

AFRICAN BANKS ARE SMALL BUT PROFITABLE

Finds The Banker's Top 1000 World Banks ranking 2020

1 July 2020: African banks are small in world terms but they punch above their weight in profits, according to The Banker's latest ranking of the Top 1000 World Banks.

Africa's banks have less than 1% of total world bank capital compared to 47% for Asia, 25% for Europe and 19% for North America. The Top 20 banks ranked by Tier 1 capital, a measure of banking safety, are all from these regions (see Table 1).

But African banks outperform in profits. They make double the amount expected given their size. They contribute 2% of global profits and deliver a 19.49% return on capital -- the third highest level in the world (see Table 2).

Brian Caplen, editor of The Banker, said: "Africa is underbanked and has huge growth potential with millions starting to open their first bank account and receive their first credit card. After the financial crisis, international banks pulled back from the region allowing African banks to capture more of the business. The outlook for them is positive, especially if Africa manages to avoid the worst effects of the Covid-19 pandemic."

The largest four banks in Africa are the major South African players - Standard Bank Group, FirstRand, ABSA Group and Nedbank Group - followed by banks from Egypt, Morocco and Nigeria (see Table 3). Africa's largest bank is Standard Bank which only manages to place 152nd in the Top 1000 World Banks. Despite South Africa's economic woes, all four banks increased their capital and only Nedbank saw a fall in profits.

Egyptian banks staged an impressive recovery increasing pre-tax profits by 56%. Three Egyptian banks topped the table for African banks with the largest increases in Tier 1 capital (see Table 4). Banque du Caire increased its Tier 1 by 76% allowing it to climb 201 places in the Top 1000 to 794.

This year marks the 50th anniversary of The Banker's Top 1000 ranking. The first ranking in 1970 contained 300 banks based on assets. A table of the Top 10 (see Table 5) is headed by Bank of America along with six other US banks. The three European banks are the UK's Barclays and National Westminster (now part of Royal Bank of Scotland) and Italy's Banca Nazionale del Lavoro now part of France's BNP Paribas.

In 1970 Bank of America topped the ranking with \$25 billion in assets. Today's leader Industrial and Commercial Bank of China (ICBC) has assets of \$4.3 trillion which is 172 times larger. Bank of America which placed sixth in the 2020 ranking currently has assets of \$2.4 trillion, making it 96 times larger than 50 year ago. Over the same half-century, the world economy has only grown 25 times showing how the expansion of the banking industry has outpaced economic growth.

TABLE 1

TOP 20 WORLD BANKS, 2020				
Rank	Previous	Bank	Country	Tier 1 capital (\$bn)
1	1	ICBC	China	380
2	2	China Construction Bank	China	316
3	3	Agricultural Bank of China	China	278
4	4	Bank of China	China	258
5	5	JPMorgan Chase	US	214
6	6	Bank of America	US	188
7	7	Wells Fargo	US	159
8	8	Citigroup	US	156
9	9	HSBC	UK	148
10	10	Mitsubishi UFJ	Japan	144
11	11	Bank of Communications	China	113
12	12	Credit Agricole	France	106
13	13	BNP Paribas	France	101
14	14	Sumitomo Mitsui	Japan	94
15	15	Banco Santander	Spain	89
16	16	Goldman Sachs	US	85
17	19	China Merchants Bank	China	84
18	17	Mizuho	Japan	83
19	18	Norinchukin Bank	Japan	79
20	24	Shanghai Pudong Dev Bank	China	78

Source: www.thebankerdatabase.com

TABLE 2

RETURN ON CAPITAL BY REGION, 2020	
Region	Return on capital (%)
Central Asia	30.60
South America	21.55
Africa	19.49
Caribbean	19.02
Central America	17.26
Central and Eastern Europe	15.04
North America	14.40
Middle East	12.41
Asia-Pacific	9.78
Europe	6.71

Source: www.thebankerdatabase.com

TABLE 3

TOP 10 AFRICAN BANKS, 2020				
Rank	Bank	Country	Tier 1 capital (\$m)	Top 1000 rank
1	Standard Bank Group	South Africa	10,547	152
2	FirstRand	South Africa	9,163	169
3	ABSA Group	South Africa	7,773	190
4	Nedbank Group	South Africa	5,731	232
5	National Bank of Egypt	Egypt	5,673	237
6	Attijariwafa Bank	Morocco	4,321	296
7	Groupe Banques Populaire	Morocco	4,139	305
8	Banque Misr	Egypt	2,967	366
9	CIB Egypt	Egypt	2,943	369
10	Zenith Bank	Nigeria	2,789	386

Source: www.thebankerdatabase.com

TABLE 4

AFRICA TOP FIVE HIGHEST MOVERS					
Rank	Bank	Country	Tier 1 capital % change	Tier 1 capital (\$m)	Top 1000 rank
1	Banque du Caire	Egypt	75.98	882	794
2	CIB Egypt	Egypt	74.76	2,943	369
3	Faisal Islamic Bank of Egypt	Egypt	68.15	733	853
4	Banque Nationale Agricole	Tunisia	34.24	608	914
5	Equity Bank	Kenya	25.29	968	754

Source: www.thebankerdatabase.com

TABLE 5

TOP 10 WORLD BANKS, 1970			
Rank	Bank	Country	Total assets (\$m)
1	BankAmerica	US	25,573
2	First National City	US	23,092
3	Chase Manhattan	US	22,168
4	Barclays Bank	UK	15,137
5	Manufacturers Hanover	US	11,965
6	JPMorgan	US	11,448
7	National Westminster Bank	UK	10,642
8	Western Bancorp	US	10,617
9	Banca Nazionale del Lavoro	Italy	10,233
10	Chemical New York	US	9,739

Source: www.thebankerdatabase.com

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The Banker is the world's premier banking and finance resource, providing global financial intelligence since 1926.

The Banker is the key source of data and analysis for the industry. The Banker's Top 1000 World Banks ranking has been setting the industry benchmark since 1970, providing comprehensive intelligence about the health and wealth of the banking sector. To find out more visit www.thebanker.com/top1000.

Brian Caplen has been a financial and business journalist for more than 25 years. He has worked in Hong Kong and the Middle East and reported from all over the world. He joined The Banker in 2000 and became editor in 2003.

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