Barclays Africa eyes faster expansion

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4 Mar 2015

Barclays Africa Group (BGA) is intensifying its expansion into the rest of the continent with applications for licences in several countries.

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It has applied for a commercial banking licence in Nigeria and one for an insurance business in Kenya. The group further aims to buy its parent's operations in Egypt and Zimbabwe, and will invest R1bn in operations outside SA this year.

This is part of its efforts to get the revenue generated from rest of Africa operations to contribute between 20% and 25% of group revenue in 2016. Zimbabwe and Egypt are not part of this target.

At present, the rest of Africa operations contribute 19% of group revenue, with the balance coming from SA.

Barclays Africa CEO Maria Ramos said on Tuesday, 3 March, the group was awaiting the approval of a licence for its wealth, investment management and insurance operation in East Africa. "We are waiting for confirmation of our licence in Kenya."

In addition, the group was awaiting a commercial banking and securities trading licence in Nigeria. But the Nigerian approval process was not expected to be concluded speedily.

"We have put in the application," Ramos said. "I am sure we are going to be getting quite a few questions from the regulators and I don't expect it to be a quick process."

A footprint in Nigeria will see Barclays Africa join Rand Merchant Bank, which has a merchant banking licence, and Standard Bank, the only South African bank with a full banking operation in that country.

When Barclays Africa acquired eight African operations from Barclays in 2013 for about R18bn it did not get access to

Nigeria as the latter did not have a footprint there.

Barclays Africa deputy CEO and financial director David Hodnett said a commercial banking licence in Nigeria would allow the banking group to accept more deposits and not just from large firms. This was a better option than applying for a merchant banking licence.

In the 12 months ended December, Barclays Africa posted a 10% rise in headline earnings to R13bn, partly boosted by a fall in bad debts. Credit impairments fell 10% to R6.3bn.

Two years earlier, the banking group's earnings took a knock as bad debts increased 63% to R8bn due to poorly written home loans.

"The (2014) result was in line with expectations," PSG Wealth portfolio manager Adrian Cloete said. "The credit loss ratio two years ago was much higher - it has come down nicely.

"I think (in future) you are not going to have much improvement in the credit loss; they'll have to grow income faster."

The return on equity improved to 16.7% from 15.5%. Barclays Africa wants to achieve an 18% return on equity for the 2015 financial year. Analysts have said this could be achieved.

But one analyst said the numbers did not overly excite him. "The decline in credit losses is reaching a trough, so where do we get growth ...? Africa was not that impressive," he said.

The rest of Africa headline earnings grew 14% to R2bn. But the retail and business banking operations saw a headline earnings decline of 19% to R785m.

Ramos conceded that the retail and business banking operations in the rest of Africa had not met expectations.

Source: BDpro