



OPTIMISTIC: Sizwe Nxasana, the chief executive of FirstRand, says there are a lot of ways to grow

Picture: KATHERINE MUICK-MERE

SA banks have 'opportunity to grow'

THEKISO ANTHONY LEFIFI

ANALYSTS say SA's big four banks still have substantial room to grow, as long as they are prepared to widen their focus beyond the middle- and high-earning sections of the market.

Johann Scholtz, banking analyst at Afrifocus Securities, said banks still seem to focus on a "generic strategy", although the penetration rate of banking products in SA is low compared to the developed world.

Coronation Fund Management's Godwill Chahwahwa said that while banking penetration is higher in SA compared to most markets in Africa, we are by no means a mature market. Chahwahwa said there is still op-

portunity to sell home loans, credit cards and vehicle finance to the mass market segment — both in SA and in greater Africa.

Khaya Gobodo, head of equities at Afena Capital, expects SA banks to grow faster than the country's GDP because their earnings base is low. There hasn't been growth in SA advances in about three years because of the weak economy, he said.

"I don't buy the notion that there is no growth in SA," said Gobodo.

Chahwahwa said the banks' strategies to enter the lower end of the market is an acknowledgement that over the years this market has been under-served and now presents a long-term growth opportu-

nity. The big four banks are competing with smaller rivals such as Capitec, African Bank and ubank in this sector.

All four banks, Standard Bank, FirstRand, Absa and Nedbank, have highlighted their interest in expanding in Africa, where penetration is low.

Standard Bank recently announced a "refined" emerging-market strategy, saying it will focus more on its Africa operations.

SA banks are well capitalised with regards to Basel III regulations but liquidity ratios are still a concern for the industry. High capital ratio requirements may put a brake on SA's expansion in terms of lending activity, said Scholtz. He expects less

growth in mortgage lending than we have seen in the past and greater focus on short-term lending.

Sizwe Nxasana, the chief executive of FirstRand, noted that there are opportunities to grow in SA.

FirstRand reported a 20% increase in normalised earnings on continuing operations (stripping out the contribution from Momentum in both the current and comparative period following its unbundling in November 2010) to R4.8-billion.

Nxasana said results reflect the quality of FirstRand units, "which have all produced strong operational performances and are showing signs of success from some of their growth strategies, both in SA and Africa".