South Africa

A&T BANK

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EXECUTIVE SUMMARY

Economic growth in South Africa will rebound slightly in the coming period

Economic growth is projected to continue to be weak in 2017 before picking up moderately in 2018 as weak business environment, still-low metals prices and structural obstacles will continue to weigh on South Africa's growth performance. Elevated unemployment and sluggish credit growth are the main risks for the South African economy that will continue to pressure private consumption, while fiscal consolidation limits government spending. The economy expanded by only 0.3% in real terms in 2016 on the back of contractions in the agricultural and mining sectors.

Although we expect slow growth, there will be some bright spots in the economy. We are upbeat on banking financial services and infrastructure sector. For the medium term period, improvements to infrastructure and power generation capacity, reforms to the labor market, education system and state-owned enterprises are likely to have a positive impact on the economic development.

Credit rating downgrades and the weak economic outlook will continue to weigh on credit growth

The weak economic outlook in South Africa will continue to weigh on credit demand in the coming period on the back of increasing household indebtedness and elevated unemployment. In addition, downgrade of the South Africa's foreign currency government bond rating to sub-investment grade by major credit ratings agencies will increase borrowing costs for lenders. However, South African banks will continue to benefit from relatively robust capital buffers. As of February 2017, the capital adequacy ratio stands at 15.9% - higher than the February 2016 level of 13.7%.

High levels of household indebtedness and unemployment will continue to act as headwinds to stronger credit creation. Although it has fallen from its 2008 peak, household debt-to-income remains high, at around 75% - implying a little room for consumers to take on new debt. Moreover, with unemployment at 26.5% as of Q416, this will further temper loan demand.

South Africa – Turkey relationships

In the first five month of 2017, Turkey export to South Africa rose by 20.1% in compared to same period of the previous year and realized as USD171mn whereas import increased by 40.4% to USD491mn. Overall, trade volume of Turkey to South Africa is standing at USD663mn in the first five month of 2017, higher than trade volume amounted as USD493mn in the same period of the 2016. Between the 2002-2016 period, South African direct investment to Turkey reached to USD263mn. More than 100 Turkish companies are currently operating in South Africa with investments amounting to around USD600mn.

1- SWOT SOUTH AFRICA

Strengths

- The state has rich mineral resources and is the continent's financial hub.
- Despite a decrease in profitability, South Africa's banking sector has remained broadly stable.
- Financial infrastructure is very well developed and the banking sector is well-regulated.
- Much of the public debt is denominated in local currency, which helps ability to pay.
- Limited security and terror threats in comparison with much of the rest of Sub Saharan Africa.
- Relatively strong, independent institutions.

Weaknesses

- Currency volatility in recent years has hampered industry planning.
- Lack of investment in education.
- High structural unemployment and poverty.
- Corruption allegations have tainted the African National Congress (ANC's) image and raised suspicions over its excessive influence over the judicial system.

Opportunities

- The establishment of more political parties and the rising popularity of the Democratic Alliance all bode well for South Africa's democratic environment over the longer term.
- Increasing the trend rate of growth is essential to long-term plans to alleviate poverty. The government is planning a raft of microeconomic reforms, including improved skills training, to address this.
- The agricultural sector will begin to regain ground in the coming quarters.
- Retail, infrastructure, energy and banking sectors offer great investment opportunities.

Threats

- The government's Black Economic Empowerment initiative should increase equality in the participation and ownership of financial resources, although over the medium term the costs of compliance will be high.
- High levels of HIV/AIDS will reduce long-term growth.
- A shift toward more populist policies could weigh on long-term investment and growth.
- There is potential for continued sclerotic policymaking, as support for President Jacob Zuma within the ANC has declined in recent years.
- Elevated unemployment and sluggish credit growth will weigh on private consumption.

2- ECONOMIC OUTLOOK

Main Economic Indicators					
	2014	2015	2016	2017f	2018f
Nominal GDP, USD bn	351,0	317,2	295,0	353,0	371,6
Real GDP growth, % y-o-y	1,7	1,3	0,3	0,7	1,5
Consumer price inflation, % y-o-y, ave	6,1	4,6	6,3	5,6	5,5
General government gross debt %of GDP	46,9	49,8	50,5	52,4	54,0
Budget balance, % of GDP	-4,4	-3,8	-4,0	-3,6	-3,5
Current account balance, % of GDP	-5,3	-4,4	-3,3	-3,5	-3,4
Unemployment, % of labour force, ave	25,1	24,4	25,5	25,8	24,9

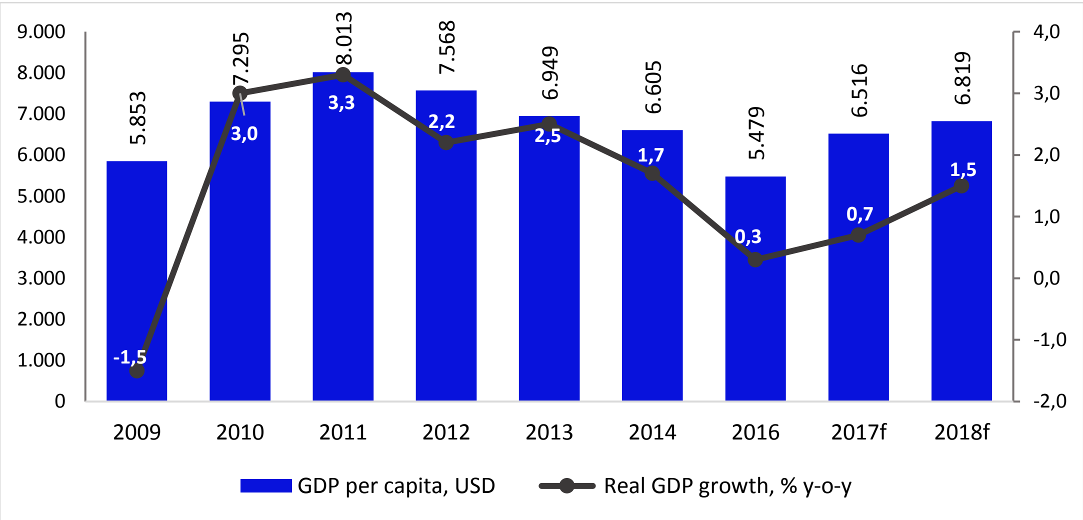
Source: National Sources, BMI, IMF

A&T Bank View: *Economic growth is projected to continue to be weak in 2017 before picking up moderately in 2018 as weak business environment, still-low metals prices and structural obstacles will continue to weigh on South Africa's growth performance.*

Elevated unemployment and sluggish credit growth are the main risks for the South African economy that will continue to pressure private consumption, while fiscal consolidation limits government spending. The economy expanded by only 0.3% in real terms in 2016 on the back of contractions in the agricultural and mining sectors. The economy is expected to grow only by 0.7% in 2017. Although we expect slow growth, there will be some bright spots in the economy. We are upbeat on banking financial services and infrastructure sector.

For the medium term period, improvements to infrastructure and power generation capacity, reforms to the labor market, education system and state-owned enterprises are likely to have a positive impact on the economic development.

South Africa Growth Performance



Source: National Sources, BMI, IMF

On a sectoral basis, agricultural sector will begin to regain ground in the coming quarters helped by the increasing corn and wheat production on the back of improving weather conditions and benefitting from favorable base effects. Country's Crop Estimate Committee suggests the largest grains harvest in nearly 40 years, anticipating 14.3mn metric tons of corn (the largest crop since 1981). The mining sector will remain weighed down by still relatively low precious and heavy metals prices as well as high production costs.

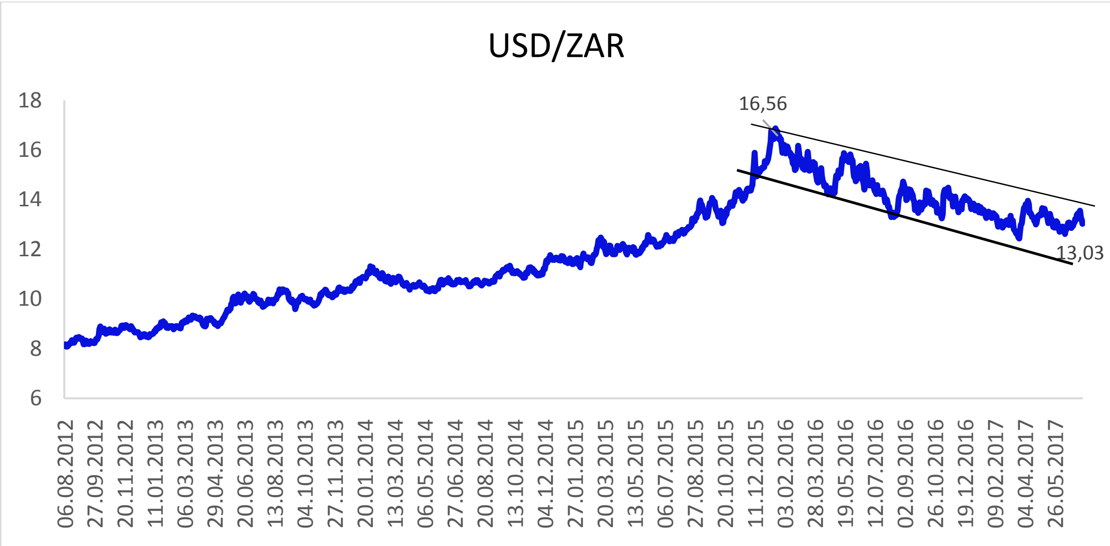
Political outlook will continue to pressure economic development as the massive cabinet reshuffle has put policy continuity at risk. Zuma fired Finance Minister Pravin Gordhan, who pushed for budget restraint and improved management at state companies, in a cabinet reshuffle on March 31, igniting South Africa’s worst political crisis in almost a decade and sparking calls from top officials for him to resign.

External Position:

South Africa will benefit from favorable external debt dynamics. External debt is still relatively modest (around 40% of GDP). There is limited currency risk as foreign currency debt represents about 10% of overall government debt. South Africa will continue to post current account deficits in the coming period on the back of decreasing income account. Lower commodity prices will weigh on mining firms' revenue, modestly tempering the size of South Africa's primary income account shortfalls.

Monetary Policy:

Political uncertainty and above target band inflation could pressure currency in the coming period. In our view, South African Reserve Bank (SARB) will continue to maintain current monetary policy and the monetary easing is not likely to be on the cards due to still high inflation, rising global bond yields and the hawkish stances from the major central banks. In our view, SARB will keep the benchmark policy rate at 7% despite easing inflation as political uncertainty is high and limited scope for reform stymies economic diversification, weighing on long-term growth.



Source: Bloomberg, A&T Bank Research

President Jacob Zuma's March 30 decision to reshuffle his cabinet and S&P and Fitch’s downgrade to South Africa’s sovereign rating to junk level have negatively affected the currency. Meanwhile we expect that the majority of deprecation has already passed and attractive real yields should help to support currency in the coming period.

Scenarios For USD/ZAR		
Scenario Name	**What It Entails**	**2017f**
Positive Scenario	Positive sentiment in emerging markets, Political stability Recovery in economic activity	13,10
Negative Scenario	Risk-off sentiment in the market Weak economic growth President Jacob Zuma's adoption of populist policy	14,50

Source: Bloomberg, A&T Bank Research

Inflation:

South African consumer prices eased to 5.3% in April 2017 from 6.1% in March helped by the declining food prices and we expect food price pressures will continue to cool supporting a drop in headline inflation in the coming period. The bank projected consumer price growth would return to within the target band (3.0-6.0% target band) in the second quarter and average 5.9% for the year.

Monetary Policy Forecasts									
Indicator Name	**2015**	**2016**	**2017f**	**2018f**	**2019f**	**2020f**	**2021f**	**2022f**	**2023f**
Consumer price inflation, % y-o-y, ave	4,60	6,30	5,60	5,50	5,10	5,40	5,20	5,00	5,00
M2, ZARbn	2.442	2.539	2.666	2.879	3.110	3.359	3.627	3.917	4.231
M2, % y-o-y	9,70	4,00	5,00	8,00	8,00	8,00	8,00	8,00	8,00
Central bank policy rate, % eop	6,25	7,00	6,75	6,50	8,00	8,00	8,00	8,00	8,00

Source: BMI

Fiscal Outlook:

South Africa's fiscal deficit is expected to narrow in the coming period, but at a slower pace than expected due to weak economic growth and continuing political uncertainty. President Jacob Zuma's March 30 cabinet reshuffle, which removed both Finance Minister Pravin Gordhan and Deputy Finance Minister Mcebisi Jonas, suggests significant risks to South Africa's fiscal outlook. While Zuma's previous attempts to use public spending and patronage politics to bolster his standing had been blocked by Gordhan, the new Finance Minister, Malusi Gigaba, is an ally of the president and thus less likely to act as an obstacle to his plans.

The new Finance Minister Malusi Gigaba's policy objectives contain some risks. These are,

- Increased spending on public sector employees' wages and public transfers.
- Reduced pressure on state-owned enterprises (SOEs) to improve governance and fiscal management.
- Rapid progress on building expensive nuclear reactors.
- Further sovereign downgrades by the ratings agencies, including the potential for a ratings downgrade to South Africa's local currency debt.

3- FOREIGN TRADE & INVESTMENT

South Africa's major export partners were China (9.2%), USA (7.4%) and Germany (7.1%) in 2016; whereas three major import partners were China (18.1%), Germany (11.8%) and USA (6.7%). South Africa's export mainly determined by the pearls, precious stones and metals, vehicles, ores and ash. In import side, South Africa mainly imports machinery, nuclear reactors, boilers, mineral fuels and electrical equipment.

South Africa- Top 5 Goods Imports in 2016			
By Country	**% of Total Imports**	**By Category**	**% of Total Imports**
China	18,1	Machinery, nuclear reactors, boilers	13,7
Germany	11,8	Mineral Fuels	13,4
USA	6,7	Electrical, electronic equipment	10,8
India	4,2	Commodities not elsewhere specified	8,1
Saudi Arabia	3,8	Vehicles other than railway, tramway	7,7

South Africa- Top 5 Goods Exports in 2016			
By Country	**% of Total Exports**	**By Category**	**% of Total Exports**
China	9,2	Pearls, precious stones, metals, coins	16,2
USA	7,4	Vehicles other than railways or tramway rolling stock	12,4
Germany	7,1	Ores, slag and ash	10,3
Botswana	5,0	Mineral fuels and oils	9,6
Namibia	4,8	Iron and steel	7,1

Source: BMI

The net exports position will hold broadly steady. Export growth will remain relatively subdued, as low commodity prices and high production costs undermine the cost effectiveness of extractive firms' operations, weighing on output. That said, weak private consumption growth and a poor operating environment - tempering the pace of infrastructure development - would weigh on demand for consumer and capital goods imports. Meanwhile, the goods trade deficit is also poised to modestly expand compared to that seen over the last decade. While transport vehicles have become a more import source of exports in recent years, South Africa's top exports remain heavily concentrated in the mining and metals sector. High production costs, low commodity prices and a move toward more left-leaning investment policies in recent quarters are likely to stymie these sectors' output, weighing on export growth. Moreover, at present there is little scope for the development of new industries to drive exports, with the challenging operating conditions limiting investment.

South Africa Foreign Trade Indicators				
Indicator Name	**2015**	**2016**	**2017f**	**2018f**
Goods and services exports, USDbn	96,3	89,5	102,7	102,2
Goods and services exports, USDbn, % y-o-y	-12,0	-7,2	14,8	-0,4
Goods and services exports, % of GDP	30,4	30,3	29,1	27,5
Goods and services imports, USDbn	99,8	89,0	103,1	103,2
Goods and services imports, USD, % y-o-y	-13,7	-10,8	15,8	0,0
Goods and services imports, % of GDP	31,5	30,2	29,2	27,8
Balance of trade in goods and services, USDbn	-3,4	0,4	-0,5	-1,0
Balance of trade in goods and services, USD, % y-o-y	-43,6	-112,5	-208,9	105,0
Balance of trade in goods and services, % of GDP	-1,1	0,1	-0,1	-0,3

Source: BMI

Foreign direct investment in South Africa:

Santander Trade latest figures has shown that the potential attractiveness of South Africa is high, compared with the other countries in the region, but its performance is relatively weak for FDI attraction, despite progress owing to investment potential in infrastructure. The country leads in terms of FDI influx in Africa.

South Africa saw a 38% increase in FDI inflows in 2016, though they remained at a relatively low level of USD2.3bn, according to the latest Global Investment Trends Monitor of the United Nations Conference on Trade and Development (UNCTAD). The sectors attracting the most FDI are energy, telecommunication, chemicals, agro-processing, services and logistics. According to the FDI inflows by country statistics, U.K. remains the largest FDI investor in South Africa with its 29.5% share, followed by Netherlands (24.2%) and USA (4.9). These countries mainly invest in financial and insurance services, real estate, business services, manufacturing, mining and transport.

South Africa's Selected Priority Sectors For Inward FDI	Main Sub-Sectors
Automotive Services	Automotive components and Original Equipment Manufacturer (OEM)
Services	Business Processing Outsourcing and Offshoring Call Centre Operations
Chemicals	Organic (Petrochemicals), Inorganic (Chlorine), plastic conversion and pharmaceuticals
Agro-processing	Food processing Food packaging Aquaculture
Logistics	Logistics, Nelson Mandela Bay Logistics Park
Energy	Renewable Energy (wind, solar, bio-energy) Combined Cycle Gas Turbine Oil Refinery Peaking Power Plant

South Africa has many attractive assets for investors such as an important demography, a diversified, productive and advanced economy, abundant natural resources, a transparent legal system and a certain political stability. However, the country suffers from high crime rate, increasing social unrest (strikes and demonstrations), high levels of corruption and structural issues in electricity supply and logistics. Investors are also worried about the lack of clarity concerning policy and structural reforms. The investment potential remains hampered due to certain legal uncertainties, which discourage foreign investors, despite the promulgation of the Protection of Investment Act in December 2015, which reinforces legal guaranties for foreign investors. President Jacob Zuma recently announced his intention to revise the Land Law that restricts propriety rights for foreigners. South Africa ranks 74th in the World Bank 2017 Doing Business ranking, an important fall since 2015 (69th out of 189 countries in 2015). (Source: Santander Trade, World Bank)

South Africa: Foreign Direct Investment	2014	2015	2016
FDI Inward Flow (USDmn)	5,771	1,729	2,270
FDI Stock (USDmn)	138,906	126,756	136,837
Number of Greenfield Investments	140	149	139
FDI Inwards (in % of GFCF)	8,0	2,7	3,9
FDI Stock (in % of GDP)	39,5	40,3	46,5

Source: UNCTAD, 2016, GFCF: Gross Fixed Capital Formation

Why Invest in South Africa:

South Africa's Trade and Industry Ministry highlighted some investment opportunities in South Africa. Accordingly,

1- South Africa is the economic powerhouse of Africa and forms part of the BRICS group of countries with Brazil, Russia, India and China. It has a favorable demographic profile and its rapidly expanding middle class has growing spending power.

2- South Africa has a wealth of natural resources (including coal, platinum, coal, gold, iron ore, manganese nickel, uranium and chromium) and it enjoys increased attention from international exploration companies, particularly in the oil and gas sector.

3- It has world-class infrastructure, exciting innovation, research and development capabilities and an established manufacturing base. It is at the forefront of the development and rollout of new green technologies and industries, creating new and sustainable jobs in the process and reducing environmental impact.

4- South Africa has sophisticated financial, legal and telecommunications sectors, and a number of global business process outsourcing (BPO) operations are located in the country.

5- It has political and macro-economic stability, an abundant supply of semiskilled and unskilled labor, and it compares favorably to other emerging markets in terms of the overall cost of doing business. For professional jobs, labor costs are less than half of the cost of European countries. For manufacturing jobs, labor costs are around one-third cost of Europe.

6- The South African Government has introduced wide-ranging legislation to promote training and skills development and fast-track the building of world-class skills and competences.

7- One of the main reasons for South Africa becoming one of the most popular trade and investment destinations in the world is due to the country ensuring that it can meet specific trade and investment requirements of prospective investors.

8- South Africa has a host of investment incentives and industrial financing interventions that are aimed at encouraging commercial activity and its trade rules favor a further expansion in South Africa's burgeoning levels of international trade.

9- South Africa has good chances to benefit from commodity price developments. Asian infrastructure spending is in our view likely to support base metal prices.

4- BANKING SECTOR

USD/ZAR: 13,22 (2017 average)

Strengths

- The SARB is generally considered credible and prudent in its macroeconomic management.
- The state has rich mineral resources and is the continent's financial hub.
- Financial infrastructure is very well developed in relation to per-capita incomes, and the banking sector is well-regulated.

Weaknesses

- South Africa faces many structural challenges including high unemployment and skills shortages.
- For the foreseeable future, low per-capita incomes and fairly high tax rates will weigh on the attractiveness of South Africa's banking sector.

Opportunities

- There are attractive opportunities for expansion into the wider Africa region.
- There is scope for rapid growth in lending to low-income groups and non-interest revenue-generating activities.

Threats

- The government's Black Economic Empowerment (BEE) initiative should increase equality in the participation and ownership of financial resources, but over the short term the costs of compliance will be high.
- Increased exposure to the wider Africa region will elevate risk levels.
- A potential stagnation of the economy amid severe industrial unrest would hamper industry expansion.

A&T Bank Research View: *The weak economic outlook in South Africa will continue to weigh on credit demand in the coming period on the back of increasing household indebtedness and elevated unemployment. In addition, downgrade of the South Africa's foreign currency government bond rating to sub-investment grade by major credit ratings agencies will increase borrowing costs for lenders. However, South African banks will continue to benefit from relatively robust capital buffers. As of February 2017, the capital adequacy ratio stands at 15.9% - higher than the February 2016 level of 13.7%.*

After recording 12.7% y-o-y loan growth in January 2016, the sector posted just a 1.9% expansion in January 2017. High levels of household indebtedness and unemployment will continue to act as headwinds to stronger credit creation. Although it has fallen from its 2008 peak, household debt-to-income remains high, at around 75% - implying a little room for consumers to take on new debt. Moreover, with unemployment at 26.5% as of Q416, this will further temper loan demand.

Credit ratings downgrades will also exacerbate downward pressure on credit growth. S&P downgraded the foreign currency debt to junk on April 3, followed by Fitch on April 7, tipping the rating into officially into junk territory. Meanwhile, on June 9, Moody’s downgraded the long-term foreign currency debt to Baa3 from Baa2, but kept it at investment grade with a negative outlook, citing a recent abrupt cabinet reshuffle and reduced growth prospects for an economy mired in recession. In turn, this prompted downgrades to banks' 'long-term issuer default ratings'. Banks affected included Investec, Nedbank, Barclays Africa (Absa), the local division of BNP Paribas, and FirstRand, which owns Rand Merchant Bank and First National Bank.

South Africa Credit Ratings			
Credit Rating Agency	Rating (Outlook)	Latest Update	Status
Moody's	Baa3 (Negative)	9.6.2017	Investment Grade
S&P	BB+ (Negative)	3.4.2017	Junk
Fitch	BB+ (Stable)	7.4.2017	Junk

In our view, credit rating downgrades will negatively affect credit growth and bank profitability in the coming period. Weaker consumer confidence and higher borrowing costs associated with the credit rating downgrade will weigh on economic growth, tempering appetite to access credit as well as capacity of borrowers to repay their obligations. At the same time, with the banks facing a higher cost of funding in the wake of the downgrade to their own ratings, and likely to pass on at least some of the higher costs to borrowers, this will further deteriorate credit growth.

However, banks will continue to benefit from sound capital buffers as total capital adequacy was recorded at 15.9% as of February 2017 - above both the 13.7% recorded at this time last year and significantly higher than the Basel III requirement (10.5%). Meanwhile, the sector's average Tier 1 capital adequacy ratio was 12.9%, up from the 11.2% ratio seen in February 2016.

Banking Sector Risk Components

Asset Quality: Asset quality has improved in recent years, with proportion of impaired advances to gross loans and advances having dropped from 5.7% as of May 2011 to 3.2% as of June 2016. However, in the coming quarters we see scope for a modest uptick in non-performing loans, as consumers are likely to struggle in servicing their debt. Record low interest rates had seen a boom in lending in the early 2010s, especially unsecured lending, which, with no collateral came with much higher interest rates. However, slow real GDP growth and rising unemployment levels may make it challenging for consumers to meet these obligations. While not our core view, should the SARB be forced to continue hiking interest rates in an environment of higher than expected inflation, this would have a highly detrimental effect on asset quality given that most mortgages are floating rate.

Capital Adequacy: South African banks benefit from relatively robust capital buffers. As of February 2017, the capital adequacy ratio stands at 15.9% - higher than the February 2016 level of 13.7% and comfortably above the minimum prudential requirement of 10.5%. Similarly, Tier 1 capital represents 12.9% of risk-weighted assets as of February 2017, up from last year's 11.2% reading and significantly above the 7.0% Basel III requirements.

Funding Structure: South Africa's loan-to-deposit rate will likely fall modestly in the coming years, though remain above the 100% threshold, implying that loans will not be fully backed by deposits. After robust credit growth in recent years, weakened economic growth prospects will temper growth over our five-year forecast period. However, with banks forced to meet the liquidity requirements under Basel III, this is likely to encourage banks to put in place policies to boost deposit growth.

Sovereign Support Capacity: The South African government has some ability and willingness to support the country's banking sector, though sovereign support capacity has diminished significantly in line with deteriorating economic conditions. A relatively moderate total government debt load, at around 50.0% of GDP as of end-2016, implies that the sovereign could take on additional debt in order to bail out the banking sector if need be. Moreover, in the past we have seen the government step in to bail out financial institutions - most notably the small lender, African Bank, in 2014. However, sizeable fiscal deficits, slow growth and widening external account imbalances in recent years have resulted in a series of sovereign credit ratings downgrades. As of now, S&P and Fitch rate South Africa just one notch above junk, with the country already facing significant risk of a downgrade to sub-investment grade status by at least one of these agencies before the end of the year.

Regulatory Body Assessment: The SARB has historically been responsible for the regulation and supervision of banks in South Africa. As laid out in the Banks Act of 1990, it exercises its authority through the Registrar of Banks as well as the Office for Banks (BSD). Traditionally, the regulatory landscape for financial sector services has been somewhat fragmented, with separated legislation for banking, insurance, and pensions, among other. However, the country is moving toward a 'twin peaks' model which will likely address some of this fragmentation, as well as close some of the regulatory 'gaps' that were made evident by the 2008 global financial crisis.

The new model proposes changing the structure of supervision to just two bodies: a 'prudential authority' and a 'market conduct' regulator (Financial Sector Conduct Authority, FSCA). The prudential authority will be a statutory body within the SARB, with the objective of maintaining the soundness of institutions that provide financial products. Meanwhile, the FSCA will replace the Financial Services Board as a stand-alone market conduct authority. According to recent reforms, the Financial Sector Regulation Bill is nearing promulgation, and is currently in committee in the National Assembly.

South Africa Commercial Banking Sector Indicators

Indicator Name	2014	2015	2016	2017	2018	2019	2020
Total assets, ZARmn	4.179.922	4.827.215	4.870.416	5.113.936	5.523.051	6.020.126	6.561.937
Total assets, USDmn	361.253	312.067	360.771	340.929	363.358	401.341	446.390
Total assets, % of GDP	110,1	121,0	113,9	111,5	111,4	112,6	113,0
Total assets, % y-o-y	9,0	15,5	0,9	5,0	8,0	9,0	9,0
Client loans, ZARmn	3.177.346	3.530.144	3.651.328	3.760.867	3.930.106	4.205.214	4.499.579
Client loans, USDmn	274.605	228.215	270.468	250.724	258.559	280.347	306.093
Client loans, % of GDP	83,7	88,5	85,4	82,0	79,2	78,6	77,5
Client loans, % y-o-y	8,4	11,1	3,4	3,0	4,5	7,0	7,0
Client deposits, USDmn	259.471	213.047	258.209	246.331	264.968	294.009	330.010
Client deposits, ZARmn	3.002.246	3.295.518	3.485.826	3.694.975	4.027.523	4.410.138	4.851.151
Client deposits, % of GDP	79,1	82,6	81,5	80,6	81,2	82,5	83,5
Client deposits, % y-o-y	8,0	9,8	5,8	6,0	9,0	9,5	10,0
Loan/deposit ratio	105,8	107,1	104,8	101,8	97,6	95,4	92,8
Loan/asset ratio	76,0	73,1	75,0	73,5	71,2	69,9	68,6

Source: BMI, SARB

List of Banks in South Africa

1-Absa Bank
2-African Bank
3-Al-Baraka Bank
4-Bank of Baroda
5-Bank of China Johannesburg
6-Bank of Taiwan
7-Bidvest Bank
8-BNP Paribas
9-Capitec Bank
10-China Construction Bank
11-Citibank
12-Deutsche Bank, Johannesburg Branch
13-FinBond Mutual Bank
14-FirstRand Bank
15-GBS Mutual Bank
16-Grindrod Bank
17-Habib Overseas Bank
18-HBZ Bank
19-HSBC Bank
20-ICICI Bank
21-Investec Bank
22-Ithala
23-JPMorgan Chase Bank
24-Mercantile Bank
25-Nedbank
26-Sasfin Bank
27-Societe Generale JHB Branch
28-Standard Chartered Bank Johannesburg
29-State Bank of India
30-The SA Bank of Athens
31-The Standard Bank of South Africa
32-UBank
33-VBS Mutual Bank

Source: BMI, Banking Association South Africa (BASA)

5- TURKEY & SOUTH AFRICA:

In the context of the Turkey - South Africa trade relationship, Turkey export to South Africa decreased by 17% to USD406mn in 2016 and import rose by 15.2% to USD1.1bn. The trade volume of Turkey to South Africa is standing at USD1.5bn in 2016, higher than trade volume of 2015, which amounted as USD1.4bn. The trade balance is in favor of South Africa. South Africa become 56th country in Turkey's total export at the end of 2016.

In the first five month of 2017, Turkey export to South Africa rose by 20.1% in compared to same period of the previous year and realized as USD171mn whereas import increased by 40.4% to USD491mn. Overall, trade volume of Turkey to South Africa is standing at USD663mn in the first five month of 2017, higher than trade volume amounted as USD493mn in the same period of the 2016. Turkey mainly exports automobile parts and accessories, rubber, plastic and articles to South Africa. Meanwhile Turkey mainly imports motor vehicles, coal and gold (unprocessed) from South Africa.

South Africa-Turkey Foreign Trade Relationship				
Years	Export (USDmn)	Import (USDmn)	Trade Balance	Trade Volume
2010	369	890	-520	1.259
2011	511	1.955	-1444	2.465
2012	382	1.290	-908	1.672
2013	620	1.479	-860	2.099
2014	545	1.189	-644	1.735
2015	489	919	-429	1.408
2016	406	1.058	-652	1.464
2017*	171	491	-320	663

Source: Turkstat, Foreign Trade Statistics, 2017* included January-May 2017 period.

Turkey's Exports to South Africa by Products (USD thousands)	2014	2015	2016	Share in Total Export
Parts & Accessories for Road Vehicles	44.612	31.305	24.104	5,9%
New Rubber Tires from Rubber	9.881	13.560	23.543	5,8%
Motor Vehicles (Passenger Transport)	46.939	35.923	18.784	4,6%
Paper, Cardboard, Cellulose Wadding	799	19.591	18.018	4,4%
Petroleum Oils	68.168	43.362	17.382	4,3%
Copper Wire	881	2.930	11.430	2,8%
Carpets	12.830	10.186	11.326	2,8%
Motor Vehicles (For Goods Transportation)	15.602	6.156	10.368	2,6%
Home Or Laundry Type Washing Machines	2.998	6.361	10.210	2,5%
Tractors	9.351	6.877	9.453	2,3%
Cocoa-Free Sugar Products	10.001	12.447	8.377	2,1%
Rubber Pipe And Hoses	8.180	8.951	8.344	2,1%
Dishwashing, Washing and Drying Machines	6.579	6.856	8.262	2,0%
Unwoven Fabrics	2.909	3.307	6.972	1,7%
Filling and Coating Materials Used in Painting	6.038	4.957	5.828	1,4%
TOTAL	**545.232**	**489.167**	**405.990**	

Turkey's Imports From South Africa by Products (USD thousands)	2014	2015	2016	Share in Total Import
Motor Vehicles (Passenger Transport)	-	23.660	386.013	36,5%
Coal	378.460	371.451	161.790	15,3%
Centrifuges	103.315	115.285	116.648	11,0%
Gold (Unprocessed)	312.961	38.811	99.360	9,4%
Unprocessed Aluminium	77.080	95.842	97.229	9,2%
Motor Vehicles (Goods Transport)	10.844	23.194	42.125	4,0%
Chrome Ores and Concentrates	33.494	34.301	25.121	2,4%
Iron Ores and Concentrates	-	11.614	16.183	1,5%
Meat, Offal, Sea Animal (not suitable for food)	9.655	11.966	10.598	1,0%
Acids and Their Derivatives	20.104	9.366	9.826	0,9%
Cast Iron (Peak Iron) And Mirrored Iron	27.351	12.941	8.573	0,8%
Ferro Alloys	14.057	7.154	8.249	0,8%
Stainless Steel Flat Rolled Products	16.792	9.486	6.542	0,6%
Parts & Accessories for Road Vehicles	2.880	2.934	4.259	0,4%
TOTAL	**1.189.352**	**918.541**	**1.058.114**	

Source: Ministry of Economy, Turkstat

Between the 2002-2016 period, South African direct investment to Turkey reached to USD263mn. More than 100 Turkish companies are currently operating in South Africa with investments amounting to around USD600mn. Turkish firms are mainly investing in mining, apparel and footwear, home textiles, food, tourism, auto parts, furniture and construction materials sectors in South Africa.

Recent Developments in Turkey & South Africa Relations:

- ✓ ***Arçelik*** has bought South African appliance manufacturer Defy Appliances, for around USD324mn in 2011.
- ✓ ***Dağıstanlı Holding*** has bought Cape Town Iron and Steel Company (CISCO) in 2013.
- ✓ ***South Africa's Metair Investments*** acquired 100% of Turkey's Mutlu Holding as well as 45% of Mutlu Plastik in 2013.

Turkish Firms Activities in South Africa By Sectors:

A) Textile & Leather Sector:

- ✓ ***Afri Turk Textiles CC*** (Acrylic blankets production and marketing)
- ✓ ***Agora Textiles*** (Import and marketing of home textiles)
- ✓ ***Ahlesa Blankets (Pty) Ltd*** (Acrylic blankets production and marketing)
- ✓ ***Carmina Curtaining & Textile*** (Import of men's shirts, men's and women's clothing)
- ✓ ***Cotton Castle*** (Import and marketing of bathroom textiles & bath clothes)
- ✓ ***Efendy Turkish Leather Art*** (Import and distribution of leather apparel)
- ✓ ***Eres Trading CC*** (Production of blankets, curtains, scarves, rugs, beds and tablecloths)
- ✓ ***Galata Eksport Network*** (Turk and Iran carpet)
- ✓ ***Hereke Carpets*** (Oriental carpet marketing)
- ✓ ***Korteks Textiles (Africa) (Pty) Ltd*** (carpet & home textiles)
- ✓ ***Kristal Home Textiles / Coronado Trading CC*** (Import and distribution of machine carpets & home textiles)

- ***Mafy Carpet Wholesalers*** (Import, distribution and wholesale of machine carpets)
- ***Mediterranean Leather*** (Leather apparel wholesale and retail sales)
- ***Rainbow Blankets- Fullimput 1033 CC/ Censa Trading*** (Acrylic blankets production and distribution, Real Estate Consultancy)
- ***Sesli Textiles (Pty) Ltd***. (Production and marketing of woven acrylic wool blanket)
- ***Vigoss Jeans*** (Import and marketing of sports clothing)

B) Furniture Sector:

- ***Çilek Mobilya*** (Import of children's furniture)
- ***Canobrella*** (Import and distribution of modular furniture and tent)
- ***Burotime Office Furniture*** (Office furniture import / Burotime Turkey Representative)
- ***Ersoy Sales CC*** (Household furniture production, import of upholstery fabrics, wholesale fabric sales)

C) Food Sector:

- ***Demir Trading CC*** (Import and export of pasta, biscuits, chocolate and wafers)
- ***Sweet Mart (Cash&Carry)*** (Food import and marketing)
- ***Turquaz Food*** (Confectionery, wafers and chocolate production)

D) Laminate Flooring and Construction Materials Sector:

- ***Picasso Laminated Flooring/ Long Island Trading*** (Lamine floor coverings and construction materials import and wholesale)
- ***Mon Investments*** (Construction materials, imports of woman clothing in Turkey)
- ***RCG Commodities*** (Steel construction products)

E) Energy and Mining Sector:

- ***SA-TURKEY Business &Investment Development Co.(Pty) Ltd.*** (Investment with Turkey in the field of energy and mining, development of commercial relations with Turkey)
- ***Pelonolo Development& Resources (Pty) Ltd./African Precious Minerals Limited*** (Construction and mining / Minerals, precious stones)
- ***Envicoal (Pty) Limited*** (Coal export)
- ***Sumo Coal (Pty) Ltd.*** (Coal production and export to Turkey)
- ***Umthombo Resources*** (Coal mining)
- ***Mineralco Pty Ltd*** (Coal trading, iron ore and chrome ore, manganese ore, ferro-manganese & ferro-chrome)

F) Wood and Steel Door Production & Interior Decoration Sector:

- ***Yılmaz Import Export*** – Masterpiece Interior

G) **Import of Electrical Household Appliances Sector:**

- ✓ ***Adil Import Export CC***

H) **Tourism Sector:**

- ✓ ***Adventures Across Africa Travel & Tourism*** (Travel agency & tour operator)
- ✓ ***Elements Travel*** (Travel agency & tour operator)

I) **Chemical material & Metal and Food Production, Boric Acid Transport Sector:**

- ✓ ***Afro-Global Group (Pty) Ltd*** (African representative of Turkish companies)

J) **Import of Marble and Travertine Sector:**

- ✓ ***Alaturca Natural Stone Wholesalers***
- ✓ ***Artmar Natural Stones***

K) **PVC Profile Import and PVC Window Manufacturer Sector:**

- ✓ ***Global Pact Trading 306 Pty Ltd***

L) **Import and Distribution of Automotive Suspension Spare Parts:**

- ✓ ***Teknorot Suspension Parts CC***

6- APPENDIX

SOUTH AFRICA BANKS PROFILES:

(Source: BMI)

1- Absa Bank (Barclays Africa Group)

Strengths

- Scale, certainly in an African context, and even in a global context.
- Strong market position in terms of brand recognition and branch network.
- Merger with Barclays operations give strong foothold across Africa.
- Strong increase in loans and deposits during H116.

Weaknesses

- Growth will need access to capital from the global markets, which is scarce at the present time.
- Lending criteria tightened due to loan defaults.
- Dip in net profit in H116.

Opportunities

- Within South Africa, a large number of people are establishing bank accounts for the first time.
- Externally, there are niche opportunities for expansion in various countries.
- Improved capital ratios in H116.

Threats

- Ongoing weakness in consumer sector and business confidence.
- Recent ratings downgrade and negative outlook from Moody's.
- NPL ratio fell in H116.
- Court probe into apartheid-era bailout.
- Barclay's seeking to divest stake in African Unit.

Overview

Absa Bank is a wholly-owned subsidiary of Barclays Africa Group, which was created in August 2013 following the merger of Absa Group and Barclay's Africa operations. The new group is one of Africa's largest financial services providers, offering a complete range of banking, assurance and wealth management products and services. Barclays Africa Group is conducted primarily in South Africa but it also has majority equity holdings in banks in nine other African countries, and representative offices in Namibia and Nigeria. As of June 30 2016, Absa bank, which retained its name in South Africa, had assets of ZAR947.2bn and nearly 31,000 permanent employees.

Absa was originally formed in 1991 as the Amalgamated Banks of South Africa from the merger of UBS Holdings, the Allied and Volkskas groups and certain interests of the Sage Group. In 1992, Absa acquired the entire shareholding of the Bankorp Group, which included TrustBank, Senbank and Bankfin. In 1997, the name of the holding company, Amalgamated Banks of South Africa, was changed to Absa Group. In 1998, United, Volkskas, Allied and TrustBank were consolidated into the single Absa brand.

In 2005, Barclays Bank acquired a majority stake in Absa as part of its drive to expand its global product and international retail and commercial banking businesses in markets outside the UK. Absa Group consolidated its retail and business divisions in early October 2011, and in December 2012 Barclays and Absa announced that they would combine operations in a ZAR18.3bn deal to create the continents' largest retail bank by branch network and customers.

The deal, which also raised Barclay's stake to 62.3%, was completed in July 2013, and on August 2, the merged group was renamed Barclays Africa Group, a move the group said better reflects its 'Pan-African' focus. At end-2015, the group had 1,251 branches, 10,378 ATMs, and 12.3mn customers. The vast majority remains concentrated in South Africa, where the bank had 784 branches, 9,216 ATMs, 30,900 employees and 9.4.mn customers.

However, Barclay's Plc said in March 2016 that it would be selling down its stake in the group, and began this process in May 2016 with the sale of 12.2% stake for around ZAR12.1bn

Meanwhile, Absa Islamic Banking launched in July 2013 the world's first shari'a-compliant banking solution in the form of an Islamic cheque value bundle offering customers a package of transactions and services for a fixed monthly fee.

Highlights

Absa Bank recorded a decline of 4.8% y-o-y in net profit to ZAR4,452mn for the six months ended June 30 2016, down from ZAR4,677mn in the same period of 2015. Operating expenses increased by 3.1% to ZAR13,115mn over the same period, while revenue grew 9.3% y-o-y to ZAR24,467mn in H116.

The bank's total assets increased 10.3% y-o-y to reach ZAR947.2bn by end-June 2016, compared to ZAR859.1bn a year earlier. Within this loans and advances expanded 7.5% y-o-y to ZAR620.9bn as of from ZAR577.5bn in H115. Over the same period, customer deposits increased 2.2% y-o-y to ZAR557.9bn, from ZAR546.1bn.

The bank reported that its NPLs ratio rose from 3.0% at end-June 2015 to 3.4% at end-H116. Its overall capital adequacy ratio, however, improved from 13.0% to 14.0% over the same period. Meanwhile, the common equity Tier 1 capital adequacy ratio of 10.8% as of the end of H116 was above regulatory requirements, and up from 10.0% a year earlier. After a one-notch downgrade in November 2014, Absa Bank's long-term foreign currency rating was affirmed by Moody's at Baa2 in May 2016, with a negative outlook due to a difficult operating environment.

Absa Bank Balance Sheet (ZARmn)

	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	710,796	725,957	786,719	898,371	962,863	991,414	1,144,604	1,101,023
Loans & mortgages	504,175	505,717	503,312	561,564	602,330	630,507	683,049	704,193
Total deposits	354,653	380,563	432,226	541,598	587,689	622,721	683,799	670,895
Total shareholders' equity	56,490	62,149	68,405	84,445	85,201	90,945	98,647	102,280
Earnings per share (ZAR)	na	na	na	na	na	na	na	na

Absa Bank Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	96,314	110,212	97,425	105,967	91,522	85,829	73,908	80,165
Loans & mortgages	68,316	76,776	62,329	66,239	57,252	54,585	44,105	51,272
Total deposits	48,056	57,776	53,526	63,884	55,861	53,911	44,154	48,848
Total shareholders' equity	7,654	9,435	8,471	9,961	8,098	7,873	6,370	7,447
Earnings per share (USD)	na	na	na	na	na	na	na	na

Absa Bank Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	1,0	1,2	1,3	1,2	1,3	1,4	1,4	1,3
Return on equities	13,9	15,2	16,3	14,3	15,5	16,5	16,7	16,1
Loan Deposit ratio	145,9	136,5	119,3	106,6	105,2	103,8	102,4	107,9
Loan asset ratio	72,8	71,6	65,5	64,3	64,2	65,2	61,2	65,7
Equity asset ratio	7,1	7,8	7,9	8,6	8	8,3	7,8	8,5
Total risk based capital ratio	15,6	15,5	16,7	17,4	15,5	14,4	14,5	14,8
Tier 1 capital ratio	12,6	12,8	14,1	14	13	12,7	12,6	12,6

Source: BMI

2- African Bank

Strengths

- Well-established grassroots retail financial services business.
- New bank relaunched in April 2016 after successful restructuring.
- New bank with strong capital ratios.
- Public sector backing via Reserve Bank and Pension Fund ownership.

Weaknesses

- Small by South African standards.
- Loss-making new entity.
- Restructured bank still has high NPL ratio.

Opportunities

- Capital injection allows new bank to relaunch without full burden of toxic assets.
- Maintained most of customer base during restructuring.

Threats

- Dependent on the presently unsettled South African economy, which has a bleak outlook.
- Reputation damage after collapse of previous bank.

Overview

The new African Bank Limited was launched in April 2016, following a restructuring process after its owner, African Bank Investments Ltd (ABIL), was placed under business rescue in June 2015. African Bank Limited and African Insurance Group now form a new group, with a new holding company African Bank Holdings Limited that is 50% owned by the South African Reserve Bank (SARB), 25% by a consortium of private banks, and 25% by the Government Employees Pension Fund (GEPF). The new bank has a network of 386 branches and 1.25mn customers on book, as of September 2016.

Previous owner African Bank Investments Ltd (ABIL) was formed in 1994 as an investment trust company called Baobab Solid Growth. It started focusing on the financial services industry and acquired controlling interests in various entities, among those being Theta Securities, Altfin, King and Unity. Baobab changed its name to Theta Group and then to ABIL in 1999 following the acquisition of African Bank. The Altfin, King and Unity businesses were integrated into one operation, housed in African Bank.

In December 2013, the bank successfully raised ZAR5.5bn in new equity capital, as it sought to shore up its balance sheet. However, in August 2014, the South African central bank placed African Bank under curatorship after it was facing collapse. Shortly after the rescue, the South African Reserve Bank (SARB) announced plans to investigate Abil, for evidence of fraud, reckless lending and lack of disclosure. The bank said its operations continued even though owner ABIL was placed into business rescue in June 2015 and the restructuring process was underway. The new bank has the first priority of meeting obligations to debt holders, and then seeks to become a diversified financial services business. The old 'bad bank' now trades as Residual Debt Services Limited**.**

Highlights

In its first six months of trading - through to end-September 2016 - the new African Bank Limited reported a net loss of ZAR1,678mn, though highlighted an operating profit of ZAR335mn. The bank reported gross advances of ZAR27.6bn at end-September 2016, down from the take-on book of ZAR29.2bn in April 2016. Total assets reached ZAR37.7bn at the end of the reporting period.

Between April and September 2016, the NPL ratio dipped from 33.5% to 31.5%, while the Common Equity Tier 1 and total capital adequacy ratios reached 31.5% and 38.3%, respectively, as at September 30, 2016.

African Bank Balance Sheet (ZARmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	34,259	39,202	50,393	62,732	67,466	na	2,956	2,162
Loans & mortgages	20,486	25,36	35,099	44,683	50,276	na	0	0
Total deposits	1,699	824	1,396	4,587	8,034	na	na	na
Total shareholders' equity	12,657	12,879	13,965	14,269	9,804	na	1,149	1,640
Earnings per share (ZAR)	na	na	na	na	na	na	na	na

African Bank Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	4,562	5,615	6,268	7,567	6,716	na	213	157
Loans & mortgages	2,728	3,632	4,366	5,39	5,005	na	0	0
Total deposits	226	118	174	553	800	na	na	na
Total shareholders' equity	1,686	1,845	1,737	1,721	976	na	83	119
Earnings per share (USD)	na	na	na	na	na	na	na	na

African Bank Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	5,8	5,3	5,3	5,5	-6,5	na	na	19,2
Return on equities	15	15,5	18,2	22,8	-39,3	na	na	185,6
Loan deposit ratio	1,539	3,720	2,986	1,189	758,1	na	na	na
Loan asset ratio	76,3	78,2	82,7	87	90,3	na	na	na
Equity asset ratio	35,5	31,6	26,3	20,9	12,9	na	0,6	23,6
Total risk based capital ratio	na	na	na	na	na	na	na	na
Tier 1 capital ratio	20,5	20,4	21,7	21,4	15,1	na	na	na

Source: BMI

3- FirstRand

Strengths

- Scale, certainly in an African context, and even in a global context.
- Strong market position in terms of brand recognition and branch network.
- The integrated banc assurance model offers the opportunity for cross-selling.
- Strong Tier-1 and capital adequacy ratios as of the end of June 2016.
- Total assets, loans, and deposits climb in FY16.

Weaknesses

- Has to expand overseas to gain more than organic growth, but within Africa there is no other market either as large or as sophisticated as South Africa in which to grow.
- Growth will need access to capital from the global markets, which is scarce at the present time.
- A number of frustrated acquisition efforts in other African countries.

Opportunities

- In South Africa, a large number of people are establishing bank accounts for the first time.
- Externally, there are niche opportunities for expansion in various countries, in line with the stated 'rifle shot' approach to international business.
- Started operations in Ghana in October 2015.
- Net income increased sharply in FY16.

Threats

- Bleak macroeconomic outlook.
- Recent downgrades and negative outlook from major ratings agencies.

Overview

FirstRand is a fully integrated financial services group in South Africa. The group owns First National Bank (FNB), Rand Merchant Bank and WesBank. The FirstRand group is one of the top 10 listed companies on the JSE. It offers full service banking in South Africa, Botswana, Namibia, Swaziland, Lesotho, Mozambique, Zambia, Ghana, and Tanzania, and has representative offices in Kenya and Angola. Outside of Africa, FirstRand has representative offices in Dubai and Shanghai, and branches in Mumbai, Guernsey, and London. As of the end of the 2016 financial year (June 30 2016), the group employed over 45,100 people and has a retail franchise footprint of over 829 branches and 7,335 ATMs.

FirstRand was created in April 1998 through the merger of the financial service interests of Anglo American Corporation of South Africa (AAC) and RMB Holdings (RMBH). The major companies involved at the time were the listed entities, First National Bank Holdings (FNBH) and the Southern Life Association, which were controlled by AAC and Momentum Life Assurers, the holding company of Discovery Health and Rand Merchant Bank, which was controlled by RMBH. Momentum was used as the vehicle to bring about the merger. Momentum changed its name to FirstRand and was listed on the Johannesburg Stock Exchange in May 1998. A day later, a similar listing occurred on the Namibia Stock Exchange.

Following pressure from shareholders to concentrate its efforts on mining and resources related activities, AAC and its associate De Beers sold their shares when prices were appropriate. The subsequent series of transactions was completed in December 2003. In February 2005, FirstRand sold an effective 10% interest in the group to four broad-based empowerment groups: Kagiso Trust, Mineworkers Investment Company (MIC), WDB Trust and the FirstRand Empowerment Foundation (a newly created FirstRand BEE entity, with a mandate for broad-based transformation involving black South African FirstRand staff and non-executive directors).

In September 2011, FirstRand's attempts to expand throughout Africa were dealt a blow when its purchase of Zambia's Finance Bank was cancelled by the Zambian government. FirstRand had been trying to acquire the bank for two years. In 2013, plans to purchase Merchant Bank Ghana and two nationalised banks in Nigeria were also put on hold. In August 2015, FirstRand received clearance from the Bank of Ghana to set up full commercial banking operations in the country, which it began in October 2015.

The group aims to be the predominant player in all the financial services sectors in South Africa, while also growing its franchise around the continent, especially markets likely to benefit from increased trade and investment flows with China and India.

Highlights

FirstRand reported a 14% y-o-y rise in attributable net income to ZAR17.4bn in Financial Year 2016 (FY15), ended June 30 2016, compared with a restated ZAR15.2bn a year earlier. This was supported by an 11% y-o-y hike in net interest income after impairment of advances, to ZAR32.1bn.

Total assets for the year increased by 9% to reach ZAR1,031.6bn at end-June 2016, compared to ZAR950.0bn a year earlier. Net loans and advances were up 8% y-o-y to ZAR764.1bn over the same period, and deposits rose from ZAR779.7bn to ZAR826.4bn.

FirstRand Bank operated above its targeted capitalisation range in FY16 with a total capital adequacy of 17.1% and a solid CET1 ratio of 13.9%. Meanwhile, the group's NPL ratio inched up to 2.4% as of June 30 2016, from 2.2% a year earlier.

FirstRand Bank has suffered a series of ratings downgrades of late. As of December 2016, it had a long-term rating of 'BBB-' at Standard & Poor's and Baa2 at Moody's, both with a negative outlook.

FirstRand Balance Sheet (ZARmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	809,851	845,24	697,927	769,765	865,732	945,535	1,059,266	1,149,277
Loans & mortgages	416,488	434,793	464,593	524,507	601,065	685,926	751,366	808,699
Total deposits	424,171	440,597	511,733	578,004	665,676	746,521	838,198	884,062
Total shareholders' equity	52,097	58,963	64,219	69,807	79,033	88,217	98,604	108,065
Earnings per share (ZAR)	1,25	1,80	3,73	2,42	2,7	3,36	3,9	4,02

FirstRand Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	104,564	110,427	103,241	94,014	87,161	88,969	87,172	78,238
Loans & mortgages	53,775	56,804	68,725	64,06	60,514	64,541	61,834	55,053
Total deposits	54,767	57,562	75,698	70,593	67,019	70,243	68,98	60,183
Total shareholders' equity	6,727	7,703	9,500	8,526	7,957	8,301	8,115	7,357
Earnings per share (USD)	0,14	0,24	0,53	0,31	0,31	0,32	0,34	0,28
FirstRand Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	0,9	1,2	2,6	1,8	1,8	2,1	2,2	2,1
Return on equities	14,5	19,5	37,1	22,1	22	24,2	25,2	23,7
Loan deposit ratio	100,4	100,7	92,4	92,3	91,7	93,3	91	92,9
Loan asset ratio	52,6	52,5	67,7	69,3	70,5	73,6	72	71,5
Equity asset ratio	5,6	6,1	8,1	8,1	8,3	8,5	8,6	8,7
Total risk based capital ratio	11,7	13,5	16,5	14,7	16,3	16,7	16,7	16,9
Tier 1 capital ratio	12,3	13,5	15	13,2	14,8	14,8	14,8	14,6

Source: BMI

4- Investec

Strengths

- Strong position in SME lending.
- History of acquisition-led expansion.
- Continues to maintain strong capital and liquidity positions.

Weaknesses

- Sold part of Australia and UK units after under-performing.

Opportunities

- New expansion drive across segments.
- South African operations contributed a large share of the group's profits in FY16.
- Headlines earnings up 16.5% in FY16.
- Assets, loans, and deposits increased in FY16.

Threats

- Currency swings in the rand impact group's overall earnings.
- Deteriorating short-term climate in South Africa.
- Slight fall in capital ratios in FY16.

Overview

Specialist bank and money manager Investec was established in 1974 in Johannesburg and today has its headquarters in both London and Sandton, South Africa. The bank obtained a South African banking licence in 1980 and listed itself on the JSE Securities Exchange in 1986. The bank's history has been rife with acquisitions, including its 1992 acquisition of London-based Allied Trust Bank, which was both its first overseas buy and its expansion into the UK. The bank still owns most of its assets in South Africa but now also has major operations in Australia, as well as the UK.

In July 2002, the lender implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. A year later, it concluded a significant empowerment transaction in which its empowerment partners collectively acquired a 25.1% stake in the issued share capital of the firm. The group's South African and Mauritius business units are controlled by Investec Limited, while non-South African operations are grouped under Investec Plc.

As an international specialist bank and asset manager Investec delivers solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking. In 2016, the group had over 9,300 employees, the majority based in the Specialist Banking division.

In April 2014, Investec agreed to sell the finance and leasing arm of its Australian business to the Bank of Queensland for an estimated ZAR4.3bn. The bank had previous noted that its Australian operations had been disappointing compared to those in the UK and South Africa. The group followed this up by selling it mortgage businesses in the UK (Kensington) and Ireland (Start).

On the other hand, in October 2015 Investec acquired a minority stake in Vumatel, a leader in driving 'Fibre-To-The-Home' connectivity around South Africa. The bank is also seeking a syndicated loan of USD350mn for its South African arm.

Highlights

Investec Ltd (the South African holding company) reported headline earnings attributable to shareholders of ZAR4,515mn in FY16 (to the end of March 2016), up by 16.5% y-o-y from ZAR3,874mn a year earlier. Operating profit before tax was up 13.3% y-o-y to ZAR6,541mn.

Investec Ltd's core loans were up by 19.7% y-o-y to ZAR218.0bn as of the close of March 2016, compared to ZAR182.1bn a year earlier. Deposits were up by 26.4% y-o-y in FY16 to close at ZAR279.8bn. Total assets also climbed over the same period, coming in at end-March 2016 at ZAR568.8bn, 20.1% above the ZAR473.6bn a year earlier.

As of March 2016, Investec Limited reported a Basel-III compliant capital adequacy ratio of 14.0%, (down from 14.7% in March 15). Its Tier-1 capital ratio came in at 10.7%, compared to 11.3% as of March 2015. In better news, the NPL ratio dropped from 1.4% to 1.1% over the same period.

Fitch and Standard & Poor's give Investec Limited a long-term rating of 'BBB-' as of end-September 2016, while Moody's rates the bank 'Baa2'.

Investec Balance Sheet (ZARmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	37,365	46,572	50,941	51,55	52,01	47,142	44,353	45,352
Loans & mortgages	17,288	19,191	20,371	20,021	19,518	17,975	17,315	18,003
Total deposits	14,573	21,934	24,441	25,344	24,461	22,61	22,615	24,044
Total shareholders' equity	2,621	3,292	3,961	4,013	3,942	4,016	4,04	3,859
Earnings per share (ZAR)	0,39	0,44	0,5	0,26	0,32	0,34	0,24	0,39

Investec Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	53,428	70,747	81,832	82,434	79,029	78,637	65,834	65,279
Loans & mortgages	24,721	29,153	32,724	32,016	29,658	29,984	25,701	25,914
Total deposits	20,837	33,32	39,262	40,527	37,168	37,715	33,567	34,609
Total shareholders' equity	3,747	5,001	6,363	6,416	5,989	6,699	5,997	5,555
Earnings per share (USD)	0,66	0,7	0,77	0,41	0,5	0,55	0,39	0,58

Investec Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	0,8	0,8	0,9	0,5	0,6	0,7	0,5	0,8
Return on equities	12,4	11,5	11,4	5,7	7,3	8,2	5,9	9,7
Loan deposit ratio	120,2	88,8	85,1	80,7	81,7	80,7	77,8	75,7
Loan asset ratio	46,9	41,8	40,8	39,7	38,4	38,7	39,7	40,1
Equity asset ratio	6,1	6,3	7,2	7,2	7,0	7,6	8	7,5
Total risk based capital ratio	16,2	15,9	16,8	17,5	16,7	15,3	16,7	15,1
Tier 1 capital ratio	10,1	11,3	11,6	11,6	11	10,5	11,9	10,7

Source: BMI

5- Nedbank Group

Strengths

- One of South Africa's largest financial companies.
- Strong regional footprint via alliance with Ecobank, presence in 39 African countries.
- Support from majority shareholder Old Mutual Plc.
- Rise in total assets, loans, and deposits during H116.

Weaknesses

- Negative outlook, and recent downgrade from Moody's.
- Losses from Ecobank in H116.

Opportunities

- International expansion, via acquisitions of pan-African banking network.
- Rise in headline earnings in H116.
- Improved capital rations in H116.

Threats

- Fine for money laundering could undermine reputation.
- Volatility in South African economy and currency.
- Long-term credit rating has a negative outlook.

Overview

Originally established in 1831 as the Cape of Good Hope Bank, Nedbank Group is one of South Africa's biggest financial companies. As at end-June 2016, the group operated 1,166 outlets and 3,890 ATMs in South Africa and across Africa. At the same point it served 7.7mn clients with nearly 32,000 employees globally. Nedbank has a presence 39 African nations via its regional alliance with Ecobank, as well as numerous foreign subsidiaries in the continent and representative offices in London, Toronto and Dubai. Nedbank Group is 54% owned by British-based Old Mutual Plc.

Nedbank has been a JSE Top 40 listed company since 1969, and on the Namibian Stock Exchange since 2007. The group has five core divisions operating in investment banking and markets, retail, business, wealth management, and corporate lending.

Nedbank has a history of expansion through mergers and acquisitions: in 2010, the group completed the purchase of Imperial Bank, and in 2013 bought an initial 36.4% stake in Mozambique's Banco Unico, with the option of turning this into a majority stake in the future. In 2011 it made a USD285mn loan to Ecobank and converted this into a 20% stake in October 2014. The bank plans to extend its reach in Eastern and Southern Africa in the coming years.

However, more recently it was among the leading South African banks to receive a fine after a probe into money laundering. In April 2014, Nedbank was obliged by the central bank to pay ZAR25mn for its deficiencies in controlling money laundering and terrorist financing. The bank says it has since tightened controls.

In October 2015, Nedbank scrapped plans to run a prime brokerage after failing to attract hedge-fund clients.

Highlights

Nedbank reported a slowdown in profit growth in H116, with headline earnings up 2.0% y-o-y to ZAR5.43bn. The bank said this was largely due to losses from Ecobank, saying that excluding this impact net earnings were up by 20.1%.

Nedbank Group's balance sheet also improved during H116. Total deposits were up 7.4% to reach ZAR741.7bn compared to ZAR690.5n at end-June 2015. In the same 12-month period total loans and advances increased by 6.9% y-o-y to reach ZAR693.3bn. As at June 30, 2016, total assets reached ZAR944.2bn.

The bank's Common Equity Tier 1 capital ratio, under Basel III standards, rose to 11.6% by end-H116, from 11.4% a year earlier.

In 2014 Moody's downgrade several South African banks, including Nedbank Ltd, by one notch to 'Baa2' and affirmed this in November 2016, while Standard & Poor's affirmed its 'BBB' rating for the bank in October 2016. Both ratings have a negative outlook as of end-2016.

Nedbank Group Balance Sheet (ZARmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	570,703	608,718	648,127	682,958	749,594	809,313	925,726	966,022
Loans & mortgages	442,275	464,424	483,137	502,828	553,576	594,73	661,459	691,423
Total deposits	454,420	476,26	506,133	534,317	590,694	640,791	710,320	698,643
Total shareholders' equity	44,984	47,814	52,685	57,375	64,336	70,911	78,751	81,711
Earnings per share (ZAR)	11,40	10,84	13,67	16,32	18,77	21,09	22,61	21,21

Nedbank Group Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	77,331	92,413	80,262	80,558	71,250	70,064	59,775	70,336
Loans & mortgages	59,929	70,507	59,83	59,311	52,618	51,487	42,711	50,342
Total deposits	61,575	72,304	62,678	63,025	56,146	55,475	45,866	50,868
Total shareholders' equity	6,095	7,259	6,524	6,768	6,115	6,139	5,085	5,949
Earnings per share (USD)	1,37	1,48	1,89	1,99	1,95	1,95	1,78	1,45

Nedbank Group Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	0,9	0,9	1	1,2	1,2	1,3	1,3	1,1
Return on equities	12,9	11,5	13,3	14,5	15,1	15,3	15,1	13,3
Loan deposit ratio	99,5	99,9	97,7	96,1	95,7	94,5	94,7	100,7
Loan asset ratio	79,2	78,1	76,3	75,2	75,4	74,9	72,7	72,8
Equity asset ratio	6,9	7,2	7,6	7,8	8,1	8,3	8,1	8,0
Total risk based capital ratio	14,9	15	15,3	14,9	15,7	14,6	14,1	15,3
Tier 1 capital ratio	11,5	11,7	12,6	11,6	12,5	12,5	12,0	13,0

Source: BMI

6- Standard Bank

Strengths

- Strong presence across the region with operations in 20 African countries.
- Support of ICBC.
- Strong credit ratings.
- Largest bank in Africa.

Weaknesses

- Operating expenses rose in H116.
- Recent downgrade from Moody's.

Opportunities

- Headline earnings rose by 5% y-o-y in H116.
- Disposing of a controlling stake in its global markets business outside Africa.
- Loans and advances, deposits, and total assets climbed in H116.

Threats

- Loan and asset growth in South Africa's banking sector will remain subdued by historical standards, due to weaknesses in the consumer sector and faltering business confidence.
- Borrowers under pressure from a sluggish economy.
- Negative outlook on long-term rating.

Overview

Standard Bank has a 151-year history in South Africa and started building a franchise in the rest of Africa in the early 1990s. It currently operates on the ground in 20 Sub-Saharan African countries, including South Africa, as well as in other selected emerging markets. The bank's three main pillars of business are Personal & Business Banking, Corporate & Investment Banking, and Wealth.

Standard Bank Group is listed on the JSE Limited, and the Namibian Stock Exchange. Normalised headline earnings for H115 were ZAR10.5bn, total assets were ZAR1,948bn as at June 30 2016 and it employed almost 55,000 people (including Liberty) across all geographies. Standard Bank had 1,215 branches and 8,713 ATMs on the African continent at end-H116. In July 2016, it was granted a full banking license in Cote d'Ivoire, part of a drive to become more established in Francophone West Africa.

The largest bank in the world, ICBC, is a 20.1% shareholder in the group. Excluding the 20.1% ICBC shareholding, 29.7% of Standard Bank's shareholder base is foreign.

On November 8 2013, the Group announced that it was in discussions regarding the disposal of a controlling stake in its global markets business outside Africa through the sale of a controlling interest in Standard Bank Plc (SB Plc), the group's London banking operation. This was followed by an announcement on January 29 2014 that transaction agreements had been signed with the Industrial and Commercial Bank of China (ICBC).

Highlights

In H116, the group reported headline earnings of ZAR10.86bn, an increase of 5% compared to ZAR10.37bn in the first half of 2015. Net interest income rose by 18% y-o-y to ZAR27.78bn while operating expenses were up 14% y-o-y to ZAR28.34bn. Impairment charges climbed 16% to ZAR5.82bn.

Total assets for the group reached ZAR1,947.8bn at end-June 2016, an increase of 5% y-o-y from ZAR1,856.8bn. Loans and advances were up 2% y-o-y to ZAR1,071.2bn and customer deposits climbed 6% y-o-y to ZAR1,197.2bn over the same period.

The group's Common Equity Tier 1 ratio came in at 13.2% at end-June 2016, up slightly from 13.1% a year earlier. The Total capital adequacy ratio, however, decreased from 16.0% to 15.9% over the same period.

In November 2014, Moody's lowered its rating for the Standard Bank of South Africa by one notch to 'Baa2', due to a weakening of the South African government's credit profile, and in May 2016 affirmed this level with a negative outlook. The bank is rated 'BBB-' (negative outlook) by Fitch.

Standard Bank Balance Sheet (ZARmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	1,292,506	1,332,409	1,492,829	1,560,349	1,690,929	1,902,845	1,979,349	1,954,290
Loans & mortgages	593,72	587,019	650,829	691,413	739,82	801,073	895,206	907,469
Total deposits	661,877	695,698	746,472	784,811	852,656	946,261	1,049,312	1,094,374
Total shareholders' equity	99,369	103,198	117,533	130,889	152,648	161,634	178,908	179,359
Earnings per share (ZAR)	7,58	7,22	8,76	10,55	10,34	11,3	14,87	13,90

Standard Bank Balance Sheet (USDmn)								
	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	175,136	202,282	184,868	184,051	160,726	164,734	127,809	142,292
Loans & mortgages	80,450	89,119	80,597	81,556	70,321	69,351	57,804	66,073
Total deposits	89,685	105,618	92,441	92,572	81,046	81,92	67,755	79,681
Total shareholders' equity	13,465	15,667	14,555	15,439	14,509	13,993	11,552	13,059
Earnings per share (USD)	0,91	0,99	1,21	1,29	1,08	1,04	1,17	0,95

Standard Bank Key Ratios (%)								
	2009	2010	2011	2012	2013	2014	2015	2016
Return on assets	0,8	0,9	1,0	1,1	1,0	1,0	1,2	1,1
Return on equities	13,3	12,6	14,2	15,3	13,5	13,5	16,5	14,7
Loan deposit ratio	92,5	86,8	89,2	90,4	89	86,6	87,5	84,9
Loan asset ratio	47,4	45,3	44,6	45,4	44,9	43,1	46,4	47,5
Equity asset ratio	6,5	6,5	6,6	7,1	7,6	7,2	7,6	7,7
Total risk based capital ratio	15,1	15,3	14,3	14,3	16,2	15,5	15,7	16,8
Tier 1 capital ratio	11,9	12,9	12	11,2	13,2	12,9	13,3	13,7

Source: BMI