EFE Research – Barclays Bank of Zimbabwe Limited
Results Review
14 February 2014

STOCK STATISTICS			
Price:			4.20
52 Wk High:			6.50
52 Wk Low:			2.80
20 Day VWAP:			4.19
P/E:			30.00
D/Y:			-
PBV:			2.62
EV/EBITDA:			73.89
Issued Shares:			2,153.06
Market Cap:			90.43
Financials	2013 $m	2012 $m	Change Change
Net interest income	12.30	7.60	61%
Non funded income	27.20	29.70	-9%
Other income	0.30	0.30	-
Impairment losses	(0.70)	(0.50)	-40%
Operating expenses	(33.90)	(34.00)	-
PBT	5.20	3.10	70%
PAT	3.00	2.10	43%
OCI	0.80	3.60	-78%
TCI	3.80	5.80	-34%
Statements of Financial position	2013	2012	Change
Customer Assets	115.30	91.70	26%
Investment Securities	7.20	12.30	-41%
Interest Bearing Assets	122.50	104.00	18%
Investment Property	5.70	5.70	-
Cash & Bank balances	130.50	128.10	2%
Other Assets	49.10	43.70	12%
Non Interest bearing Assets	185.30	177.50	4%
Total Assets	**307.80**	**281.50**	**9%**
Customer Liabilities	248.00	224.80	10%
Other Liabilities	15.50	16.20	-4%
Equity	44.30	40.50	9%
RATIOS	2013	2012	Change
Basic EPS (us cents)	0.14	0.10	0.04
Cost to income ratio	85%	90%	5%
Staff costs/Operating Costs	53%	55%	2%
NFI to Total Income	68%	79%	-1%
Loan Loss ratio	0.60%	0.60%	-
Loans to Deposit Ratio	47%	41%	6%
Capital Adequacy Ratio	17%	18%	-1%
Core Tier 1 ratio	12%	13%	-1%
Liquidity ratio	53%	58%	-5%
RWA- Basel I	252.5	214.9	17%
RWA- Basel II	128.8	115.7	11%

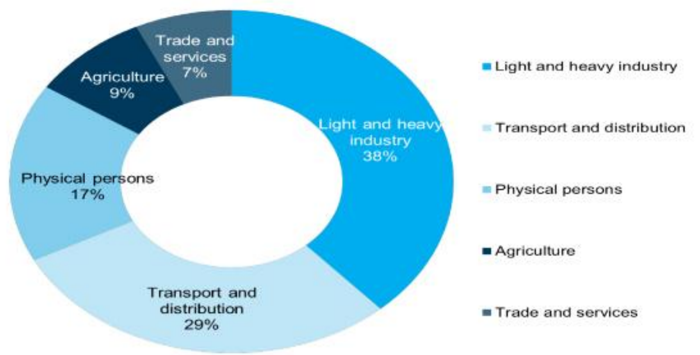
Full Year Results to Dec 2013

Barclays maintained its steady growth in financial performance in the year to December 2013 anchored on its "safe" banking model premised on conservative lending. Net interest income for the group jumped 61% to $12.3m while non-funded income fell 9% to $27.2m. The result was a 5% improvement in group total income for the period to $38.8m. Operating expenses were relatively flat only shedding -0.45% and closing at $33.9m and thus an operating profit of $4.9m. Profits from a joint venture operation of $295,225 saw the group close with a before tax profits of $5.2m from which an income tax charge of $2.2m was exacted to leave them with a PAT of $3.0m (Basic EPS 0.14c). Their balance sheet stood at $307.8m being a growth of 9.3% from last year. Loans and advances closed the year at $117.7m up 26% on prior year while deposits gained 10% to $247.9m relative to last year.

Operations Review

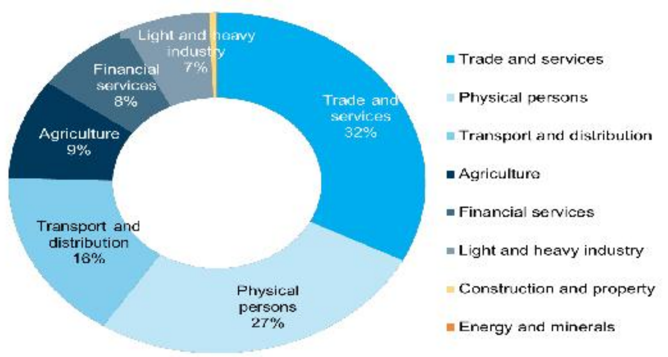
The bank contained its costs well to see a better cost to income ratio of 85% which was an improvement on the 90% achieved in the prior year. The faster growth in the loans in advances relative to deposit growth saw the group achieve loans to deposits ratio of 47% and had a liquidity ratio of 53% as well as a capital adequacy ratio of 17%. Barclays contained its loan loss ratio below the 1% mark at 0.6% as their strategy to grow a quality loan book continued to bear fruit. The bank facilitated lines of credit to the tune of $40m leveraging on the group. The mobile banking platform hello money continued to grow while a new product to send money via mobile services Cash send was also launched. The Barclays point of sale was also reintroduced.

Sectorial Loans Distribution



Source Barclays

Sectorial deposits distribution



Source: Barclays

The bank managed to leverage on group capabilities on lending and its channel resulting in the facilitation of over $40m offshore facilities while more e-channels were launched including Barclays App, Hello Money, Cash Send and POS. The bank enjoyed sustained transaction volumes though the MOU between the central bank and local banks affected non funded income. The bank also maintained a strong presence within the community under the citizenship agenda

Outlook

Management believes the Bank is well positioned to sustain business growth going forward subject to supportive macro-economic policies. Innovation is set as one of the cornerstones for attracting and retaining customers. The bank forecasts to increase the level of lending through venturing into more customer segments, introducing new debt products and leveraging on the Barclays Group. Another area of focus will be the balance sheet optimisation that will achieved through solid capital base and creating a strong liquidity position as well as sound funding position. The bank also plans to integrate e-channels to increase penetration through products such as the Barclays App, Hello Money, and Cash Send. The bank's focus will therefore be on delivering long term sustainable returns, while leveraging on the international group structure so as to extend global expertise to customers.

Comment

The Zimbabwean banking sector has been showing signs of fragility exacerbated by the biting liquidity situation. As a testimony to this the industry average NPL of 15.9% points to a debilitating macro-economic setup. Barclays however has been one of the few to hold their own on the liquidity and Non-Performing Loans front owing to their conservative lending and safe banking model that targets creating a clean loan book resulting in them achieving non-performing loans position of less than 1%. We commend the moderately growing annual returns for the group and believe that the current revenues and earnings growth rate for the group is sustainable in the medium to long term should an enabling macroeconomic environment.

These results point to the group trailing P/E of 30x which by all means is very high for a stock on the ZSE, but Barclays has traditionally traded at a premium both to its local peers and to the market thanks to the perceived potential to leverage on its international group and to tap into the many products offered by its parent. Should the group maintain the earnings growth rate from the prior year EPS of 0.2c and 0.27c are attainable in the next two consecutive years and these translate into PE+1 and PE+2 of 21.4x and 15.3x respectively, thus making Barclays an endearing investment option in the medium to long term. While a few red flags could be raised on the group around its status in the indigenization framework we believe a solution to this challenge will be proffered. Our opinion therefore is that Barclays is a **Long Term BUY**.