Performance review

We delivered solid results, demonstrating that our strategy is working. Our ambition to be Africa's leading bank remains unchanged. We are a well-capitalised and independently funded business that is strongly positioned to achieve our goals across the continent.

Chief Executive Officer's review

Maria Ramos
Chief Executive Officer

Introduction

In 2013, we formed Barclays Africa by purchasing the majority of Barclays PLC's operations in Africa – the largest acquisition ever by an African bank on the continent. In 2014, we laid out our three-year strategy to build a leading African financial services group and we are delivering on that ambition.

Today we have a balance sheet of over R1 tr and we are well-capitalised and independently funded. We serve 12.3 million customers in 12 countries and employ 41 772[LA] people. We are a leading bank in most of the countries in which we operate. In South Africa, our largest market, one in four households have a mortgage with us, and we have a 25% market share of deposits.

I am proud of the progress Barclays Africa has made. With our destiny firmly in our own hands, we will continue to use our strong balance sheet to invest for growth.

Economic outlook

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. We also expect the South African Reserve Bank to maintain a rate hike bias. Many countries across Africa are facing a similar set of economic factors.

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, we 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.

Meeting our commitments

We delivered a solid set of results in 2015, for the second consecutive year of our strategy. Headline earnings grew 10% driven by improving revenue momentum and below inflation cost growth. We are making steady progress towards meeting the four financial commitments as set out in 2013:

- Our return on equity increased to 17.0%, the highest since 2008. Our business in South Africa is already at 17.9% 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 this.
- The revenue share from Rest of Africa increased to 21% within our target range of 20 – 25%.
- We are top three by revenue in four of our five largest markets: Botswana, Ghana, South Africa and Zambia. We are fourth in Kenya.
- Our cost-to-income ratio decreased to 56%, reflecting revenue growth in target areas and the improved efficiency of our business and strategic cost reduction programmes. We continue to demonstrate strong cost control with cost growth below inflation and we will continue to work towards our target of low 50s.

Equally important to our financial commitments is the progress we are making towards our targets across the other elements of our Balanced Scorecard. Details on our progress against our targets in Customer & Client, Colleague, Citizenship and Conduct are dealt with on page 27 – 41, but I would like to highlight a few areas.

We improved our NPS®, which measures overall customer satisfaction, to 24.0%[LA] from 19.5%[LA]. We made progress on diversity and inclusion, and in South Africa, our senior black representation increased to 36% and senior women representation increased to 31%[LA]. While we have made progress, there is more to do, especially on employment equity in South Africa.

Retail and Business Banking

Two years ago, we set out to turn around our RBB franchise and we have made real progress. Headline earnings grew 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 during the year.

Corporate and Investment Bank

We set out to expand the reach of our Corporate Bank across the continent and invest in our technology platforms. Headline earnings grew 6%. Our Pan-African strategy is delivering with earnings from Rest of Africa increasing by 20%, and contributes 37% of CIB earnings. We now have more than 640 clients, who made over 90 000 transactions worth R3.7bn on Barclays.Net, our full-feature cash management platform.

Wealth, Investment Management and Insurance

We aimed to expand into East Africa and restructure our Wealth and Investment cluster. WIMI delivered headline earnings growth of 11%, supported by 14% growth in Life Insurance. We concluded the acquisition of First Assurance in Kenya and we continue to investigate opportunities in Ghana. Assets under management increased R15bn to R274bn, making us the seventh largest asset manager in South Africa.

Rest of Africa

While the commodity downturn and reduced economic growth weakened general sentiment towards the continent, our operations in the Rest of Africa performed well and enhanced Group earnings. This is evidence that the rationale in forming Barclays Africa is working. Headline earnings from Rest of Africa grew 17% while revenue increased 14%. Rest of Africa now accounts for just over a fifth of our revenue. We expect earnings growth to continue to exceed South Africa's and there is a clear path to increase our return on equity.

Citizenship

We have a responsibility to leave things better 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 are committed to Shared Growth, which for us means having a positive impact on society and delivering shareholder value. In Citizenship, our three Shared Growth priorities are employability and skills, enterprise development and financial inclusion.

We have made a commitment to invest R1.4bn in youth education across Africa over the next three years. We supported 353 000 youth in skills-building in 2015, and launched our flagship ReadytoWork employability programme, which delivers skills-building curricula online. ReadytoWork has been activated in six countries and has received many accolades. It will be rolled out to the rest of our countries in 2016.

In addition to supporting youth, we provided business advice and support to 25 966 SMEs and we will accelerate this in 2016. To support financial inclusion, we offered financial literacy training to 168 982 people. We also spent R14.6bn with over 5 000 suppliers, including 560 black-owned, and 226 black women-owned suppliers in South Africa. This creates employment opportunities and contributes to long-term economic growth.

Our people

The people of Barclays Africa remain our most valuable asset. I am immensely proud of their individual and collective contributions in delivering our strategy. Their commitment and expertise delivers value and service to our customers and clients every day. Attracting, retaining and developing a talented, diverse and inclusive workforce remain a strategic imperative for us. In 2015, we invested R2.3bn[LA] in learning and development.

Our executive management team reflects the strength and diversity of our business. We were proud to have appointed Nomkhita Nqweni as Chief Executive: WIMI and Arrie Rautenbach as our Chief Risk Officer. Both were internal promotions, which is evidence of the quality and diversity of our talent and succession pipeline.

Conclusion

In a year characterised by various economic and social challenges, particularly in South Africa, we delivered another solid set of results demonstrating the strength of our franchise. Our strategy is working.

My management team and I would like to thank our customers, clients and shareholders for their trust in our franchise, our colleagues for their dedication, and all our other stakeholders for their support.

On 1 March 2016, Barclays PLC announced its intention to reduce its ownership in Barclays Africa. We have had a proud and mutually beneficial relationship with Barclays PLC, which has been a supportive shareholder.

We know that our shareholders will change over time, but our ambition to be Africa's leading financial services group remains unaltered. We remain deeply committed to the success of our operations across the continent and will continue to focus on supporting our people and serving our customers.