month, following the book build. Our expectation remains that the contribution will neutralise the capital and cash flow impact of separation investments over time.
On the revenue side, we will exclude the substantial endowment income we expect to earn on PLC's contribution and any hedging gains or losses linked to separation activities.

Within costs, we will normalise for the substantial change spend, as we invest in the systems required to separate. This includes depreciation, amortization and impairing any intangibles. We will also normalise the Transitional Services Agreement costs we pay PLC to provide various services during the separation.

And lastly we will normalise for any consequential tax impact arising from all of these items. We will apply these principles consistently to our financials, for all future periods where the financial impact of separation is considered to be material, to ensure you get an accurate view of our underlying performance during the separation.

Lower credit charge drove solid underlying growth

Next I show the items in our income statement that we normalised in our first half.
We excluded R46m of endowment income we made on PLC's contribution, which we received in June, following the book build. We also deducted a gain of R238m from hedges related to the contribution and separation. We added back R460m of separation costs, largely in staff costs and professional fees.
We impaired R325m of computer software, for Barclays.Net, which we will no longer use following separation. This was a non-headline item.

Lastly, we excluded R111m of taxation due to the separation. All told, the separation reduced our headline earnings by R152m, which we have normalised.

We expect the separation to have a far greater impact on our income statement over the next few years, particularly on expenses as the separation program moves into execution phase.Focusing on our normalised results, the shape of our income statement was largely as we guided. Revenue declined slightly, due to low balance sheet growth and margin pressure. Consequently, our operating JAWS were negative, despite well managed costs. As expected, our credit impairments decreased materially from an elevated base.

Salient features (normalised)

Looking at our salient features, our normalised diluted HEPS grew 7%, in line with last year's growth. As we guided, our dividend per share increased slightly less than this at 3%.
I will cover the key ratios later, but our improved returns, particularly in banking outside SA, are a satisfactory outcome considering the difficult macro backdrop. This again demonstrates the benefit we get from a diversified portfolio, within and across the businesses we operate, that Maria highlighted. For the rest of the presentation I will talk to our normalised financials.

Noticeable currency impact on our results

As I mentioned earlier, currency fluctuations are the other important feature affecting our first half results. In the first half of last year, the Rand was relatively weak, which increased rest of Africa's revenue by 15% and its headline earnings by 26%, when translated into Rand.

We flagged this last July, as it added 4% to our group earnings in the first half. However, the Rand has appreciated in the past year against all the currencies we operate in, which reduced our rest of Africa revenue by 16% and its earnings by 31% year on year in Rand terms.

At a group level, this translates into a 3% reduction in revenue and 4% lower earnings, a substantial year on year swing. So, on a constant currency basis, which is more reflective of our underlying performance, the diluted HEPS growth was closer to 11% than the 7% I showed you earlier.

Net interest margin declines …

As expected, our net interest margin declined slightly for the first time in 5 years, falling 8 bps to 4.93%. When combined with modest 1% growth in average interest bearing assets, our net interest income decreased 1% to R20.8bn. Our South Africa net interest margin declined slightly, while rest of Africa remains considerably higher, despite narrowing by 14 bps.

… reflecting regulatory and mix changes

As usual, there were several moving parts worth noting within our net interest margin. Our margin on loans narrowed by 8 bps. Pricing fell 5 bps, largely due to the R150m impact of reduced NCA caps on our unsecured retail portfolios, mostly in the Edcon book, plus higher interest in suspense in RBB.

There remains a mix drag from stronger CIB loan growth at a lower margin than Retail. Our deposit margin declined slightly, despite improved pricing in Business Banking and

Corporate. This was offset by higher wholesale liquidity premiums and an increase in wholesale funding. We had a 7 bps higher endowment benefit on equity, which was partly offset by a 3 bps lower contribution from our hedging programme, which released R97m to our income statement.

Rest of Africa reduced our group margin by 4 bps, largely due to Kenya's introduction of lending caps and deposit floors in the fourth quarter of 2016. The strong Rand also had a negative composition effect.

Modest group loan growth, particularly in Retail

Our loan growth remains modest, increasing 2% to R729bn. South Africa, which accounts for almost 90% of our loans, grew 3%. Our largest book, Retail in South Africa, increased 1% which I will cover shortly. Business Banking's South African loans rose 7%, as commercial property finance and Agri both increased 10%. Despite slowing, CIB's book in South Africa grew 6%. Its average term book was 10% higher, given strong new business in healthcare, technology and the public sector in the fourth quarter of 2016.

While Rest of Africa's loans fell 4%, this was due entirely to rand strength, as it grew 8% in constant currency. Year to date it grew 3% annualized. RBB Rest of Africa's book declined 12%, or 1% in constant currency, reflecting a prudent strategy in markets with high interest rates or liquidity constraints, plus Kenya's regulatory caps, and stress in the mining sector impacting scheme lending. Business loans grew 10% in constant currency. CIB Rest of Africa grew 6%, or 18% in constant currency, reflecting benefits from investment in our regional client coverage model.

It's worth unpacking our Retail book in South Africa, which accounts for over half our group loans. The tough macro environment and poor consumer confidence dampened growth in this book.

Home Loans, which represents almost a third of our group loans, decreased 1%. While our market share has declined to 24%, we aim to improve our share of new flows from 18% in May to 20% by year end. We are introducing a new scorecard that selectively increases the loan-to-value to high quality customers, without increasing our risk profile. Vehicle and Asset Finance increased 6%, given 10% higher production, despite the 1% lower new car sales in South Africa. We continue to benefit from the shift to used cars and a strong performance from our joint venture with Ford. Combining these, secured lending accounts for 85% of our SA retail book. Cards decreased 3%, when excluding the Edcon portfolio, our credit card book rose 2% with growth in new accounts and limit increases. Personal Loans grew 3%, as new business moved closer to our R1bn a month target.

Lastly, targeted campaigns saw 14% growth in overdrafts, off a low base.

Lower non-interest income

Our revenue remains well balanced, with non-interest income at 42% of our top line. South Africa Banking grew 3%, to account for 69% of group non-interest income. Retail increased 4%, despite stronger growth in Home Loans and VAF. Card rose 3%, including 10% higher acquiring volumes. The main component, Transactional and Deposits, increased 2% as customers continue to migrate to cheaper products and digital channels.

Business Banking's 4% increase masks solid 9% underlying growth, offset by significantly lower revaluation gains in its non-core equities portfolio.

CIB's flat non-interest income included some significant swings. Advisory revenue trebled on the back of executing some large deals and Corporate revenue grew 16%. However, Markets fell 17% off a high base.

Although Rest of Africa Banking's non-interest income fell 7%, this was entirely due to the strong Rand, as it grew 9% constant currency. RBB declined 1% in constant currency, due to the migration to digital and self-service channels, which increased by 14%. Card acquiring continues to grow strongly, with merchants up 15% and turnover 22%. CIB grew 21% in constant currency, with very strong 36% growth in Markets. WIMI's non-interest income was adversely impacted by lower short-term net premium income in the rest of Africa, increased claims, particularly related to natural disasters in the Cape, and new business strain, which reduced solid underlying growth.

Resilient fee income

Our non-interest income has a high annuity component, with fee and commissions accounting for two-thirds of the total. This component grew 3%, with solid 7% growth in South Africa Banking offset by Rest of Africa Banking and WIMI, which fell 14% and 8% respectively.

Net trading fell 2%, largely due to South Africa's reduction and the strong Rand. 'Other' fell 18% largely due to a sizeable foreign currency translation gain in the London branch in the base, which was a non-headline earnings item last year. Excluding this and the impact of the stronger Rand on translating our rest of Africa non-interest revenue, our underlying group growth was closer to 4%.

Costs remain well managed while investing

Our operating expenses grew 5%. The largest component, staff costs, increased 4% and accounted for 55% of the total. It rose in line with inflation on a constant currency basis, on flat headcount. Deferred cash and share-based payments increased 24% following new schemes.

We continue to invest in technology, as direct IT costs rose 15%. Our total IT spend, including staff and other costs, grew 7% and accounted for 19% of our expenses. Structural cost programmes continue to produce efficiency gains that allow us to invest in strategic initiatives. Property-related costs were flat, as we continue to optimize this portfolio.

We see further savings opportunities in our operations area, the rest of Africa cost base and technology, and remain focused on discretionary costs. Marketing grew 29%, with a number of product launches and campaigns in Retail Banking South Africa, plus separation-related costs. The 19% rise in professional fees reflects external consultants and technology development costs related to our separation. Excluding this our underlying pro fees fell 5%.

Lastly, amortisation of intangibles grew 11%, given investment in digital, data and automation, but remains relatively low. Separation costs totaled R460m for the half, across salaries, pro fees, IT and marketing. Excluding this, our normalised group costs increased 3% to R20bn. Factoring in the strong Rand, the constant currency growth was closer to 6%.

Negative JAWS reduced pre-provision profits

Despite this cost management, lower revenue meant our operating JAWS turned negative, which reduced pre-provision profits by 6% to R16bn.
However, in constant currency the decline was closer to 3%.

Credit impairments declined noticeably …

Our credit impairments fell 27% to R3.8bn, improving our credit loss ratio to 96 bps from 129. This is below our through-the-cycle expectation of 110 bps. In comparison to peers, on a like-for-like basis, the credit charge was 92 bps after excluding R142m of collection costs.

Our non-performing loans improved to 3.7% from 3.9% last December, principally due to a debt for equity swap in a particular CIB name in South Africa. Our group specific NPL coverage remained strong at 44%, despite reversing the high cover on this exposure. Unpacking the components, our SA Banking credit loss ratio was better than expected, decreasing materially.

Retail benefited from lower charges in Card and VAF in particular, despite higher NPL coverage and portfolio provisions in both. Early arrears improved across most retail portfolios, reflecting prudent credit granting and a strong focus on collections. While late arrears increased, they remain well provided for.

Business Banking's credit loss ratio fell significantly, in part due to improved collections.

CIB's charge dropped 81%, off a high base that included a large single name and a smaller mining exposure. Moreover, its watchlists have improved noticeably year on year.

Rest of Africa Banking's credit loss ratio also improved, largely due a to 54% lower charge in CIB, while RBB fell 19%, or 6% in constant currency.

… while portfolio provisions remain conservative

We also built total portfolio provisions, which grew 4% to R5.9bn or 76 bps of performing loans including banks, from 72. These declined slightly from December and remain conservative. Macroeconomic overlays have more than doubled since 2014, increasing by an additional R150m year on year to almost R1.5bn.

Capital levels remain very healthy

Given the challenging economic environment and the possibility of a local currency credit rating downgrade in the next year, our balance sheet remains prudently positioned, with strong liquidity and capital levels, and sound provisioning.

Our Group risk-weighted assets grew 3% half on half to R725bn. We remain capital generative, as first half earnings added 1% to our Common Equity Tier 1 ratio. Paying R5.3bn in dividends reduced our ratio by 0.7%, while our foreign currency reserve declined by R500m, which was offset by the RWA reduction from the stronger rand. Our resulting Common Equity Tier 1 ratio was 12.1%, which is comfortably above the 11.5% top end of our Board target range. Adding Barclays PLC's R12bn contribution for separation increases our CET1 ratio to 13.7%, although this will clearly be invested in our separation activities, mostly in technology and rebranding.

We believe the contribution will neutralize the capital and cash flow impact of required separation investments over time. While we are still evaluating its likely impact, introducing IFRS 9 is expected to reduce our CET1 next year, the quantum of which depends on final clarity regarding the phasing of its implementation. Our strong capital levels enabled us to declare a 3% higher dividend per share, taking into consideration the challenging operating environment, our internal capital generation, strategy and growth plans.

Returns improved despite the macro backdrop

Looking at returns, our RoE improved to 16.8%, which is a resilient outcome considering the operating environment. Moreover, our return on assets improved to 1.4%, its highest level since the first half of 2008, when our RoE was 25%, given considerably higher leverage. Rest of Africa Banking's 1.8% was the main driver of our improved RoA.

Strong returns across a well-diversified portfolio

Our first half segmental disclosure has moved away from the divisions we used to report, to reflect our new leadership structure and the manner in which we run our businesses along geographic lines, with South Africa and Rest of Africa Banking and WIMI. We still provide our old divisional disclosures on a transitional basis for those who want them.

SA banking generated a 21% return on regulatory capital for the half, while Rest of Africa's RoE improved significantly to 17%. WIMI's RoE declined to a still healthy 19%. Our earnings remain well diversified. Although South Africa Banking accounts for almost three-quarters, this is spread across Retail, Business and CIB. And despite Retail Banking in South Africa generating almost 40% of group earnings, it is well diversified itself, and includes four large businesses.

Rest of Africa Banking drove earnings growth

Rest of Africa Banking was the main driver of group growth, with earnings rising 19%, or 50% in constant currency. South Africa Banking's 6% growth contributed the bulk of our absolute earnings growth, while WIMI's contribution fell 8%. Our total banking earnings grew 9% to almost R7.5bn.

CIB underpins SA Banking growth

South Africa Banking earnings grew thanks to CIB's 76% increase, with Investment Banking more than doubling and a strong 35% growth from Corporate. Although Retail's earnings declined, it remains larger than the other three divisions combined. Business Banking remains a sizeable business, despite its 5% lower earnings.

Retail Banking SA remains a priority

Retail's earnings decreased 10% to R3.1bn, reflecting negative operating JAWS, partially offset by better than expected credit impairments.

Home Loans earnings fell 9% largely due to lower net interest income, as its book declined 1% and its margin compressed because of higher funding costs and interest in suspense.

Card's book also declined and its margin narrowed, both largely due to the store card portfolio, where the margin was most impacted by the reduced NCA caps. Despite further growth in merchant acquiring, its earnings decreased 7%.

VAF earnings rose 5%, largely due to solid loan growth and lower credit impairments. The NCA implementation also dampened Personal Loans, where credit impairments increased, but remain within expectation.

Transactional and Deposits generated 15% of group earnings, despite falling 14%. Negative operating JAWS was the main drag, with costs rising 11% because of investment in IT infrastructure, digital channels, customer on-boarding and frontline staff, plus significantly higher marketing.

I covered retail's modest 1% loan growth earlier. While we continue to lose retail market share overall, our growth in Card, excluding the Edcon portfolio, and Personal Loans is now broadly similar to the market. And both VAF (including Ford Financial Services) and overdrafts are growing faster than the market.

We continue to lose share in mortgages, although we aim to increase our share of new business in the second half, without increasing our risk profile, as I mentioned earlier. Our retail customers fell 3% to 8.6m in South Africa, largely due to continued dormancy. However, new offerings such as MegaU for youth, a Gold Value Bundle and the Student Silver account showed positive initial results in the middle market and feeder streams. We lost mass market accounts, particularly as we suspended new business in the PEP accounts to mitigate fraud risk. We will re-launch this in September. It was pleasing to see that our Private Bank and Affluent customer numbers grew 4% and 12% respectively.

We still see opportunities for further cost improvements in Retail, particularly in IT and operations, which will fund further investment in digital and data analytics.
Lastly, Retail continues to generate attractive returns, with a 22% RoE, despite its lower earnings.

Continued investment in Business Banking SA

Business Banking South Africa's earnings fell 5% to R1.1bn, as negative operating JAWS outweighed significantly lower credit impairments. There are some positive underlying trends in its revenue line, despite growth of just 1% in the first half. As I mentioned earlier, Business Banking's loans grew 7%. And its core non-interest revenue rose 9%, excluding lower equity revaluation gains, despite continued customer migration to cheaper digital channels.

Cost growth of 9% reflects investments in on-boarding processes, KYC compliance, electronic channels and relationship managers.

Credit costs fell materially, with improved early arrears across all portfolios, in part due to intensive collection efforts. Our agri book remains well diversified and benefited from the end to drought conditions in many regions.

Business Banking remains a sizeable net deposit generator for the group, which also originates assets for other areas such as VAF. Its first half RoE was 27%.

Substantial growth from CIB South Africa

CIB delivered a strong performance, with earnings growing 76% to almost R1.8bn, as pre-provision profits grew 6% and credit impairments fell 81%. We have spent several years changing CIB from an institutionally focused investment bank into a full service Corporate and Investment Bank.

Corporate continues to perform well, recording its fifth consecutive year of double digit growth, with revenue up 11%. We gained a number of mid-Corporate clients in the past year and won some large mandates in the retail and public sector.
The Investment Bank's revenue rose 1%, including 14% growth in its banking business, as it concluded key deals in the mining and healthcare sectors. Commercial property finance offers good growth potential, off a low base, and its revenue increased 38%. However, our Markets revenue fell 17%, reflecting reduced client flow, limited event deals and lower industry volumes.

Although CIB continued to drive group loan growth, it is slowing. While its average book was 9% higher, its annualized loan growth slowed to 3% in the first half. Also, most of the growth came from reverse repos and its term loans declined half on half. Looking ahead, CIB's focus is shifting from strong loan growth to growing our transactional offering to our increased client base. The overall quality of CIB's book remains healthy and its watchlists continued to improve. At 4%, expense growth was contained below inflation, despite a 15% increase in IT costs. With our separation from Barclays underway, all CIB's major projects are proceeding according to plan.
CIB's strong earnings growth improved its return on regulatory capital to 17%.

Natural disaster claims reduce WIMI earnings

WIMI's earnings declined 8% to R574m, with continuing business lines down 6%. Its performance was impacted by the recent storms and fire-related claims in the Western and Southern Cape, which reduced earnings by 7%, but showcased our value proposition to customers.

Earnings from Life insurance in South Africa were adversely impacted by reduced single premium investment business and increased new business strain from growth in risk business written. While the growth in embedded value of new business was muted given the reduced investment guarantee business, strong growth in the sale of insurance products through our bank branches contributed to an 11% increase in the value of risk business written.

Despite challenging and volatile markets, assets under management increased by 4% to R295bn, as we secured new pension fund mandates and flows into our multi-manager platform.

Short-term claims expenses dropped 13% and excluding the catastrophe claims I mentioned earlier, our underlying margin improved to 7.4%, which is at the upper end of our targeted long term range. This was delivered through focus on pricing and improved claims cost control.

Within our rest of Africa businesses the embedded value of new business quadrupled due to actions taken to address unprofitable lines and as our revised operating model reduced head office costs.

Strong Rest of Africa growth improves its returns…

As Maria mentioned, our rest of Africa operations continue to enhance group growth. Our rest of Africa earnings have almost doubled since the first half of 2013, a compound growth rate of 18%, which increased it to nearly 20% of group earnings from 14%.

Rest of Africa's strong earnings growth improved its RoE materially to 16.4%, which is now only slightly below our South Africa return.

… reflecting CIB's performance

Rest of Africa Banking earnings grew 19%, or 50% in constant currency, to R1.5bn, reflecting positive operating JAWS and 31% lower credit impairments.

As I highlighted earlier, the stronger Rand was a material headwind in translating our rest of Africa earnings and balance sheet. For instance, Rest of Africa's pre-provision profits increased only 1% in Rand, but 20% in constant currency.

The operations remain well-diversified, across a broad portfolio of countries. This protected us against the difficult operating conditions in certain markets, which included economic challenges in Mozambique and Zambia, regulatory changes in Kenya and continued drought in some areas.

Although the Barclays operations we acquired in 2013 had a large retail component, CIB's growth increased its contribution to almost 80% of our Rest of Africa banking earnings. CIB's revenue rose 28% in constant currency, including strong growth in Corporate net interest income and 36% growth in Markets, despite margin pressure. This growth stems from our deliberate strategy to build out CIB across the region over the past four years. We still see scope to grow CIB's revenues medium-term, both in trading – as markets deepen – and the transactional side of Corporate.

We also believe RBB offers a long-term structural growth story in retail, while we remain underweight in Business Banking, especially in SMEs, agriculture and the public sector, which offer obvious growth opportunities. We continue to see a path to increasing our banking RoE in the rest of Africa, through continued growth in CIB and improving efficiency in RBB.

Lastly, the work streams required to separate from Barclays PLC and re-brand in the rest of Africa are on track.

Outlook for 2017 unchanged

Before we take your questions, I want to run through our expectations for the full year, which are unchanged.

In South Africa, we expect a weak economy and see GDP growth of only 0.3%, while we forecast average GDP growth of 5.3% in our other presence countries in Africa Against this backdrop, and barring any unforeseen regulatory and macroeconomic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB, and South Africa lagging the Rest of Africa's growth in constant currency.

Our net interest margin is expected to decline slightly this year, in part due to regulatory changes, although the base effects are going to be smaller in the second half. Following last week's 25 bps rate cut in South Africa, we currently see potential for another 25 bps cut in September, which our structural hedging program will provide some protection against. Moderate revenue growth is likely to produce negative JAWS, despite continued cost management.

Our credit loss ratio should improve in 2017, in part due to the large single name provision in the base, but the continued reduction in early Retail delinquencies in South Africa also bodes well.

Hence, our normalised RoE should be broadly similar to 2016's. Our normalised CET1 ratio is likely to remain above Board targets, and our dividend cover should continue to increase slightly medium-term.

While separating from Barclays will impact our near-term returns, we still believe that our stated longer-term targets remain appropriate, including an 18% RoE and low 50s cost to income ratio.

In closing, I am proud of our resilient first half performance and believe that we are financially well positioned to deal with the separation from Barclays PLC.
Thank you, Maria and I will now take your questions.