the africa report

TOP 200 BANKS

Please enjoy our ranking and analysis from our 2018 edition of **Africa's top 200 banks**. For this year's edition, please visit your newsagent and ask for the October-December TAR109 edition of The Africa Report, or subscribe online to get it first!

2018 REVIEW

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EDITORIAL

By **NICHOLAS NORBROOK**

Use tech to check

Africa needs cash and quickly: economies are not keeping up with booming populations, which is a shortcut to instability. The African Development Bank now estimates that the continent needs more than $100bn a year just to finance and maintain its infrastructure needs. But, while there are investors from East and West looking for bigger returns abroad due to low interest rates at home, the difficulty of enforcing property rights is holding back serious investment in the continent.

The Federal Palace Hotel, Lagos, is the picture of potential. It has a prime lagoon-side spot, a casino, a renovated pool area and plenty of green space in a notoriously asphalted city. Despite this, the hotel is driving away investors because of poisonous legal battles amongst the owners, the Ibru family, over who owns what.

Drive in any direction out of the gates of the Federal Palace, and it is not long before you will find houses with 'NOT FOR SALE' written in red paint. Elsewhere, whole communities have been bulldozed out of waterfront areas because, despite living in an area for a generation, they cannot produce written land titles.

Certainty is needed when it comes to moveable assets, too. A lack of clarity over beneficial ownership of companies – who really owns it, rather than a shell company registered in the Bahamas – means that responsible pension funds from the US and Europe are staying away from investing in Africa.

That has consequences. Africa's 54 countries received just $43bn in foreign direct investment (FDI) in 2017, a 13% drop from the previous year. The ASEAN grouping of 10 middling Asian countries received more than double that amount last year.

Trust and transparency matter if Africa wants to get serious long-term investors. Given the looming debt crisis on the continent, often driven by opaque and corrupt government spending, the pessimists may appear to be in the ascendant. But new advances in technology are keeping the flame alive.

The principles behind the cryptocurrency Bitcoin are distributed ledgers, where everyone can see who owns what and data is difficult to tamper with. Companies like Land Layby and Bitland are already using that technology for shared land registries in Africa. It is a way of creating that very transparency that gives comfort to private-sector lenders who may well be sitting on huge cushions of liquidity – see most African banks – but are fearful of lending due to identity opacity.

This is not science fiction. Letshego Microfinance Bank, for example, is rolling out its first loans facilitated by distributed ledgers in October (see page 30). Kenyan telecoms operators, too, are creating virtual financial histories for users of their mobile-money schemes, which, despite requiring a regulatory fix, could provide the blueprint for far greater lending to the poorer segments of society.

If Africa's governments were able to provide similar levels of transparency – as some argue is already starting to happen in Nigeria, with the Treasury Single Account – then Africa would start to turn heads among the largest global fund managers. ●

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Trust and transparency matter if Africa wants to get serious long-term investors

OVERVIEW

OPPORTUNITY KNOCKS AGAIN

Bank profits are growing as many of the big international financial institutions pull out of the continent to reduce their risks. But as they grow, will local banks be able to turn away from the easy money of buying government bonds in order to finance factories, farmers and fintech?

By **Nicholas Norbrook**

Some gentle teasing went awry when Nigeria's **Sterling Bank (#93)** launched an advert in July that showed itself heading towards the stars and its peers resolutely stuck on the ground. This kicked off a vicious Twitter war and the Central Bank of Nigeria eventually waded in to force an apology from Sterling Bank on the grounds of 'demarketing'. But, by squabbling over small beer, the elephants of Nigeria's financial sector may miss a new set of challenges and opportunities set to reshape Africa's banking landscape: the exit of large international banks, the arrival of ever more entrants driven by technology, and the rise of regulators driving change.

Opportunity has returned in the African financial sector. Our ranking of Africa's Top 200 banks shows that banks got back to business in 2017, after two years during which more than a decade of asset growth stalled. In 2017, the top banks reported total assets of $1.74trn, compared to $1.47trn in 2016. That was matched by a similar jump in profitability: total Top 200 bank profits grew from $21.6bn in 2016 to $25.2bn in 2017.

Of course, while African regulators are happy to see banks return to growth, they are even keener for them to help finance the private sector. But not all governments are up to that task. Many pay lip service to the idea and then lean on domestic banks to fund their budget deficits. For banks in Ghana, for example, the choice is simple when presented with the options of a risk-free loan to government that pays 17% interest or a tricky manufacturing project where the returns will come far later down the track.

Some governments have tried to legislate problems away. In 2016 Kenya placed a cap on loan interest rates – at 4% above the central bank's main rate – to try to spur lending by lowering its costs. Despite the uproar, which led to a substantial drop in the amount of lending, the cap has not hit the profitability of Kenya's big banks: **Equity Bank Group (#59)**, for example, posted 2018 Q1 profits up 21.7%.

Meanwhile, for many borrowers this has meant being forced into the arms of app-based microfinance lenders, despite "these platforms [being] worse than the village shylocks", according to Kenya's central bank governor, Patrick Njoroge.

Other governments, including that of Ethiopia, have tried a more Asian-style channelling of money to industry through policy banks. And although

Prime Minister Abiy Ahmed has already pointed to abuses in the system he does not appear to want to change the current model radically. But he may be open to greater liberalisation of a very attractive sector – pricking ears in bank boardrooms across East Africa. Many of the country's privately owned banks are recording strong growth. **Awash Bank (#152)**, for example, saw profits rise 44% in 2017 (see page 88).

A GRACIOUS MOVE

Nigeria, too, wants to use the strength of the public balance sheet to offer cheap loans to economically productive sectors like agriculture and manufacturing, according to new central bank guidance. Under the scheme, launched in August, some of the money commercial banks are required to keep in the central bank – under the cash reserve requirement – can now be used to finance building factories, a move that Segun Agbaje, the chief executive of **Guaranty Trust Bank (#37)**, called "gracious".

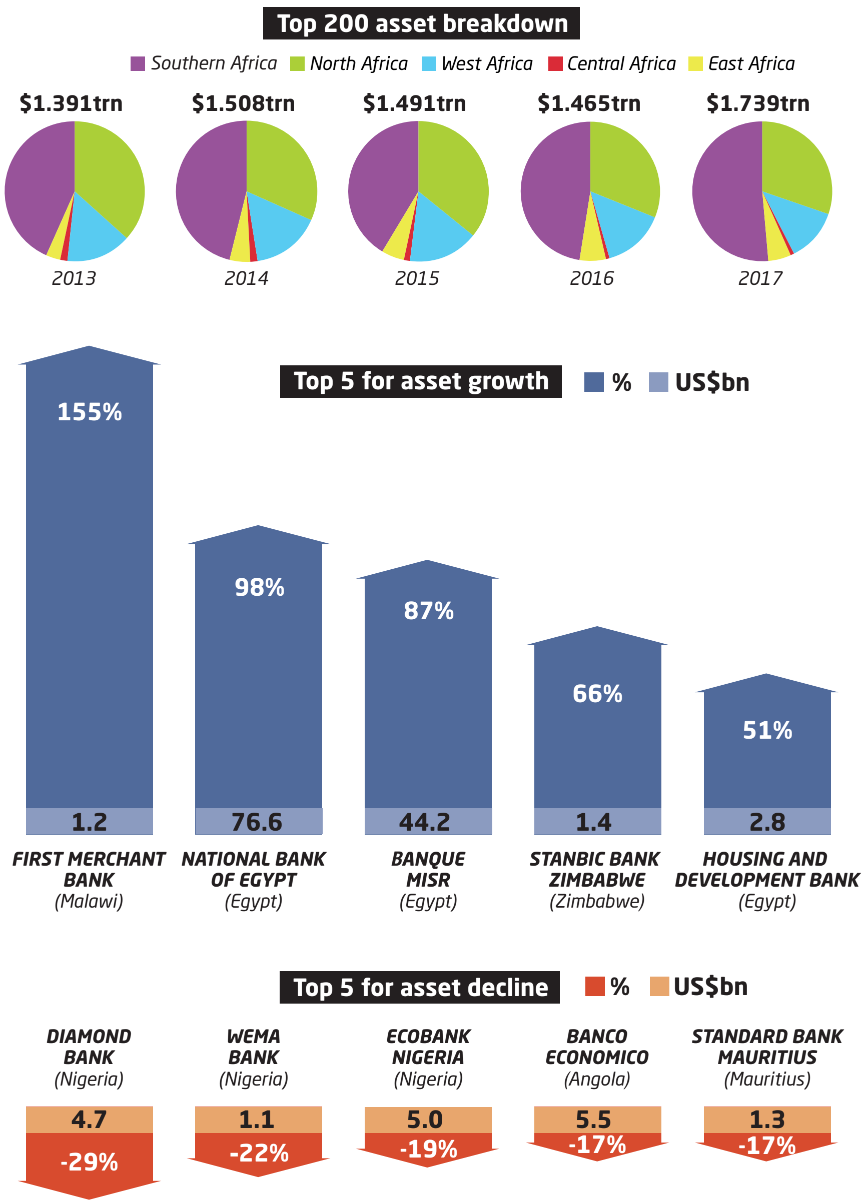
Finally, the most effective way to encourage lending at low rates is through tougher macroeconomic discipline – less wasteful borrowing and a better-organised tax base. But all that also requires much higher savings rates.

Morocco is a bright spot, having combined all three strategies. As a result, its private sector banks are riding high: witness their steady rise in our Top 200 over the past decade. There are now seven Moroccan banks in the Top 50. Their growth has provided a stable platform for their African expansions. **Attijariwafa Bank (#8)**, **Banque Central Populaire (#10)** and **BMCE Bank of Africa (#13)** made Dh2.7bn ($283m) in profit from their African subsidiaries in 2017.

Contrast this to the 'sugar high' expansion of Nigerian banks, which, flushed with capital after their consolidation in 2007, rushed into markets they were ill-equipped to deal with. **Diamond Bank (#63)** is the latest to come home chastened, selling its West Africa operations to Côte d'Ivoire's Manzi Finances for $61m in late 2017.

Diamond says it wants to use technology to target retail customers – following a trend across the continent. Servicing the 'bottom of the pyramid' is now back in vogue and increasingly possible given the leaps forward in both mobile-phone

The shape of Africa's Top 200 banks



adoption and the software banks are able to lay on top of them.

Kenya is birthing the next great rapprochement of telecoms companies and banks, beyond simple mobile payments. New bank accounts are held by phone customers, who can use their mobile devices both to save and to take out loans. There are now 20 million M-Shwari accounts in the country (see page 38). M-Shwari is a joint venture between **Commercial Bank of Africa (CBA, #123)** and telecoms giant Safaricom. Both companies have done well out of it. CBA's net profits rose 87% in 2016, a couple of years after the widespread uptake of M-Shwari. And technology may also help boost savings rates too. Studies show that only 30% of M-Shwari accounts are used to borrow. The rest serve as a store of value for Kenyan consumers.

The growth of tech and the focus on serving poorer segments has led to upstarts upsetting the old order. In South Africa, **Capitec (#44, see page 84)** has challenged the established 'Big Four' of **Standard Bank (#2)**, **Absa (#5)**, **Nedbank (#7)** and **First National Bank (FNB, #14)** by offering cheaper services that are more tailored to the needs of the many – through technology, certainly, but not always online. Capitec has recently introduced a cash point that accepts coin deposits, a first in Africa.

Other South African upstarts are chipping away at valuable market segments. Insurer Discovery is now also providing banking services. TymeDigital, which in August became wholly owned by Patrice Motsepe's African Rainbow Capital, plans to launch a full-service digital bank by the end of the year, and former FNB chief executive Michael Jordaan is set to launch the entirely digital, 45% black-owned Bank Zero.

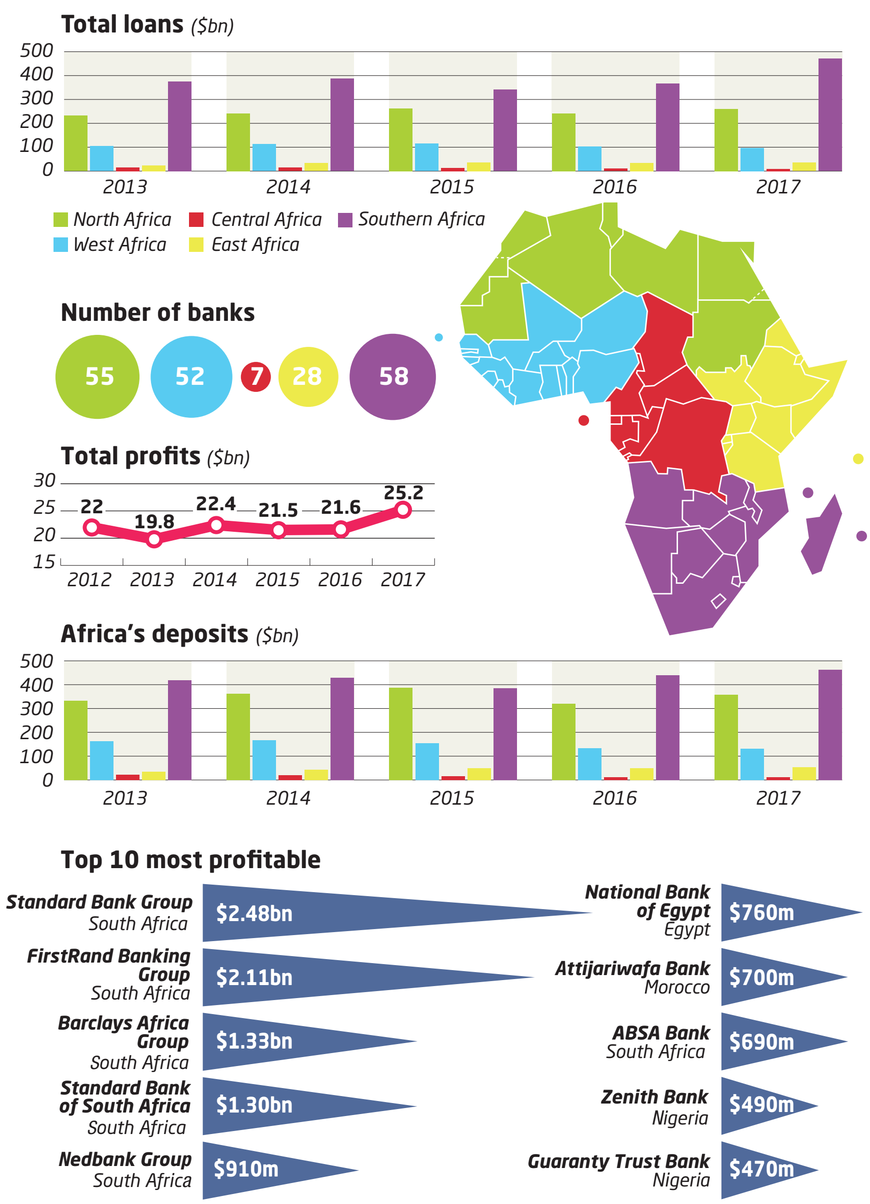
If new entrants are targeting even the continent's most developed market it is because, despite the bumpy macroeconomic conditions of the past few years, Africa is an attractive market. Tunisia-based AfricInvest fund has just bought a €17m ($19.5m) stake in Kenya's Prime Bank. Investors have piled into Nigerian bank stocks since the beginning of the year, despite non-performing loans averaging at about 15% at the end of 2017.

There is growing space on the continent, as Basel III regulations make it increasingly expensive for global banking franchises to retain outlets in Africa. Citi, HSBC, Société Générale and BNP Paribas are all headed out of the continent at a retail level, and local banks are seizing the opportunities being left behind. Attijariwafa Bank's 2017 purchase of Barclays Egypt has given it a huge asset. Elsewhere, South Africa's Standard Bank is continuing its expansion, having moved into francophone areas like Côte d'Ivoire and Senegal.

More broadly, however, the drying up of international liquidity provoked by global regulatory changes and anti-money-laundering laws remains problematic. The African Development Bank and **Afreximbank (#27)** are helping where they can, with the latter pledging to inject a further $25bn over the next five years to support intra-African trade.

The increasing difficulties that African banks face in completing international payments add to the exorbitant costs of doing business on the continent, says the chief executive of **MCB Group (#33)**, Alain Law Min. "Inter-country trade is very expensive because you have to go through so many steps before you can complete a transaction". But, for those who can crack it – the nimble, the tech-enabled and those attuned to the needs of the market – there are substantial opportunities for the taking.

The shape of Africa's Top 200 banks (continued)



METHODOLOGY

WE COMPILED OUR RANKING of Africa's Top 200 banks by sending out detailed questonnaires to more than 900 financial institutions spread across the continent. Their replies were used to create a systematic ranking of Africa's top banks based on total asset size. Our list features only the top 200 banks. All data is communicated to us by the banks or their parent companies. These figures relate to the 2017 financial year. Where that information was unavailable we used 2016 figures, indicated in the rankings by italics. Banks are removed from the list if they do not supply data during two consecutive years. The data was converted to US$ using the exchange rates applicable on 31 December 2017 to ensure a consistent comparison. Numbers in the 'Rank 2017' column refer to a bank's position in *The Africa Report*'s ranking of September 2017.

RANKINGS 1-40

RANK '18	RANK '17	DIFF.	BANK NAME	COUNTRY	TOTAL ASSETS	NET INTEREST INCOME	LOANS	DEPOSITS
1	1	0	**Standard Bank Group**	South Africa	**163 775 465**	8 331 363	75 114 230	12 284 969
2	2	0	**Standard Bank of South Africa**	South Africa	**105 698 688**	5 690 592	72 756 280	77 765 419
3	3	0	**FirstRand Banking Group**	South Africa	**98 345 086**	6 281 917	68 536 893	79 429 802
4	4	0	**Barclays Africa Group**	South Africa	**94 090 811**	3 417 682	60 551 587	55 713 659
5	-	-	**Absa Bank**	South Africa	**79 819 792**	3 632 666	53 341 334	47 149 707
6	7	+1	**National Bank of Egypt**	Egypt	**76 633 931**	-	21 159 755	48 393 923
7	5	-2	**Nedbank Group**	South Africa	**73 003 890**	3 642 841	55 695 084	59 500 092
8	6	-2	**Attijariwafa Bank**	Morocco	**50 651 413**	2 305 169	30 458 472	33 676 408
9	15	+6	**Banque Misr**	Egypt	**44 194 753**	873 093	10 060 341	29 903 108
10	9	-1	**Banque Centrale Populaire**	Morocco	**40 847 578**	1 742 678	24 357 473	29 125 100
11	10	-1	**Rand Merchant Bank**	South Africa	**36 102 062**	-	-	-
12	8	-4	**Investec Group**	South Africa	**35 863 255**	610 707	19 986 000	25 996 079
13	11	-2	**BMCE Bank of Africa**	Morocco	**33 371 122**	1 423 645	19 576 296	21 170 453
14	12	-2	**First National Bank of South Africa**	South Africa	**32 184 556**	-	-	-
15	13	-2	**Banque Nationale d'Algérie**	Algeria	**24 382 816**	674 791	14 225 371	14 727 477
16	14	-2	***Banque Extérieure d'Algérie****	*Algeria*	***22 908 655***	*776 672*	*14 143 450*	*17 737 193*
17	16	-1	**Ecobank Transnational Inc.**	Togo	**22 431 604**	1 831 202	9 357 864	15 203 271
18	-	-	**Wesbank**	South Africa	**17 300 569**	-	-	-
19	18	-1	***Commercial Bank of Ethiopia****	*Ethiopia*	***17 072 394***	-	*4 083 880*	*12 806 515*
20	22	+2	**Commercial International Bank**	Egypt	**16 554 357**	919 870	4 966 066	14 188 559
21	21	0	**Zenith Bank**	Nigeria	**15 386 946**	709 475	5 775 996	9 454 266
22	20	-2	***Crédit Populaire d'Algérie****	*Algeria*	***15 188 446***	*580 529*	*10 831 505*	*11 097 980*
23	23	0	**First Bank of Nigeria**	Nigeria	**14 400 477**	911 686	5 503 363	8 644 180
24	24	0	**Zenith Bank Nigeria**	Nigeria	**13 292 560**	603 730	5 446 276	7 547 444
25	19	-6	**Qatar National Bank Alahli**	Egypt	**12 333 076**	581 568	6 346 925	10 483 761
26	32	+6	**Arab African International Bank**	Egypt	**11 933 970**	316 366	4 237 112	8 583 685
27	25	-2	**African Export-Import Bank**	Egypt	**11 913 477**	372 126	8 329 943	2 149 356
28	28	0	**Banque de l'Agri. et du Développement Rural**	Algeria	**11 791 258**	438 908	7 493 819	9 792 702
29	27	-2	**Access Bank Group**	Nigeria	**11 281 168**	449 492	5 488 966	6 173 417
30	26	-4	**United Bank for Africa Group**	Nigeria	**11 191 054**	898 054	4 596 710	7 886 002
31	29	-2	***Banco de Poupança e Crédito****	*Angola*	***10 669 215***	*645 458*	*6 313 082*	*6 132 277*
32	33	+1	**Crédit Agricole du Maroc**	Morocco	**10 378 512**	418 417	7 533 740	7 258 935
33	-	-	**MCB Group Ltd**	Mauritius	**9 962 411**	446 883	4 934 676	7 849 819
34	31	-3	**Access Bank Nigeria**	Nigeria	**9 624 131**	361 727	4 871 028	5 254 628
35	34	-1	**Société Générale Marocaine de Banques**	Morocco	**9 469 531**	436 263	7 482 579	6 618 198
36	35	-1	**Groupe BOA**	Senegal	**9 221 033**	569 828	4 731 513	6 236 447
37	30	-7	**Guaranty Trust Bank**	Nigeria	**9 215 516**	678 324	3 983 467	5 670 631
38	40	+2	**The Mauritius Commercial Bank**	Mauritius	**9 055 302**	391 952	4 623 247	7 451 987
39	39	0	**Banco de Fomento de Angola**	Angola	**8 658 387**	829 772	1 168 853	6 349 449
40	37	-3	**Banco Angolano de Investimentos**	Angola	**8 215 843**	669 852	2 216 072	6 555 960

2017 RESULTS IN THOUSANDS OF US DOLLARS; **IN ITALICS 2016 RESULTS*

RANKINGS 41-80

RANK '18	RANK '17	DIFF.	BANK NAME	COUNTRY	TOTAL ASSETS	NET INTEREST INCOME	LOANS	DEPOSITS
41	36	-5	United Bank for Africa Nigeria	Nigeria	8 062 522	363 666	3 226 339	5 163 774
42	41	-1	Banque de Développement Local	Algeria	7 777 671	347 946	5 668 521	6 171 868
43	44	+1	BMCI	Morocco	6 999 411	321 239	5 283 569	4 621 476
44	51	+7	Capitec Bank	South Africa	6 861 146	1 010 796	3 376 931	5 171 081
45	42	-3	Banco BIC*	Angola	6 662 541	532 497	2 274 003	4 864 170
46	48	+2	KCB Group	Kenya	6 208 022	685 302	4 057 773	4 795 672
47	59	+12	Atlantic Business International	Côte d'Ivoire	6 123 202	258 010	3 263 095	3 370 113
48	50	+2	Development Bank of Southern Africa*	South Africa	6 071 540	348 613	-	-
49	57	+8	CIH Bank	Morocco	5 710 175	216 824	4 297 522	3 401 101
50	49	-1	Banco Millennium Atlântico*	Angola	5 690 726	505 285	2 682 247	4 451 946
51	52	+1	Crédit du Maroc	Morocco	5 592 731	232 655	4 189 159	4 322 899
52	55	+3	Al Barid Bank	Morocco	5 540 235	168 061	396 826	5 205 376
53	45	-8	Banco Económico	Angola	5 520 598	-	1 072 910	3 898 872
54	53	-1	Banque Internationale Arabe de Tunisie	Tunisia	5 458 576	282 816	3 788 371	4 268 917
55	56	+1	BGFIBank Group	Gabon	5 457 461	375 587	3 719 962	3 766 535
56	54	-2	Kenya Commercial Bank	Kenya	5 334 051	585 616	3 724 251	4 225 577
57	61	+4	PTA Bank	Burundi	5 264 699	157 627	-	-
58	71	+13	SBN Bank Mauritius	Mauritius	5 178 493	13 604	2 906 187	4 083 672
59	58	-1	Equity Bank Group	Kenya	5 034 871	360 668	2 679 280	3 582 175
60	46	-14	Ecobank Nigeria	Nigeria	5 031 843	320 540	2 286 826	3 020 331
61	69	+8	West African Development Bank	Togo	4 855 530	68 477	3 211 683	-
62	38	-24	HSBC Bank Egypt*	Egypt	4 811 152	270 312	1 555 439	3 873 535
63	43	-20	Diamond Bank	Nigeria	4 715 720	270 282	2 077 634	3 194 384
64	-	-	Arab International Bank*	Egypt	4 695 147	130 841	1 340 876	2 801 738
65	64	-1	Société Arabe Internationale de Banque	Egypt	4 686 640	105 743	1 569 338	3 742 805
66	65	-1	Faisal Islamic Bank of Egypt	Egypt	4 639 099	-	-	-
67	60	-7	Arab Bank for Econ. Development in Africa*	Sudan	4 490 730	-	-	-
68	68	0	Banque de l'Habitat de Tunisie	Tunisia	4 387 731	156 180	3 246 401	2 390 111
69	74	+5	Bank of Alexandria	Egypt	4 363 570	273 027	1 805 469	3 568 239
70	62	-8	Banque Nationale Agricole	Tunisia	4 301 901	179 184	3 518 938	3 078 433
71	75	+4	HSBC Mauritius	Mauritius	4 246 247	42 861	1 750 583	3 120 937
72	66	-6	Union Bank of Nigeria	Nigeria	4 002 735	183 340	1 422 033	2 206 556
73	70	-3	Equity Bank Kenya	Kenya	3 901 464	280 913	2 061 933	2 867 547
74	76	+2	Stanbic IBTC Bank	Nigeria	3 812 644	229 864	1 023 242	2 072 516
75	63	-12	Fidelity Bank	Nigeria	3 792 839	196 526	2 114 027	2 132 009
76	77	+1	Co-operative Bank of Kenya	Kenya	3 713 834	399 322	2 437 072	2 758 768
77	72	-5	Société Tunisienne de Banque	Tunisia	3 649 924	157 348	2 466 026	2 405 145
78	79	+1	Diamond Trust Bank Kenya	Kenya	3 487 713	239 525	1 882 062	2 555 970
79	81	+2	Banque Sahelo-Saharienne Invest. et Comm.	Libya	3 480 412	143 373	1 249 004	2 058 823
80	73	-7	Amen Bank	Tunisia	3 430 085	102 552	2 441 241	2 089 812

2017 RESULTS IN THOUSANDS OF US DOLLARS; *IN ITALICS 2016 RESULTS*

RANKINGS 81-120

RANK '18	RANK '17	DIFF.	BANK NAME	COUNTRY	TOTAL ASSETS	NET INTEREST INCOME	LOANS	DEPOSITS
81	78	**-3**	**Attijari Bank**	Tunisia	**3 426 512**	161 550	2 323 341	2 425 625
82	82	**0**	**National Bank of Kuwait - Egypt**	Egypt	**3 313 797**	137 420	1 904 563	2 294 557
83	88	**+5**	***Land and Agri. Dev. Bank of South Africa****	*South Africa*	***3 298 168***	*74 784*	*2 974 006*	-
84	90	**+6**	**Oragroup SA**	Togo	**3 283 020**	197 640	1 985 550	2 157 570
85	67	**-18**	**First City Monument Bank**	Nigeria	**3 261 993**	193 944	1 786 941	1 897 117
86	-	**-**	***Commercial Bank of Eritrea****	Eritrea	***3 244 680***	40 955	201 369	2 810 299
87	80	**-7**	**Bank Audi Egypt**	Egypt	**3 181 969**	134 458	1 634 368	2 649 741
88	94	**+6**	**Egyptian Gulf Bank**	Egypt	**3 156 381**	84 808	1 356 389	2 609 517
89	83	**-6**	**Barclays Bank Mauritius**	Mauritius	**3 145 415**	119 689	1 426 907	2 427 019
90	92	**+2**	**First National Bank of Namibia**	Namibia	**3 053 496**	135 311	2 282 149	2 462 240
91	89	**-2**	**Société Générale Algérie**	Algeria	**3 045 655**	168 461	1 947 632	2 375 186
92	103	**+11**	**Société Générale de Banques en Côte d'Ivoire**	Côte d'Ivoire	**3 042 563**	192 988	2 020 915	2 353 091
93	87	**-6**	**Sterling Bank**	Nigeria	**2 948 553**	137 995	1 644 701	1 883 294
94	99	**+5**	**AfrAsia Bank**	Mauritius	**2 893 709**	71 073	792 917	2 624 999
95	97	**+2**	**Banco Sol**	Angola	**2 851 656**	247 369	1 040 755	2 137 600
96	127	**+31**	**Housing and Development Bank**	Egypt	**2 825 016**	161 628	753 218	2 296 045
97	98	**+1**	**Al Baraka Bank Egypt**	Egypt	**2 824 848**	-	-	-
98	84	**-14**	***Bank of Khartoum****	*Sudan*	***2 795 952***	-	-	-
99	101	**+2**	**Bank Windhoek**	Namibia	**2 775 805**	180 818	2 302 283	2 052 982
100	96	**- 4**	**Standard Chartered Bank Kenya**	Kenya	**2 742 955**	262 447	1 212 427	2 048 153
101	132	**+31**	**Ecobank Côte d'Ivoire**	Côte d'Ivoire	**2 711 529**	140 705	1 218 782	1 563 708
102	86	**-16**	**African Bank**	South Africa	**2 661 365**	-	-	-
103	100	**-3**	**Ahli United Bank Egypt**	Egypt	**2 638 882**	-	1 228 284	-
104	93	**-11**	**Barclays Bank of Kenya**	Kenya	**2 603 303**	290 482	1 616 615	1 785 383
105	95	**-10**	**CRDB Bank**	Tanzania	**2 596 708**	180 275	1 273 289	1 903 383
106	118	**+12**	**Banco Comercial e de Investimentos**	Mozambique	**2 593 457**	202 356	1 215 055	1 896 170
107	102	**-5**	**Arab Tunisian Bank**	Tunisia	**2 580 643**	97 399	1 647 689	1 891 112
108	131	**+23**	**Banque Atlantique - Côte d'Ivoire**	Côte d'Ivoire	**2 561 202**	114 077	1 292 103	1 589 816
109	91	**-18**	**Crédit Agricole Egypt**	Egypt	**2 556 239**	157 066	936 303	2 082 396
110	85	**-25**	**Standard Chartered Bank Mauritius**	Mauritius	**2 503 646**	52 934	985 305	1 235 797
111	121	**+10**	**Standard Bank Namibia**	Namibia	**2 486 268**	-	1 788 538	1 984 055
112	105	**-7**	**National Microfinance Bank**	Tanzania	**2 422 798**	207 485	1 219 562	1 880
113	114	**+1**	***Faisal Islamic Bank Sudan****	*Sudan*	***2 408 072***	*134 751*	-	-
114	104	**-10**	***Omdurman National Bank****	*Sudan*	***2 392 347***	-	-	-
115	112	**-3**	**Stanbic Holdings (Ex CfC Stanbic Bank)**	Kenya	**2 387 892**	102 185	1 253 144	1 491 897
116	117	**+1**	**First National Bank of Botswana**	Botswana	**2 357 830**	213 928	1 497 638	1 754 288
117	123	**+6**	**Banco Internacional de Moçambique**	Mozambique	**2 304 419**	208 361	1 030 512	1 671 651
118	129	**+11**	**Suez Canal Bank**	Egypt	**2 243 949**	56 824	574 769	1 759 399
119	107	**-12**	***BNP Paribas El Djazair****	*Algeria*	***2 215 326***	*118 398*	*1 302 222*	*1 761 483*
120	135	**+15**	**Gulf Bank Algeria**	Algeria	**2 214 140**	116 945	1 325 974	1 723 537

2017 RESULTS IN THOUSANDS OF US DOLLARS; *IN ITALICS 2016 RESULTS*

RANKINGS 121-160

RANK '18	RANK '17	DIFF.	BANK NAME	COUNTRY	TOTAL ASSETS	NET INTEREST INCOME	LOANS	DEPOSITS
121	120	-1	**Union Internationale de Banques**	Tunisia	**2 198 334**	116 954	1 991 446	1 662 361
122	111	-11	**CBZ Bank**	Zimbabwe	**2 192 655**	63 129	941 408	1 853 678
123	110	-13	***Commercial Bank of Africa****	*Kenya*	***2 170 201***	*98 410*	*1 069 615*	*1 669 568*
124	115	-9	**Banque de Tunisie**	Tunisia	**2 128 989**	108 302	1 676 782	1 391 387
125	146	+21	**GCB Bank**	Ghana	**2 120 649**	197 219	462 440	1 525 228
126	130	+4	**Abu Dhabi Islamic Bank - Egypt**	Egypt	**2 101 240**	113 634	-	1 675 414
127	144	+17	**Coris Bank International**	Burkina Faso	**2 071 580**	82 842	991 966	1 135 519
128	113	-15	***African Banking Corp. Holdings****	*Botswana*	***2 040 297***	*169 498*	*1 125 795*	*1 567 082*
129	124	-5	**Ecobank Ghana**	Ghana	**2 004 138**	163 948	591 555	1 440 994
130	122	-8	**BGFIBank Gabon**	Gabon	**1 988 646**	120 912	1 224 632	1 583 281
131	137	+6	**NIC Bank**	Kenya	**1 979 256**	103 429	1 149 701	1 333 599
132	133	+1	**I&M Bank**	Kenya	**1 945 392**	173 250	1 296 945	1 416 789
133	106	-27	***Banco de Desenvolvimento de Angola****	*Angola*	***1 937 719***	-	-	-
134	109	-25	**Development Bank of Ethiopia**	Ethiopia	**1 926 235**	-	1 024 724	18 557
135	152	+17	**NSIA Banque Côte d'Ivoire**	Côte d'Ivoire	**1 910 721**	120 828	1 259 519	1 326 915
136	108	-28	**Standard Bank de Angola**	Angola	**1 906 946**	172 892	210 422	1 593 947
137	126	-11	***Banque Al Baraka d'Algérie****	*Algeria*	***1 872 062***	*75 997*	*985 328*	*1 514 219*
138	153	+15	**Export Development Bank of Egypt**	Egypt	**1 851 701**	52 048	797 226	1 545 092
139	143	+4	**Société Ivoirienne de Banque**	Côte d'Ivoire	**1 821 765**	107 238	1 109 895	1 221 525
140	138	-2	**CBAO Groupe Attijariwafa Bank**	Senegal	**1 815 144**	131 868	1 214 167	1 375 185
141	140	-1	**Afriland First Bank**	Cameroon	**1 802 114**	94 439	1 109 809	1 316 688
142	141	-1	**Bank of Africa - Benin**	Benin	**1 783 415**	-	728 610	987 482
143	125	-18	**Banco Caixa Geral Totta de Angola**	Angola	**1 770 951**	158 502	492 031	1 358 180
144	116	-28	**Investec Bank Mauritius**	Mauritius	**1 717 843**	47 484	952 637	893 397
145	-	-	**Citibank Nigeria**	Nigeria	**1 639 956**	76 229	270 019	1 153 206
146	154	+8	**Union National Bank Egypt**	Egypt	**1 611 464**	48 903	530 417	1 434 657
147	136	-11	***Unity Bank****	*Nigeria*	***1 601 215***	*160 797*	*900 947*	*858 638*
148	142	-6	**Union Bancaire pour le Comm. et l'Industrie**	Tunisia	**1 601 035**	84 487	1 110 561	967 239
149	134	-15	**Banco de Negocios Internacional**	Angola	**1 600 770**	115 308	539 640	1 406 000
150	160	+10	**Société Générale de Banques au Sénégal**	Senegal	**1 598 185**	108 867	1 048 506	1 235 810
151	163	+12	**Société Générale Cameroun**	Cameroon	**1 570 468**	109 644	1 102 017	1 289 301
152	150	-2	**Awash International Bank**	Ethiopia	**1 520 749**	103 240	816 863	1 108 309
153	147	-6	**Barclays Bank of Botswana**	Botswana	**1 513 746**	131 491	1 070 555	1 096 517
154	156	+2	**Standard Chartered Bank Botswana**	Botswana	**1 502 398**	-	757 924	1 222 861
155	145	-10	**Citibank NA Algeria**	Algeria	**1 478 959**	62 693	597 056	1 166 441
156	167	+11	**Standard Bank Mozambique**	Mozambique	**1 467 048**	157 045	369 382	1 102 934
157	162	+5	**Stanbic Bank Uganda**	Uganda	**1 459 123**	-	576 176	977 655
158	-	-	**Stanbic Bank Zimbabwe**	Zimbabwe	**1 403 113**	55 089	330 409	1 195 142
159	158	-1	**BICEC**	Cameroon	**1 399 860**	109 117	929 484	1 077 211
160	166	+6	**Bank of Africa - Burkina Faso**	Burkina Faso	**1 385 612**	-	772 295	958 606

2017 RESULTS IN THOUSANDS OF US DOLLARS; **IN ITALICS 2016 RESULTS*

RANKINGS 161-200

RANK '18	RANK '17	DIFF.	BANK NAME	COUNTRY	TOTAL ASSETS	NET INTEREST INCOME	LOANS	DEPOSITS
161	164	+3	Nedbank Namibia	Namibia	1 376 595	60 399	956 493	604 285
162	171	+9	Grindrod Bank	South Africa	1 347 041	-	558 211	1 237 187
163	182	+19	Unibank Ghana*	Ghana	1 346 261	92 106	676 399	613 188
164	165	+1	Ecobank Burkina Faso*	Burkina Faso	1 328 713	65 758	577 965	905 795
165	161	-4	Barclays Bank of Ghana	Ghana	1 311 555	195 454	571 189	696 495
166	155	-11	Diamond Bank Bénin*	Benin	1 305 003	46 538	553 907	944 711
167	139	-28	Standard Bank Mauritius	Mauritius	1 280 777	38 681	122 170	1 103 515
168	176	+8	Central Africa Building Society	Zimbabwe	1 266 727	116 022	684 401	1 019 216
169	157	-12	Dashen Bank	Ethiopia	1 254 449	75 010	641 905	1 006 561
170	159	-11	Natixis Algérie*	Algeria	1 246 310	61 292	645 480	996 065
171	170	-1	Stanbic Bank Botswana	Botswana	1 231 447	45 839	985 266	981 196
172	174	+2	Ecobank Senegal*	Senegal	1 193 413	58 292	457 462	791 362
173	184	+11	Fidelity Bank Ghana	Ghana	1 187 717	118 173	234 936	848 677
174	186	+12	Misr Iran Development Bank	Egypt	1 186 323	36 326	350 668	985 454
175	178	+3	BICICI	Côte d'Ivoire	1 185 194	87 754	806 175	1 005 444
176	181	+5	Bank of Africa - Côte d'Ivoire	Côte d'Ivoire	1 175 845	73 969	625 245	737 571
177	-	-	Stanbic Bank Ghana	Ghana	1 159 440	87 091	412 971	740 396
178	-	-	First Merchant Bank	Malawi	1 158 471	97 806	350 516	874 616
179	180	+1	Banque de Développement du Mali*	Mali	1 141 453	56 654	597 589	710 194
180	185	+5	Banque Zitouna	Tunisia	1 138 742	51 791	844 319	950 359
181	173	-8	SBI Mauritius	Mauritius	1 116 658	28 267	595 117	781 642
182	-	-	Société Générale Burkina Faso	Burkina Faso	1 091 632	47 534	731 669	728 754
183	188	+5	Mercantile Bank	South Africa	1 078 160	66 810	763 975	754 070
184	151	-33	Wema Bank	Nigeria	1 067 422	81 903	593 560	699 767
185	-	-	Stanbic Bank Zambia*	Zambia	1 064 221	21 974	463 064	761 056
186	177	-9	Ecobank Benin*	Benin	1 063 821	49 287	393 469	575 752
187	175	-12	BGFIBank Congo	Rep. of Congo	1 060 443	72 753	754 282	661 713
188	168	-20	Banco de Comércio e Industria	Angola	1 056 833	-	282 628	608 822
189	169	-20	National Bank of Kenya	Kenya	1 054 782	87 875	502 666	905 047
190	179	-11	Standard Chartered Bank Ghana	Ghana	1 052 274	103 716	305 241	753 394
191	-	-	Sasfin Bank	South Africa	1 019 405	35 739	523 892	362 075
192	191	-1	Société Commerciale de Banque Cameroun	Cameroon	978 003	83 571	557 237	809 466
193	193	0	Banco Regional do Keve	Angola	966 041	-	336 096	697 604
194	199	+5	Banco Comercial do Atlântico	Cabo Verde	965 018	29 988	500 140	821 585
195	197	+2	Zambia National Commercial Bank	Zambia	947 629	-	320 061	740 244
196	200	+4	Zenith Bank Ghana	Ghana	947 205	-	198 877	768 435
197	-	-	Tadamon Islamic Bank*	Sudan	944 470	-	-	-
198	187	-11	Ecobank Mali*	Mali	943 184	53 457	283 853	489 364
199	183	-16	Citibank NA Kenya	Kenya	943 026	52 018	361 209	617 942
200	192	-8	Cal Bank	Ghana	930 273	101 820	408 327	550 176

2017 RESULTS IN THOUSANDS OF US DOLLARS; *IN ITALICS 2016 RESULTS

NIGERIA

A FRAGILE RECOVERY

Many of Nigeria's banks recorded healthy profits as the economy turned a corner. Non-performing loans remain a problem, but oil prices are on the rise and lending to government remains a mainstay

Top Nigerian Banks

RANK IN TOP 200	BANK NAME	TOTAL ASSETS ($bn)	PROFITS ($m)
21	Zenith Bank	15.4	489.3
23	First Bank of Nigeria	14.4	131.4
24	Zenith Bank Nigeria	13.3	432.1
29	Access Bank Group	11.3	170.5
30	United Bank for Africa Group	11.2	216.1
34	Access Bank Nigeria	9.6	146.4
37	Guaranty Trust Bank	9.2	468.8
41	United Bank for Africa Nigeria	8.1	116.7
60	Ecobank Nigeria	5.0	55.6
63	Diamond Bank Nigeria	4.7	-24.7

2017 RESULTS FROM TOP 200 BANKS RANKING

Since Nigeria's economy rebounded from a year-long recession in the second quarter of 2017, the outlook for the country's banks has become brighter. However, concerns remain that the fragile recovery, which is down to the resurgence of oil prices, could be upended by a price slide.

Many banks showed some resilience, growing profits throughout the recession, and they are expected to keep up the trend in 2018, albeit at a lower rate of growth relative to the previous year. This is mainly due to the decline in yields on government securities, which have been a major source of interest income for the banks over the past two years. The Central Bank of Nigeria (CBN) has recently cut back on issuing securities after embarking on an aggressive programme aimed at funding the national budget deficit in the past couple of years. This has precipitated a decline in yields.

Top banks such as **Zenith Bank (#21)** and **Guaranty Trust Bank (#37)** recorded a 37% and 29% increase in profit after tax in 2017, respectively. Meanwhile, mid-tier banks **Stanbic IBTC (#74)** and **Sterling Bank (#93)** saw increases of 70% and 65%, respectively, in the same period.

Analysts do not expect such growth rates in 2018. Robert Omotunde, head of investment research at Lagos-based Afrinvest Securities, says new avenues for income have to be explored. "The banks will just have to be ingenious because the free lunch of high yield is no longer the case," says Omotunde. He suggests that a viable approach to long-term profitability, which some banks are already exploring, is to find niche sectors of the economy to lend to. However, yields on government securities may yet remain attractive as the central bank seeks to prevent capital flight ahead of national elections in 2019. ●●●

PROFILE

Diamond Bank

DIAMOND IN THE ROUGH

WHEN GLOBAL OIL PRICES COLLAPSED in 2014, sending Nigeria's economy into a tailspin, mid-tier Diamond Bank was hard hit. It recorded a drop in profits of approximately 80% in 2015. Prior to this, the bank had bullishly pursued a retail strategy that saw it ramp up lending to consumers in the middle class and small companies. And, like most other banks, it was active in lending to corporates across key sectors of the economy such as power and oil and gas. Ratings agency Moody's reports that 52% of Diamond Bank's loan book was in oil and gas as of December 2017. As the recession set in, Diamond Bank's non-performing loans (NPLs) rose. As of 2017, its NPL ratio has doubled from 7.2% in 2015 to 14.7%, almost three times the regulatory threshold.

With industry-wide NPLs forecast to increase in 2018, it remains to be seen if the bank has reached the peak of its loan troubles. Moody's said in June that it expects Diamond to turn its performance around: 'Diamond's positive outlook reflects our expectation that elevated asset risks will decline this year on account of the resolution of some of its past due loans that have not been impaired,' the ratings agency stated.

Despite these challenges, Diamond Bank has refreshed its strategy and continues to pursue a digitally led, retail banking strategy. In late 2017, Diamond Bank walked back its international campaign. It sold its Benin, Cote d'Ivoire, Senegal and Togo subsidiaries to Côte d'Ivoire's NSIA insurance company. Then, in April 2018 it sold off its Britain-based operations to focus entirely on the Nigerian market.

Diamond Bank has increased its investments in technology, and financial inclusion is a key focus. It has partnered with the likes of the Gates Foundation, MTN and the International Finance Corporation to continue its push to bring more people into the formal financial system and channel more loans to small enterprises. Diamond Bank's management team, led by chief executive Uzoma Dozie, is optimistic that Diamond is making the right bet for the future. ● **C.I.**

●●● Having cut back on lending during the recession, banks marginally increased the quantum of loans issued to the private sector in 2017 by 3.5%, from N61trn ($170bn) to N63trn according to data from the National Bureau of Statistics. But in its annual outlook for the sector, ratings agency Moody's says the real value of the loans declined by 15.4% in 2017 as a result of the devaluation of the currency. The agency forecasts an aggregate increase in lending of up to 10% in 2018.

INCREASED PROVISIONING

Non-performing loans (NPLs) remain a concern. The industry NPL ratio is forecast to rise beyond the 15% of total industry loans that the central bank reported earlier this year. Moody's estimates a rise to around 18% at year end. Consequently, banks have to cover for the increase in troubled loans. Aside from this, new international financial reporting standards that came into force in January require the banks to increase provisioning. IFRS 9, as the standard is known, is expected to result in a downward adjustment in the value of shareholder capital.

Rahul Shah, head of financial equity research at Exotix Capital, explains that the underlying idea behind the standard is to help improve credit risk management: "A number of banks may need to set aside substantially higher volumes of provisions [as a result of IFRS 9], but we have seen central banks elsewhere allow for a transition period to ease the financial burden and to prevent negative unintended consequences, such as a sharp reduction in lending appetite at the banks. The CBN may choose to adopt a similar approach," says Shah. As such, experts generally hold the view that the combined effect of the uptick in NPLs and the introduction of the new standard will lead to a moderate reduction in capital held by the banks, but not to an extent that will give any cause for concern.

In a pre-emptive move to further strengthen banks' capital buffers, the central bank issued updated guidelines on dividend payments in January, ahead of the release of full-year results for 2017. It prescribed new criteria which the banks must meet before they would be allowed to pay out returns. This aims to ensure that banks with relatively high NPL ratios will reinvest most of their profits. With the release of the full-year results for 2017 and publication of the NPL numbers beginning in April, most of the top banks, except **First Bank of Nigeria (#23)**, faced no restrictions on dividend payments. Others such as **Ecobank Nigeria (#60)**, **Diamond Bank (#63,** see profile) and **First City Monument Bank (#85)** were either precluded from paying dividends or allowed to pay with restrictions, due to their NPL and capital adequacy ratios (CAR) not meeting the criteria.

70%

Stanbic IBTC's increase in profit after tax in 2017. Mid-tier banks recorded the highest percentage growth in profit as Nigeria came out of recession.

SOURCE: TOP 200 BANKS

Individually, the country's banks hold sufficient capital in excess of the capital requirements. Although the central bank estimated that the average baseline CAR for the industry was 11.5% in February, most banks in their full-year results reported a CAR above 15%, which is the threshold set for systemically important banks.

CYBER SECURITY TAX

Improving income from fees on transactions and commissions, and particularly those from the use of digital channels, remains a key focus for the banks as they seek to recover their investments in information technology. The 2017 data for 13 banks listed on the stock exchange showed that they increased receipts from fees and commissions by 11%, from N592bn to N656bn. But, as the banks seek to grow income from digital channels, they will need to contend with a new levy of 0.005% on electronic transactions for the government's national cyber security fund, which the central bank introduced in July. It is expected that the banks will pass on the cost to customers.

Digital transformation remains a key priority for the banks as they seek to capitalise on the promise of efficiency that technology offers. **United Bank for Africa (#30)** and Diamond Bank unveiled artificial intelligence assistants earlier in the year to help customers to carry out online transactions, while Sterling Bank launched a loan service called Specta, which it claims assesses loan applications and disburses approved loans within five minutes (see page 44).

As the gap between the six largest banks and the rest of the pack widens, it remains to be seen if there will be any form of merger and acquisition activity. Two banks – **Unity Bank (#147)** and Skye Bank – have been in some distress and in need of capital injections. The former has been involved in discussions with investors to secure capital, but nothing has materialised yet. The latter, which fell off our rankings this year, has received a new two-year mandate for the replacement board of directors appointed by the regulator in 2016. ●

Charles Idem in Lagos

MICHAEL KAMBER/THE NEW YORK TIMES/REA

NIGERIA'S ECONOMY IS STILL HIGHLY DEPENDENT ON OIL PRICES, LENDING RISK TO BANKS' LOANS TO THE SECTOR

KENYA

NEW CHALLENGES ON THE HORIZON

Banks are fighting the interest-rate cap and the government's push for a tax on large transactions as they implement new financial standards and continue to roll out mobile lending products

Top Kenyan Banks

RANK IN TOP 200	BANK NAME	TOTAL ASSETS ($bn)	PROFITS ($m)
46	KCB Group	6.2	189.2
56	Kenya Commercial Bank	5.3	180.0
59	Equity Bank Group	5.0	181.6
73	Equity Bank Kenya	3.9	156.8
76	Co-operative Bank of Kenya	3.7	109.5
78	Diamond Trust Bank Kenya	3.5	66.5
100	Standard Chartered Bank Kenya	2.7	66.4
104	Barclays Bank of Kenya	2.6	70.4
115	Stanbic Holdings (Ex CfC Stanbic Bank)	2.4	41.4
123	*Commercial Bank of Africa**	*2.2*	*64.3*

2017 RESULTS FROM TOP 200 BANKS RANKING; * *IN ITALICS 2016 RESULTS*

The past two years have been turbulent for the Kenyan banking sector. From a new and tougher head at the central bank to an interest-rate cap, the sector has had to adjust to reduced growth in customers and profits. In 2017, the overriding arch of heightened political activity complete with back-to-back presidential elections slowed the economy, forcing banks to innovate constantly to keep the numbers up.

In the first quarter of 2018, all but one of Kenya's top five banks reported growth in profits. The most impressive by far was **Equity Bank Group (#59)**, which reported a 21.7% rise in net profit. Not only was it the country's most profitable bank, but its loan book grew by 3.5% and its purchase of government debt grew by 33%.

By mid-year, Equity had undergone several significant changes in its leadership, which pundits see as a move towards succession and future growth. Its founder and chairman, Peter Munga, made a surprise announcement of his retirement in June after leading the board since the bank's founding as a building society in 1984. Another major change was the appointment of former Nairobi deputy governor Polycarp Igathe as chief commercial officer after a short-lived career in politics. Some analysts say it could be his first step towards eventually taking over the leadership of the bank.

TECHNOLOGY WINS

Equity's biggest rival, **KCB Group (#46)** reported 14.1% growth in profits to KSh5.1bn ($50.6m) for the first quarter of 2018, placing it in second place. KCB remains Kenya's most valuable bank by assets. It has banked on technology, such as its partnership with Safaricom on KCB M-Pesa and mobile banking. As of December 2017, more than half of KCB's transactions were done through mobile devices.

YASUYOSHI CHIBA/AFP

KENYA'S GOVERNMENT WANTS TO PROTECT ITS CITIZENS FROM DEBT, BUT WHAT ABOUT ITS OWN WILD SPENDING?

For **Co-operative Bank of Kenya (#76)**, which reported a 6.25% rise in net profit for the first quarter of 2018, the going has not been as easy. It has been cutting costs and looking for efficiencies since about 2014. Its 2017 profits were KSh1.3bn less than in 2016, an effect of the politically charged year. Co-operative Bank's customers now stand at 7.2 million, and more than 87% of the bank's transactions are done through its mobile app and agent network. One of the few glimmers of hope for a better 2018 is that the bank's South Sudan subsidiary, in which it is the majority shareholder, posted a KSh32.4m profit in the first quarter of 2018, a much better result than the more than KSh34m loss it reported last year.

One of the most promising top-tier lenders has been **Commercial Bank of Africa (CBA, #123)** which has ridden on the success of M-Shwari, its mobile lending product in partnership with telco giant Safaricom, to grow exponentially (see profile).

For **Barclays Bank of Kenya (#104)**, the biggest challenge has been balancing its looming rebranding – with the retreat of Britain's Barclays from the African continent – with competing with its peers. Earlier this year, the bank launched a mobile lending app of its own called Timiza. Uptake has been low, with just a little more than 3,000 downloads from Google Play as of July.

Another top-tier bank undergoing significant changes is **Stanbic Holdings (#115)**, which announced a net profit of KSh1.9bn for the first quarter of 2018. Stanbic, like other top banks, reported a slight dip in profits in 2017 as a result of increased non-performing loans (NPLs). It made KSh4.3bn in 2017, less than the KSh4.42bn it made in 2016, and far from its high of KSh5.7bn in 2014.

'ROBIN HOOD' TAX

The bank's majority shareholder, Stanbic Africa Holdings, is currently in talks to increase its shareholding from 60% to 75%. In March, it offered to buy out other shareholders in a willing-seller scheme at KSh95 per share. At the time, the listed lender was trading at KSh83 per share.

The only bank among top Kenyan lenders to post a decline in the first quarter of 2018 was **Standard Chartered (#100)**, which reported a 10.5% drop in profits. Chief executive Lamin Manjang told local reporters that he attributed the slowdown to "increased investment in our 'Digital by Design' strategy and loan impairment, which is now on an IFRS 9 basis."

IFRS 9, a series of new international banking standards, came into effect early this year and has significantly changed how banks account for provisions for NPLs. It was only one of several factors that are bound to affect the prospects of lenders this year. The 2018/2019 national budget introduced a 'Robin Hood' tax of 0.05% on transactions above $5,000. Banks immediately went to court to stop its implementation, arguing that it would "disrupt business for customers of all banks and damage the Kenya economy," in the words of the Kenya Bankers Association (KBA)'s lawyer, Kenneth Fraser.

In the same budget speech, finance minister Henry Rotich also proposed doing away with the lending interest-rate cap, which has been in place for two years. Sentiment is still divided on the rate cap, with its supporters demanding its retention to protect consumers from exorbitant rates. Among its biggest opponents, however, has been the International Monetary Fund, which points out that it has shrunk lending to the private sector. Banks have instead preferred to feed the government's voracious appetite for debt.

A predicted wave of mergers and acquisitions as a result of the rate cap has not materialised, with only one significant acquisition in the works this year, compared to three in 2017.

After a tumultuous election year, the macroeconomic prospects going forward are not rosy, especially as external debt repayments begin to fall due. The role of banks in supporting the private sector through credit will be even more important, although little is being done to ease access to credit and banking services.

In some instances, the clock is actually moving backwards. In June, the KBA issued a list of new rules on high-value transactions for its member banks. The rules came as a response to the ongoing war on corruption in the public sector, which has seen the country lose billions of shillings to public officials and their accomplices in dubious deals.

Under the new guidelines, any transactions between KSh1m and KSh10m requires approval by the branch manager, while those higher than that must be approved by the individual bank's head of branch banking. Customers who want to transact $100,000 and above in cash must submit a three-day written notice with an explanation of the source and destination of funds, as well as why real-time gross settlement cannot be used.

The tighter rules, even more stringent than the central bank's existing guidelines, are meant to curb money laundering and illicit financial flows. By self regulating, the banking sector hopes to reduce its liability and strengthen the efforts to curb corruption.

Morris Kiruga in Nairobi

PROFILE

Commercial Bank of Africa

cba time for more.

POWERED BY THE KENYATTA CLAN

FOUNDED IN 1962, Commercial Bank of Africa is Kenya's largest privately owned commercial bank. It is a market leader in mobile lending, with more than 20 million customers on M-Shwari, the mobile-lending service it co-owns with telecoms giant Safaricom. M-shwari was launched in January 2013 and had amassed 7.2 million customers by the end of 2014. The product combines the bank's and the telco's systems, giving customers access to banking services through a SIM-based application. Its success increased CBA's net profit for 2016 by 87%. Meanwhile, many other banks are getting in on the action, which could lead to a price war on interest rates and transaction fees.

Lending to small businesses is one of CBA's main focuses. In October 2017, CBA signed a $90m loan from the African Development Bank to on-lend to Kenyan entrepreneurs. This year, it launched a programme with Ennovative Capital to meet the supply-chain needs of small and medium-sized enterprises (SMEs). The government's cap on interest rates has slowed the issuance of credit to the private sector, so there is a lot of demand from SMEs. On the other hand, the CBA warned in April that the government has been spending too much and that the current deficits would not be sustainable in the long term.

Originally owned by a consortium of investors, and then by Bank of America, CBA is now majority owned by the Kenyatta family through Enke Investments (24.9%). Other major shareholders include Ropat Nominees (22.5%) and Livingstone Registrars (19.9%).

CBA is also the only Kenyan lender with a foothold in West Africa after entering the Côte d'Ivoire market. In East Africa, CBA launched operations in Rwanda in March of this year after buying Crane Bank. CBA's current managing director, Isaac Awuondo, has more than 32 years of experience in the finance and banking sectors. He is also the chair of Kenya Airports Authority.

M.K.

SOUTH AFRICA

START-UP SHAKE-UP

South Africa is 'a marketplace without boundaries', says PwC, and new niche players are limbering up to compete with the country's top banks by offering digital, lower-cost financial services

Top South African Banks

RANK IN TOP 200	BANK NAME	TOTAL ASSETS ($bn)	PROFITS ($m)
1	Standard Bank Group	163.8	2 480.5
2	Standard Bank of South Africa	105.7	1 300.6
3	FirstRand Banking Group	98.3	2 111.0
4	Barclays Africa Group	94.1	1 332.9
5	Absa Bank	79.8	684.6
7	Nedbank Group	73.0	913.5
11	Rand Merchant Bank	36.1	-
12	Investec Group	35.9	377.4
14	First National Bank of South Africa	32.2	-
18	Wesbank	17.3	-

2017 RESULTS FROM TOP 200 BANKS RANKING

A slew of new banks and tech-based financial services are shaking up the industry in South Africa. New competitors to the so-called 'big four' – **Standard Bank (#2), Absa Bank (#5), Nedbank (#7)** and **First National Bank (FNB, #14)** – range from the state-owned Postbank to insurance group Discovery, TymeDigital (a venture by the Commonwealth Bank of Australia and Patrice Motsepe's African Rainbow Capital) and former FNB chief executive Michael Jordaan's Bank Zero. These are joined by retailers (mobile money from Shoprite Money) and agricultural groups (Afgri, which bought Bank of Athens' South African operations).

Many of those firms would like to grow like **Capitec (#44,** see profile**)**. It gave South Africa's well-entrenched major banks a wake-up call by disrupting their long-held oligopoly as a leaner, meaner and faster-growing operation. But it took Capitec, which was launched in 2001, some years to become a major force in the industry.

A recent PwC report says the South African financial services industry is increasingly 'a marketplace without boundaries', where banks are being challenged 'by digital solutions with lower-cost models'. It adds that the market share of the incumbents will likely be squeezed by innovative new entrants unless banks implement strategies 'to remain relevant in the future banking market landscape'. FNB has moved successfully to a more digital banking model, while other large banks are trying to follow suit.

The new financial services models are not centred around becoming one ●●●

INTERVIEW

Capitec Bank

THE GROWING RIVAL TO THE 'BIG FOUR'

SINCE VICEROY, A RESEARCH HOUSE LINKED to short sellers, produced a scathing report in January on Capitec Bank, the bank's share price – and its reputation – have been under pressure. Capitec rebutted Viceroy's claims, which refer to it as a loan shark with understated defaults. Viceroy called on the Reserve Bank and finance ministry to place Capitec under curatorship. It followed up in May with an open letter that makes similar accusations. Since then, the Reserve Bank has asked the National Credit Regulator to investigate Capitec's lending practices, a move that was initially denied by the central bank, leading to further uncertainty.

Capitec has, to date, been able to maintain its course. It continues to pose a threat to Absa, FNB, Standard Bank and Nedbank, specifically by increasing the contribution of parts of its business unrelated to unsecured lending. In the year to February, its client numbers totalled almost 10 million. Its non-lending income grew 31% to make up 41% of total net income as the bank invested in self-service banking, where there has been a sharp increase in transaction volumes.

From the start, Capitec's client base was generally lower-income clients, and it did not offer high-tech options like banking apps or even credit cards. Today, 74% of all transactions are performed by clients on self-service banking channels, compared to 62% in 2017. More than three million clients have activated its banking app, which Capitec says is the most downloaded banking app in South Africa.

In its February 2018 year-end report, Capitec reiterated its view on unsecured lending, saying it played an important role in South Africa, where more than 75% of people do not have access to traditional secured lending. The bank also said that arrears as a percentage of gross loans and advances had decreased from 6.3% to 5.7%.

Capitec has also put out a warning to the insurance industry, saying it believes "that offering insurance solutions that are personalised and competitively priced will deliver value to our clients and disrupt the insurance market in a similar way to what we do in banking." It has entered the insurance industry with the launch of the Capitec Funeral Plan, underwritten by insurer Sanlam. ● **M.K.**

MIKE HUTCHINGS/REUTERS

MONOLITHS OF THE SOUTH AFRICAN BANKING LANDSCAPE: ABSA, STANDARD BANK AND FIRST NATIONAL BANK

●●● of 'big four,' whose services range from retail banking to commercial and investment banking with a plethora of additional services, from mortgage lending to large-scale merger and acquisition capability. Wessel Badenhorst, an analyst in the financial services sector at 36ONE Asset Management, tells *The Africa Report* that it is important to keep in mind that most of the challenger banks offer limited product suites: "Most do not offer business banking or offer limited retail products, sometimes because regulatory hurdles prevent them from competing in these markets. TymeDigital, for example, offers only transactional banking, and comments from [insurer] Discovery suggest its bank will have limited lending products, at least initially."

So far, the big banks continue to brush off the threats and have weathered some difficult years. PwC's analysis indicates that they grew earnings 5.2% in 2017, although core earnings – operating income minus operating expenses – improved by only 3.6%. Earnings were helped by a 10.6% decline in the second half of the year in bad-debt charges.

REMARKABLE RESILIENCE

Credit growth remained muted 'given elevated levels of political and economic uncertainty, low GDP growth and subdued levels of household and business confidence,' PwC says. In addition, retail asset-led businesses including instalment sales and vehicle finance showed strain, while corporate credit demand declined.

The Reserve Bank said that total banking sector assets increased 5.7% year-on-year to more than R5tn ($378.8bn) at the end of 2017. The central bank added that the 12-month moving average operating profit growth rate decreased throughout 2017, mainly due to a decline in the growth of net interest income and an increase in operating expenses.

36ONE financial services analyst Tumi Loate says South African bank earnings have been "remarkably resilient" over the past few years, considering economic conditions. This is largely due to good cost control and mild credit losses. "However, given how low credit losses are currently, we have unfortunately reached a point where the most likely trajectory for credit losses points upwards," she says.

10.6%

Decline in bad-debt charges for banking sector in the second half of 2017, which has helped them through lean times of consumer spending

SOURCE: PwC

Some of the banks are reacting to the pressure on their core lending and transactional businesses by expanding into other financial services, such as insurance and asset management, Loate says: "This could potentially provide some growth going forward, but new ventures tend to take time to mature."

Since the end of 2017, there have been major organisational changes at two of the big four banks. With the sell-down of Barclays' stake in Absa's holding company, **Barclays Africa Group (#4)**, the holding company changed its name back to Absa. And with the restructuring of Old Mutual Group, which will see Old Mutual reduce its 54% stake in Nedbank to less than 20%, Nedbank is increasingly independent. Neither of these events will significantly change the way Absa or Nedbank operate. The analyst Badenhorst adds that these changes "are more reflective of desires of the foreign holding companies to exit South Africa, rather than local companies deciding to refocus on the local market."

INVESTORS JITTERY

Operations in the rest of Africa offer growth for some of the players, but generally earnings growth in the medium term is dependent on cost savings, says Mergence Investment Managers' head of listed investments, Bradley Preston. Many South African businesses are coming home "with a few black eyes and bruised egos," he says, but there has also been a specific regulatory drive behind this, with global banking regulations making it harder to own minority stakes in banks in other jurisdictions.

Some banks continue to allocate capital outside of South Africa. They include FNB's parent company **FirstRand Banking Group (#3)**, which bought Britain's Aldermore Bank this year, and **Standard Bank Group (#1)**, which intends to put more capital into its Britain-focused joint venture with the Industrial and Commercial Bank of China.

There is still nervousness among investors in South Africa, spurred by the downfall of some major companies, including Steinhoff. Mergence's Preston says that the 2018 collapse of the small VBS Mutual Bank has been damaging because "the quality of risk management and oversight from the South African banks in their relationship with corporate South Africa has been called into question."

For banks, President Cyril Ramaphosa's announcement of land expropriation without compensation is another potential challenge. "How land expropriation is executed is obviously important to the banks as lenders against property and lenders in the agricultural sector," Preston concludes. ●

Marcia Klein in Cape Town

EGYPT

RESILIENT AND RESPONSIVE

After two years of austerity the economy is now on firmer ground. Banks are raising funds for lending and targeting new sectors of the population in a race to increase their customer bases

Top Egyptian Banks

RANK IN TOP 200	BANK NAME	TOTAL ASSETS ($bn)	PROFITS ($m)
6	National Bank of Egypt	76.6	754.5
9	Banque Misr	44.2	459.2
20	Commercial International Bank	16.6	424.0
25	Qatar National Bank Alahli	12.3	297.3
26	Arab African International Bank	12.0	255.5
27	African Export-Import Bank	11.9	220.5
62	*HSBC Bank Egypt**	*4.8*	*191.0*
64	*Arab International Bank**	*4.7*	*38.9*
65	Soc. Arabe Internationale de Banque	4.7	36.4
66	Faisal Islamic Bank of Egypt	4.6	96.8

2017 RESULTS FROM TOP 200 BANKS RANKING; * *IN ITALICS 2016 RESULTS*

SHAWN BALDWIN/BLOOMBERG VIA GETTY IMAGES

THE EGYPTIAN STOCK EXCHANGE REACHED AN ALL-TIME HIGH IN APRIL 2018, EXCEEDING E£1TRN

Egypt's banks have survived years of political instability, the 2016 currency devaluation and a period of sky-high inflation without much pain. The central bank's raising of interest rates bolstered profits as the government cut subsidies, pinching the poor and raising the prices of petrol, electricity and bread. There is a consensus that the economy is improving and that the fruits of the harsh measures will pay off in the coming years. As such, the central bank is expected to begin to reduce interest rates, as long as inflation remains within target levels.

With a return to stability, the central bank also returned the reserve requirement on deposits back to 14% in October 2017. It is now working on reforms that could increase capital requirements and improve bank governance. The proposals would raise banks' capital requirement from E£500m ($32.9m) to E£1.5bn. If this happens, it could lead to a round of mergers and acquisitions. The central bank is already looking into the performance of several struggling small banks.

The current impact is a slowdown in small-scale business activity and a relative drying up of credit to the private sector. The International Monetary Fund (IMF) predicts that credit to the private sector will grow just 7.5% in 2017/2018, down from 38% in 2016/2017 and 14.2% in 2015/2016. The central bank reported that the banking sector generated profits of E£59.1bn in 2017, up from E£53.1bn in 2016, but expenses have been rising as banks build new branches and invest in infrastructure. Non-performing loans dropped to 4.9% in 2017, from a high of 13.4% in 2010, according to the IMF.

SMALL BUSINESS LOANS

State-owned **National Bank of Egypt (NBE, #6)** remains the country's largest bank by assets, playing a big role in financing state-run companies and buying government debt instruments. About 50% of the bank's loan book is to the government. In order to bring more balance, the NBE signed a €375m financing deal with the European Investment Bank in July, to be used for loans to small and medium-sized enterprises. The central bank has of late taken an interventionist approach, pushing the big commercial banks to diversify away from the big corporates and lend more to retail clients and small businesses.

Egypt's big banks have gone to the international markets to raise funds this year. NBE is working on a $600m syndicated loan, and **Banque Misr (#9)** has followed suit with one for $500m. The big banks need these capital injections in order to grow their loan books and to invest in information technology and physical infrastructure.

Many banks are expanding their footprints, some from small bases. **Al Baraka Bank Egypt (#97)** says that it plans to grow its network from 35 branches now to 50 by 2022. These moves follow on from 2014 central bank changes that make it easier for banks to open up smaller branches.

There have been few new entrants into the banking sector. However, Egyptian billionaire Naguib Sawiris says he has plans to open a bank focused on entrepreneurs. He says that he is waiting for approval from the central bank, which is not forthcoming.

Privatisation of state-owned firms has long been on the government's agenda. An initial public offering for a government stake in Banque du Caire has been delayed and now is not likely before the end of 2018. Banque Misr holds a stake in Banque du Caire, and it plans to sell off shares it holds in two other banks and four companies in order to raise E£10bn.

Like its peers, the Cairo-listed **Commercial International Bank (#20)** has been growing its profits. It recorded a 15% rise in profits in the first quarter of 2018 as compared to the first quarter of 2017, reaching E£2bn. In June, chairman and managing director Hisham Ezz Al-Arab told media: "We have taken transformational steps over the past years, moving from traditional banking to a service provider that fits with the requirements of the newer generation. Technology will play a critical role."

Growth in profits is not spread evenly throughout the sector. For example, the Arab African International Bank (#26) reported a 1% year-on-year rise in profit for 2017, reaching $260.4m. It is diversifying into microfinance and launched a new joint venture called Sandah in May.

The devaluation of the Egyptian pound has encouraged more remittances, and deposits have been on the rise across the sector. **National Bank of Kuwait-Egypt (#82)** recorded a 16.3% rise in deposits from the first half of 2017 to the first half of 2018. This helped it raise its profits over the same period by 36.1%, which was accompanied by a 13.2% jump in advances and loans. The bank is planning on soon adding five new branches to its current 45. It has two sharia-compliant banking branches, and its focus for the year ahead is the retail sector, especially mobile banking and payment services.

CATCHING THEM YOUNG

On the retail banking side, more banks are focusing on young people (see profile). "Everything starts with the youth," says Alaa Farouk, retail chief executive at the NBE. The NBE was one of the first to start introducing youth-focused products with its initial tailored savings account launched more than 10 years ago. Banks are paying more attention to the youth segment in an effort to grow the banked population. The central bank estimates that only around a third of the adult population has a bank account, but analysts say the number is likely much lower. "The bank's strategy is now focusing on the youth because we want them to enter the banking sector," Farouk says. "When we attract them as they're finishing school, entering university or just graduating, then they are more likely to become a potential customer for the bank."

There is also the challenge of old and rigid banking regulations mired in red tape and bureaucracy, which keep much of the population away from the formal economy and, in turn, the banking system. Reforms of the laws that govern the central bank are under discussion, and they could create the space for more innovation.

Much of the new targeting of banking products and services to the youth has found ways to work around the current hurdles and simplify the documents and the overall process needed to open a bank account or get access to a debit card. The NBE's Farouk says Egypt's banking sector will increasingly be digital. "In Egypt, the trend is seeing growth in branches and ATMs," says Farouk. "This will keep growing as digital grows, but at a smaller pace. Then after five to six years, digital will outpace traditional banking as the market matures and as QR codes, point-of-sale and mobile banking grows," he adds.

Amira Salah-Ahmed in Cairo

PROFILE

EGBank

MINING THE YOUTH MARKET TO MAKE A MINT

EG BANK

ROLLING OUT BRANCHES, hiring young employees and attracting new customers are helping Egypt's EGBank to grow rapidly. Despite Egypt's recent economic challenges, EGBank has been reducing its non-performing loans (NPLs) and increasing its profits. As of December 2017, the bank's assets reached E£56.2bn ($3.1bn), up from E£45.2bn the year before. Over the same period, its NPLs dropped from 2.2% to 1%, and its profits rose from 401.5m to E£500.6m. The bank says that more than two-thirds of its loans go to infrastructure and manufacturing projects, and a 2017 financing deal worth $20m with the European Bank for Reconstruction and Development should help bolster EGBank's trade financing. Small companies are also on EGBank's radar, with plans for E£1bn in financing for them launched in 2017.

Led by Nidal Assar, EGBank is targeting the young and unbanked in order to rank among Egypt's top 10 banks. Its MINT programme was born as part of the bank's restructuring into a 'youth bank' and includes an incubator. "We want to deliver on this promise and to engage with youth on many levels, so that it's not just used as a marketing slogan," Susanne Wardani, head of youth banking at EGBank, tells *The Africa Report*.

The flagship MINT banking product is a savings account with a debit card. In 10 of its 50 branches, EGBank has a dedicated personal banker for this segment who prioritises expanding the number of young customers. "It's like the wealthy customer banking experience in other banks but available now to this younger segment," adds Wardani.

The incubator programme, known as the MINT Hub, was launched this year. In collaboration with Cairo Angels, an angel investor network, the incubator accepted and graduated its first cycle of 10 start-ups in June. The MINT Hub will have a large co-working and activities space in downtown Cairo that is currently being renovated and will be ready by next year. It will target university students and offer courses, activities and education programmes that promote financial literacy. **A.S.A.**

ETHIOPIA

OPENING UP: HOW FAR AND HOW FAST?

The new Ethiopian government is reforming the country's politics and economy, but it is likely to hold back somewhat from welcoming foreign and private competition in the banking sector

Top Ethiopian Banks

RANK IN TOP 200	BANK NAME	TOTAL ASSETS ($bn)	PROFITS ($m)
19	*Commercial Bank of Ethiopia**	*17.1*	-
134	Development Bank of Ethiopia	1.9	11.8
152	Awash International Bank	1.5	174.2
169	Dashen Bank	1.3	27.4
-	Bank of Abyssinia	0.9	19.4
-	United Bank	0.8	13.8
-	Nib International Bank	0.8	18.7
-	Wegagen Bank	0.8	19.3
-	Cooperative Bank of Oromia	0.6	7.5
-	Oromia International Bank	0.6	10.5

2017 RESULTS FROM TOP 200 BANKS RANKING; * *IN ITALICS 2016 RESULTS*

Analysts are almost unanimous in their views of Ethiopia's financial sector, which remains small, fragmented and uncompetitive, even compared to its underperforming regional peers. In the 27 years since the Ethiopian People's Revolutionary Democratic Front (EPRDF) came to power, there has not been a single private bank merger.

Understanding the financial sector's history helps to explain where it is today. 'Somewhat smaller than that of Bethesda, Maryland' is how Nobel Prize-winning economist Joseph Stiglitz's described Ethiopia's banking system in 2003. The ruling EPRDF set about tentatively introducing market reforms to the country's then entirely state-run banking sector from 1994 to 2003. Those years were characterised by, at best, sluggish growth.

The years since tell a different story. In little more than a decade, the sector has grown fivefold. Eleven private commercial banks were established between 2003 and 2013, all of which are profitable. There are now 17 private banks in Ethiopia. There has been a ninefold growth in the number of bank branches, from 350 in 2003 to more than 3,000 today, while bank capital doubled from $1bn to $2bn between 2010 and 2016. Between 2014 and 2016, the annual growth in bank assets was 18.5%.

But once Ethiopia's vast population of around 100 million is taken into consideration, total banking sector assets per capita in 2016 stood at about $225, less than a third of neighbouring Kenya's $782, according to the International Monetary Fund. "We are way behind – even in the regional context," says Gemechu Waktola, founder of The i-Capital Institute, a consultancy in Addis Ababa. "It's simply not the ●●●

PROFILE

Awash Bank

A KITTEN WITH BIG CLAWS

THE ETHIOPIAN BANKING SECTOR can be thought of as "one giant cat – the CBE – surrounded by kittens, the private banks", according to Atnafu Gebremeskel of Addis Ababa University. But one bank stands out among the fiercely competitive litter: **Awash Bank (#152).** Established in 1994, Awash was the first private bank of the EPRDF era. "In Ethiopia, the longer you stay in the industry, the better your performance," says Abdul Mohammed, a London-based financial analyst. "There are other factors such as Awash's strong capital base, reputation, branch network and good customer services, especially to corporate customers."

Thus, in 2016 Awash became the first private bank to net more than 1bn birr ($36.4m) in profit, and for the first time overtook its rival, **Dashen Bank (#169)**, to become the country's largest privately owned bank. In Ethiopia private banks tend to have ethnic affiliations, and Awash is linked to the Oromo, the largest ethnic group, in terms of ownership and lending patterns.

In 2017, Awash clocked what chief executive Tsehay Shiferaw called "the highest ever operational performance in the history of private banks". Gross profits rose by 44% on the previous year while total deposits grew by more than a third – the largest amount mobilised in a single year in the country's history. Shareholders' returns were the highest amongst all banks, in a country where supernormal returns have become the norm. This is a function of protectionism and also a lack of investment in new technologies.

Awash aims to become one of the top 10 private commercial banks in East Africa by 2025. It is now investing in new cash points with the goal of doubling their number to reach about 400. Since 2016, it has also been part of a World Bank programme to improve small companies' access to bank loans and services.

Analysts doubt a merger is on the cards for Awash, though this might be necessary should the government decide to open the floodgates to foreign competition. A large bank is unlikely to merge with a smaller one with much lower earnings per share. "There's no culture of merging in Ethiopian banks," notes Abdul. "They prefer to remain as they are." ● **T.G.**

kind of bank capital you expect from a country that is the second most populous in Africa."

The services that banks offer are basic, mostly short- and medium-term lending to relatively safe sectors such as import and export trading, commercial real estate and hotels. And, despite recent government efforts to boost deposits, Ethiopia's savings rate is among the world's lowest, making it especially difficult to mobilise funds for risky projects with long horizons.

LOANS HARD TO GET

As a result, manufacturing and agriculture – linchpins of the EPRDF's development strategy – comprise only around 10% of banks' loan books, according to Abdul Mohammed, a London-based financial analyst. "They're not interested. It's too risky for private banks," he says.

Scarce, too, are seed capital for start-ups, household mortgages and even simple loans for education – due in large part to strict collateral requirements and tough credit checks entailing careful scrutiny of each applicant's credit history and sometimes even their personal life.

"Right now, the financial sector is not serving the needs of the economy," says Andualem Telaye Mengistu, a macroeconomist at a government-run think tank. He argues that the current model of financial repression – in which interest rates are kept artificially low in order to fund state spending on infrastructure – fuels inequality.

Real rates of return are negative for savers using banks. The average savings interest rate is 7%, but the country regularly records double-digit inflation. In contrast, those who can afford to invest in land, housing or even cars can enjoy sky-high returns.

The **Commercial Bank of Ethiopia (CBE, #19)** controls about 70% of the sector's total assets and acts much like a policy bank geared towards national priorities, particularly housing and energy. The CBE is hugely profitable – in 2016/17 it netted more than half a billion dollars in gross profits – and relatively dynamic, but its muscle has come at the expense of private banks, which have yet to make inroads because of its quasi-monopoly. Indeed, since 2009 their share in loan disbursement has declined due to tight anti-inflationary restrictions placed on their lending activities. The government introduced new restrictions following a sharp devaluation of the birr in October.

THE CBE ADDS A FEW NEW STOREYS TO ITS FUTURE HEADQUARTERS, SET TO BE THE TALLEST BUILDING IN EAST AFRICA

$526m

Gross profits before tax in the 2016/17 financial year of the Commercial Bank of Ethiopia, by far the country's largest and most profitable bank.

SOURCE: CAPITAL

Since Ethiopia's new prime minister, Abiy Ahmed, announced a radical programme of privatisations in June, many have been wondering whether the government might also loosen the screws on the financial sector, opening it up to foreign competition. With new central bank governor Yinager Dessie replacing the conservative Teklewold Atnafu, policy changes could soon come.

Private banks have been lobbying the new administration to soften regulations, which are among the most restrictive in the world. They complain about the obligation, introduced in 2011, that they pay 27% of new loans that they issue to the National Bank of Ethiopia in order to fund development projects, by purchasing central bank bonds at punitive rates. The privately owned banks also object to having to surrender 30% of their hard currency earnings each month. Such regulations are "squeezing our operations", says the president of a large private bank who asked to remain anonymous.

Mild deregulation is possible but anything much more radical remains unlikely. Most experts reckon that a lifting of the ban on foreign banks is particularly far off, though a commitment to liberalisation will be necessary if the government decides to revive Ethiopia's long-dormant accession to the World Trade Organisation.

There remains a broad consensus in Ethiopian policy-making circles against rapid liberalisation, with many experts citing the risks of banking crises when regulation is weak and local banks are uncompetitive. For all its faults, the Ethiopian banking sector has never experienced a major crisis.

In the meantime, those like Gemechu and Abdul advocate for what the former calls a "controlled opening" with careful parameters – for example by allowing foreign banks to enter into joint ventures or management contracts. "The options are not just fully closed or fully open," Gemechu says. Perhaps the most likely move would be lifting the ban on diaspora Ethiopians owning shares in local banks.

But Henok Assefa, chief executive of the consultancy Precise Consult, adds that the EPRDF remains fundamentally wary of a liberal financial sector, not just because of its capacity to regulate it but because financial repression is central to its model of state-led development. "This is predominantly about their development strategy," he says. "They would be very wary of inviting foreign banks into a sector which they control in order to guide capital in a specific direction."

Tom Gardner in Addis Ababa