

# A Market Analysis of Côte d'Ivoire's banking sector.

March 2018

# Côte d'Ivoire: Liability Plays

## A tiered look at banks' deposit franchise strength

### Tier 1 Banks

- In between, a total of 245 years of banking presence in Côte d'Ivoire-therefore strong brands in their right;
- Serving a combined total of 1.5 million customers-60% of the total market share;
- Have the strongest distribution network backed by 600 branches-56% of the total branch distribution;
- Hold 70% of total customer deposits; and
- Enjoy the lowest weighted cost of funding- of between 2-3%.

### Tier 2 Banks

- Relatively young brands. In between, a total of 86 years of banking presence in Côte d'Ivoire;
- Serving a combined 350,000 customers-a 14% market share;
- Mild distribution network composed of 86 branches-or 14% of the market share;
- Hold 23% of total customer deposits;
- Enjoy a relatively medium weighted cost of funds;

### Tier 3 Banks

- In between, a total of 86 years of banking presence in Côte d'Ivoire-relatively young brands;
- Serving a combined total of 685,000 customers-27% of the total market share;
- A distribution network of 178 branches;
- Hold just 8% of total customer deposits;
- Enjoy a volatile cost of funding environment.

# Côte d'Ivoire: Liability Plays

A tiered look at banks' deposit franchise strength

## Tier 1 Banks

- Société Générale
- Banque Atlantique
- Ecobank
- NSIA Banque
- BICI
- Société Ivoirienne de Banque

## Tier 2 Banks

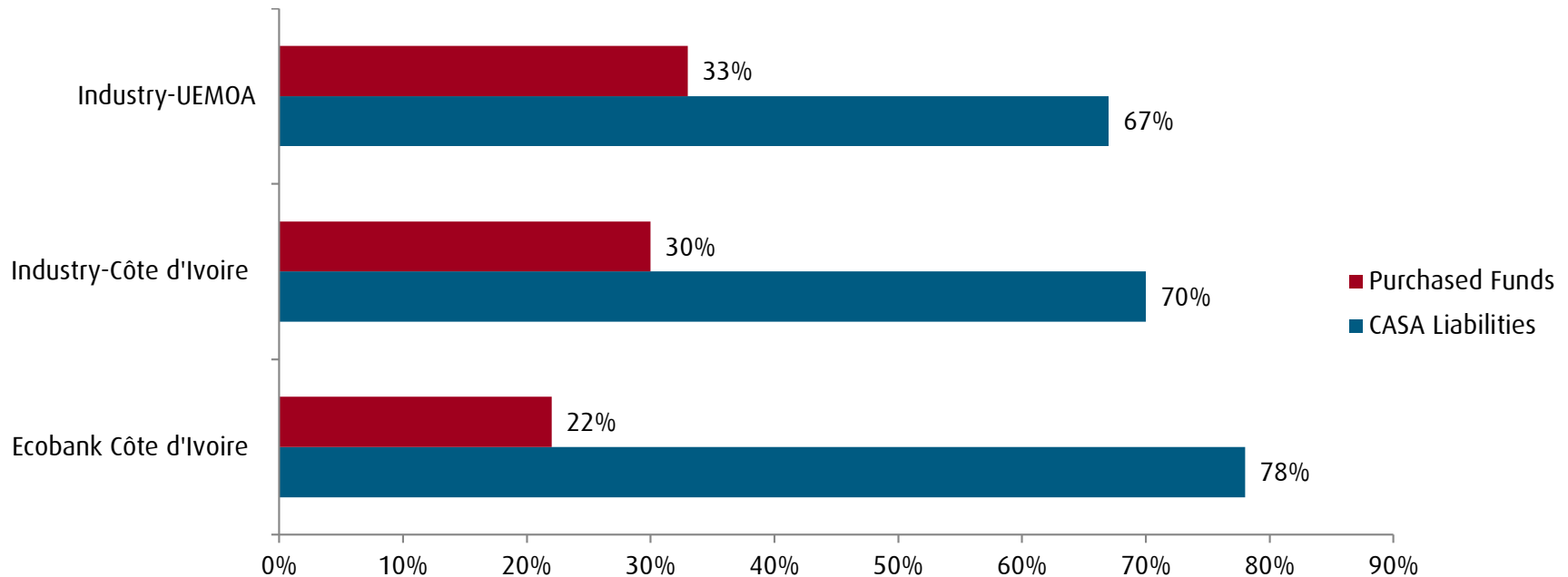
- Bank of Africa
- BNI
- Bridge Bank
- Standard Chartered Bank
- Diamond Bank
- BGFIBANK
- UBA
- Citi

## Tier 3 Banks

- CNCE
- BSIC-CI
- Coris Bank International
- BHCI
- Orabank
- Versus Bank
- COFIPA Investment Bank
- Afriland First Bank
- GTBank

# Côte d'Ivoire: Liability Plays Cont'd

## Ecobank Côte d'Ivoire still ahead of the market

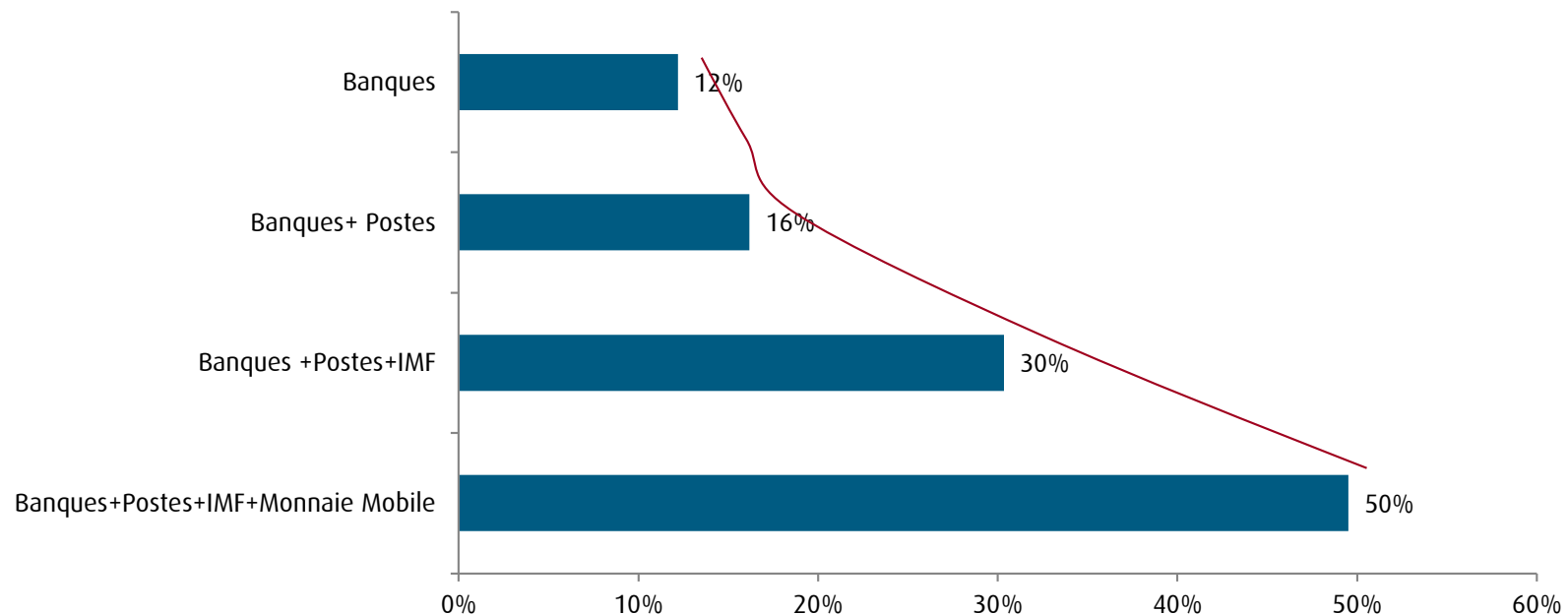


- In terms of liability generation, Ecobank Côte d'Ivoire (ECI) is ahead of the market when viewed through the prism of CASA and Purchased Funds;
- Effectively, ECI continues to enjoy a stable and low cost LCY funding base and is likely to continue doing so for sometime. This is also supported by ECI's ability to bank high quality clients-which is a function of strong balance sheet-as well as competitive pricings.
- However, in a situation where ECI changes lending strategy and moves down the risk curve, then a new liability generation approach has to be incorporated-most likely a mobile phone-based approach.

# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: the next big thing for ECI

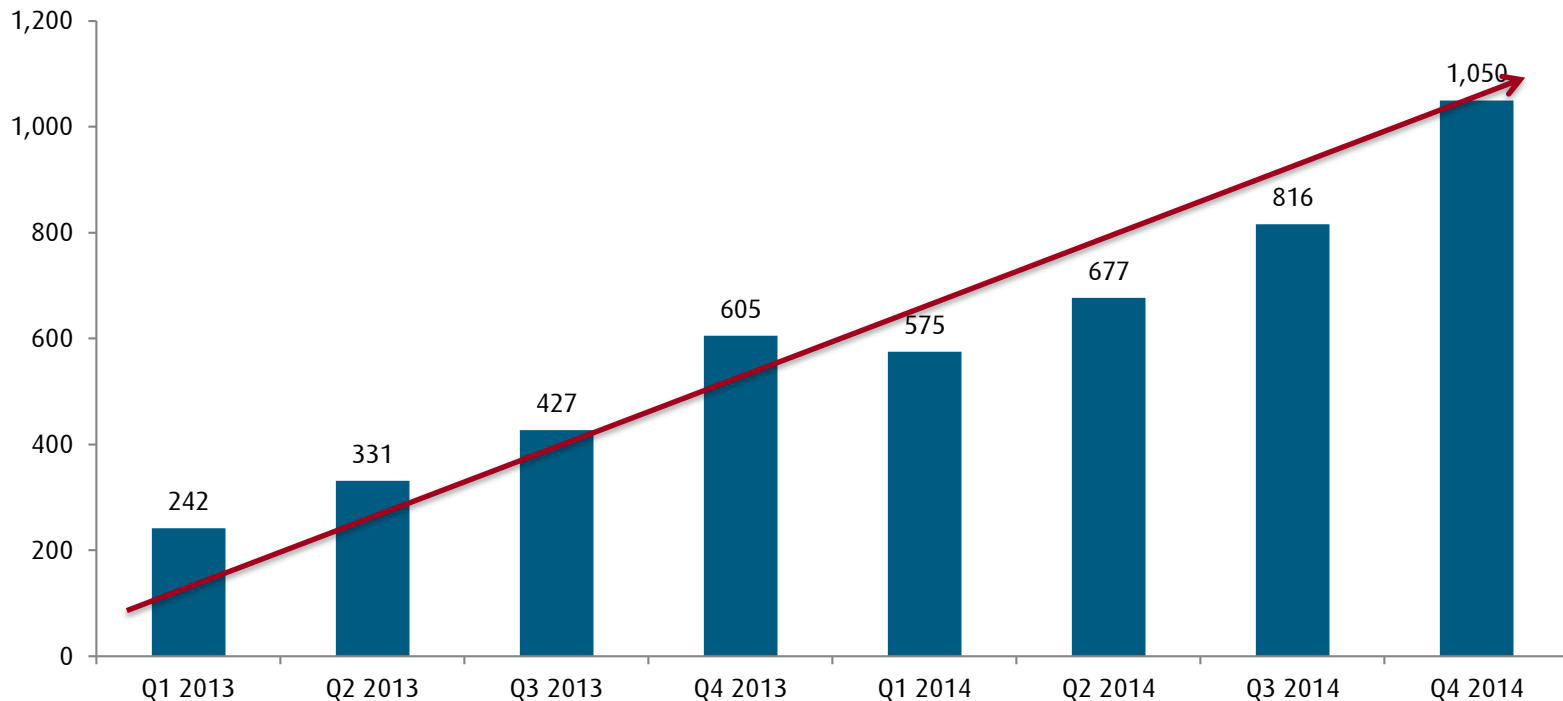
- Mobile financial services is the next big thing in terms of LIB liability generation-and the numbers are growing at incredible rates.
- For instance, the chart below visualizes the great power of mobile financial services in driving financial inclusion in UEMOA.



# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: transaction numbers

- The value of transactions has recorded a steep growth especially between 2013 and 2014. In fact, in 2014, average daily transactions hit about USD21mn.

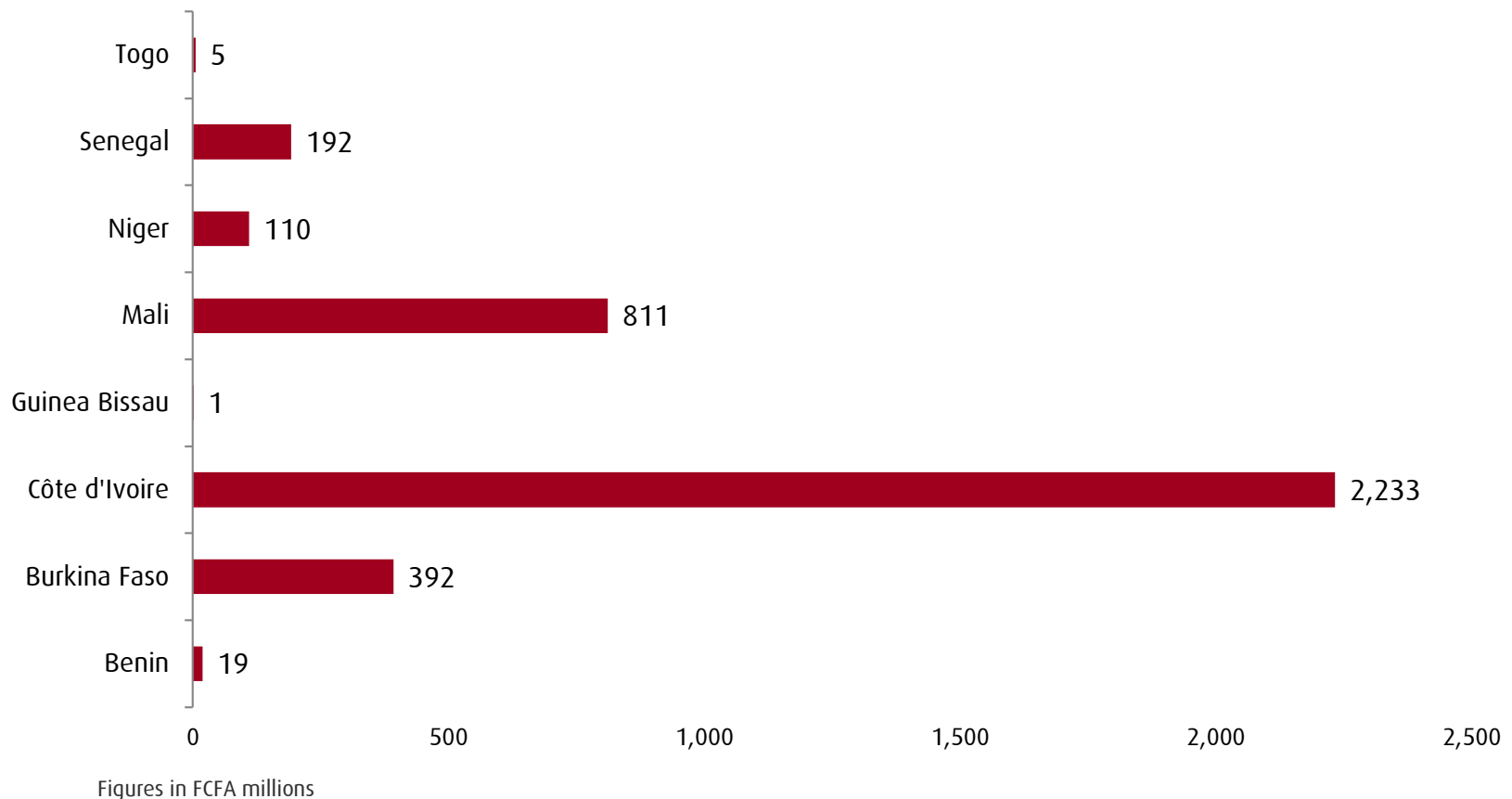


Figures in FCFA millions

# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: transaction numbers

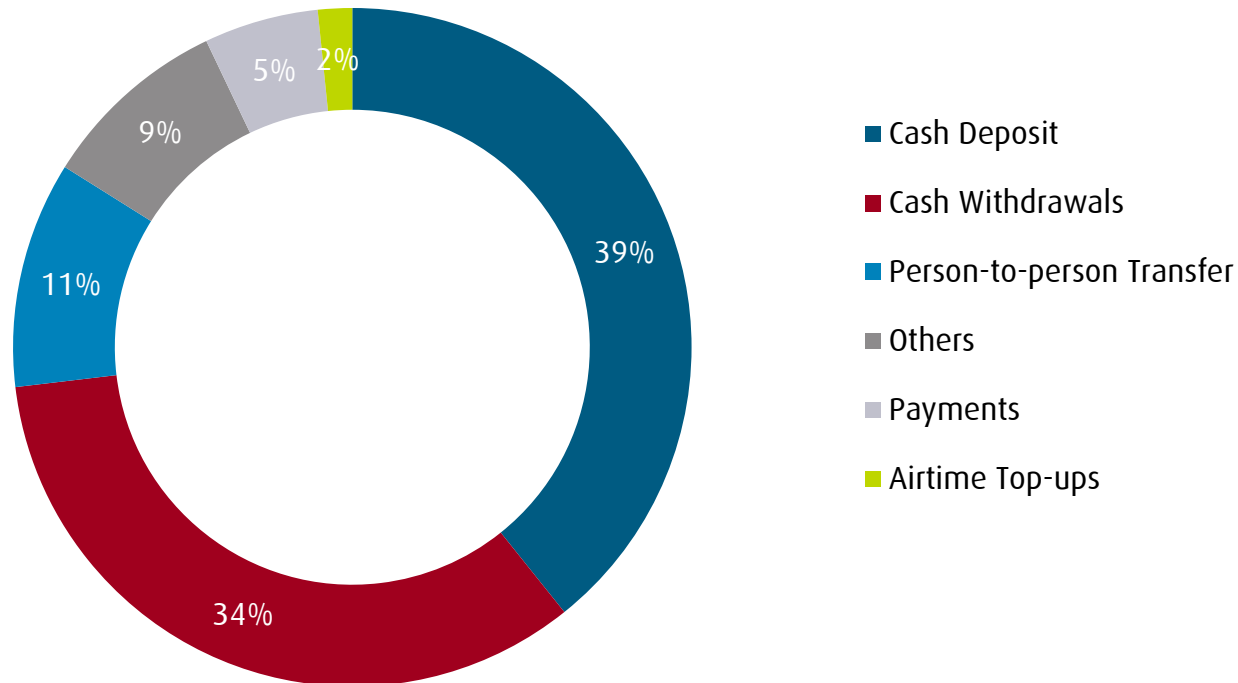
- Côte d'Ivoire seems to be the hub of mobile financial services in UEMOA , where Orange dominates the scene. Mali comes in at a distant second.



# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: What are people using it for?

- Just like other markets where mobile financial services are flourishing, cash deposits and withdrawals dominate the transaction scene. In Côte d'Ivoire, the two items accounts for 73% of total transactions.

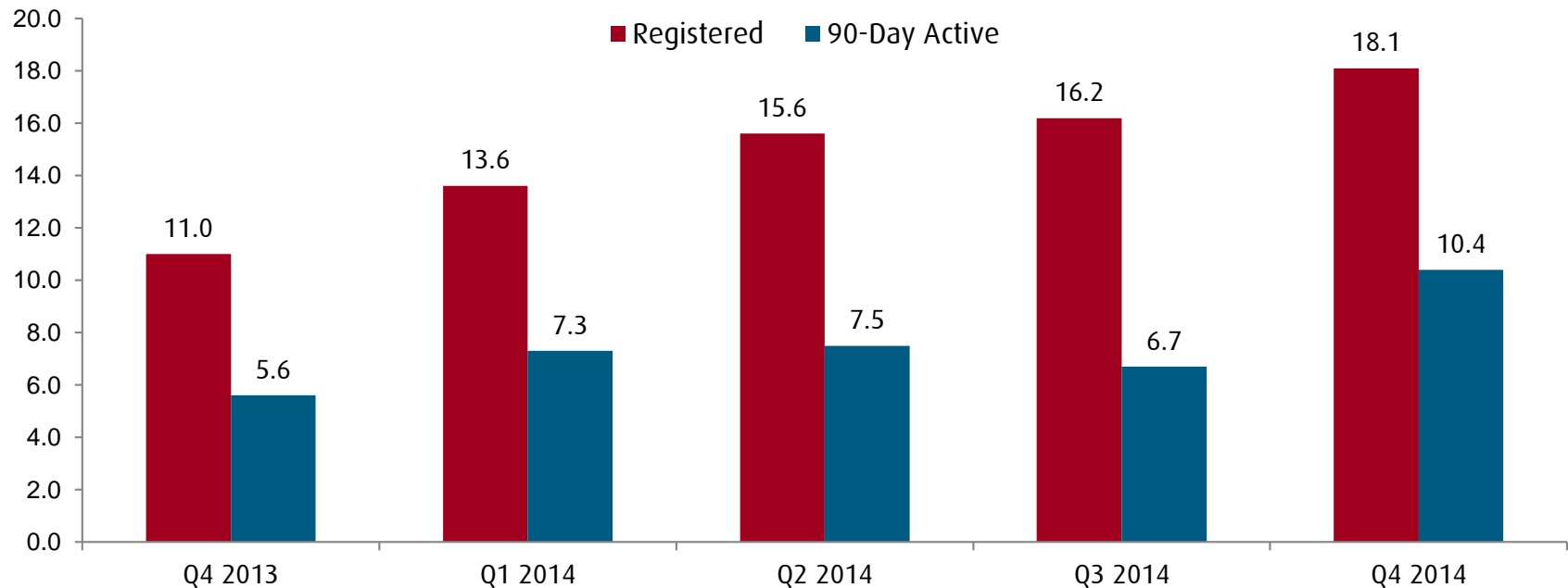




# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: How many people are using it UEMOA?

- At the close of 2014, nearly 20 million persons in UEMOA were registered for mobile financial services-which represents a penetration of just 21% within mobile-cellular subscriptions in the region. Of the registered users, only 10 million are active.

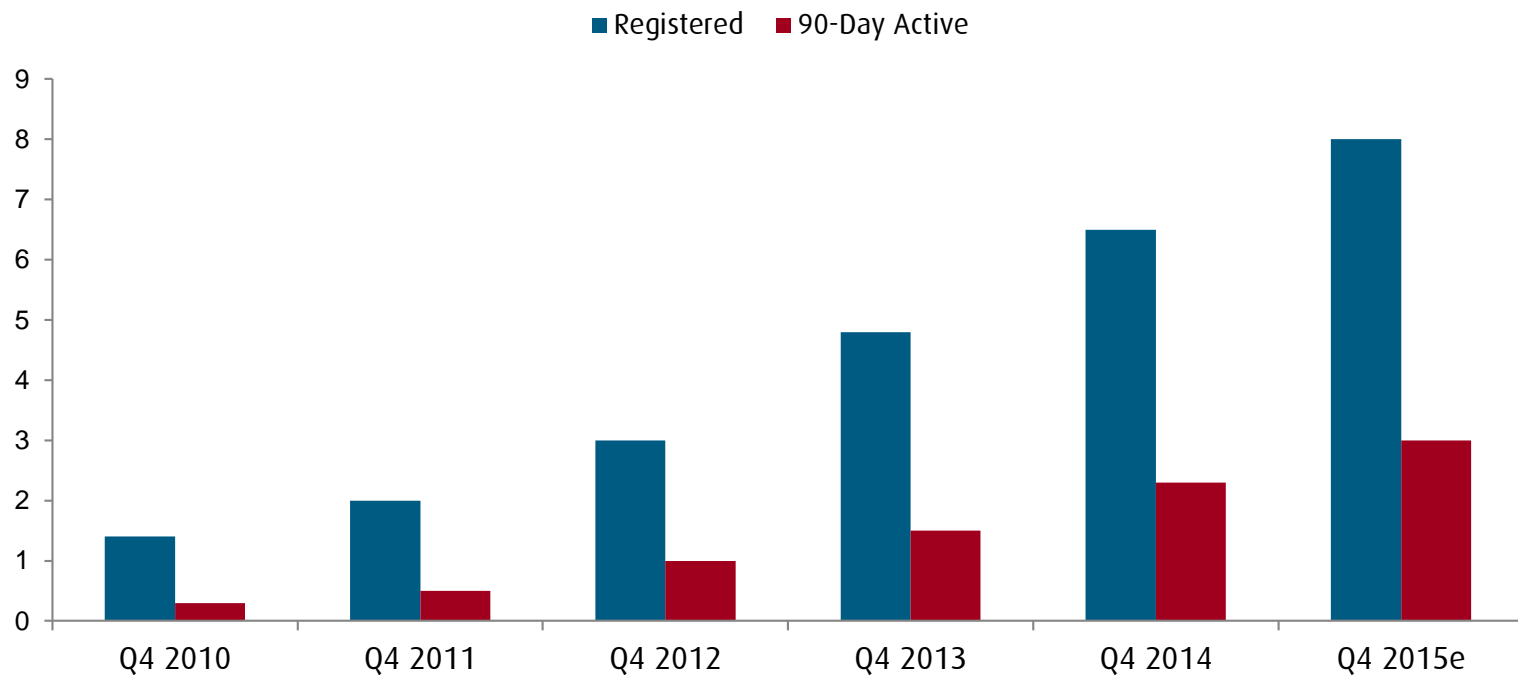


Figures in millions

# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: How many people are using it in Côte d'Ivoire?

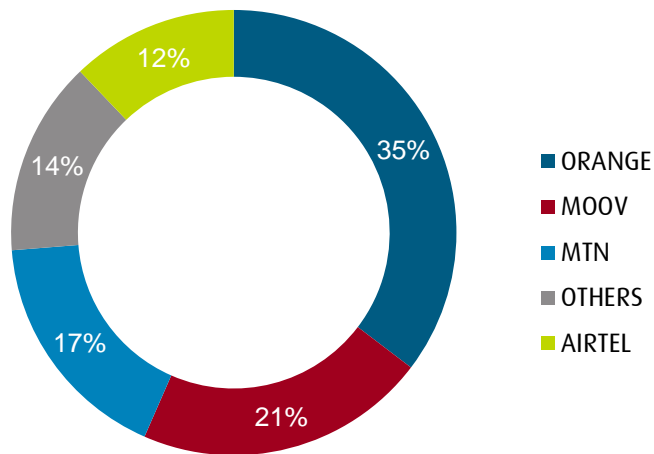
- We estimate that Côte d'Ivoire accounted for nearly 40% of the registered users at the close of 2015. As sensitization around mobile money grows, penetration could double by end of 2018.



# Côte d'Ivoire: Liability Plays Cont'd

## Mobile Banking: Who are the major players?

- The BCEAO, realizing that mobile money had the potential to significantly escalate financial inclusion, issued regulations on electronic money (e-money) in 2006. These regulations qualified non-money banks for an e-money issuer license. Additionally, an e-money issuer can be a bank, in partnership with an MNO.



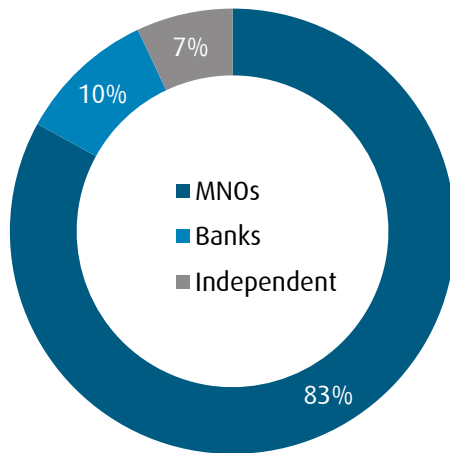
### Major Players in Côte d'Ivoire

Service	Providers	Launch Date
Orange Money	Orange in Partnership with BICICI	Dec-08
MTN Mobile Money	MTN in Partnership with SGBCI	Oct-09
CelPaid	CelPaid	Feb-11
Flooz	Moov in Partnership with BIAO	Jan-13
Mobile Banking	Qash Services	Nov-13

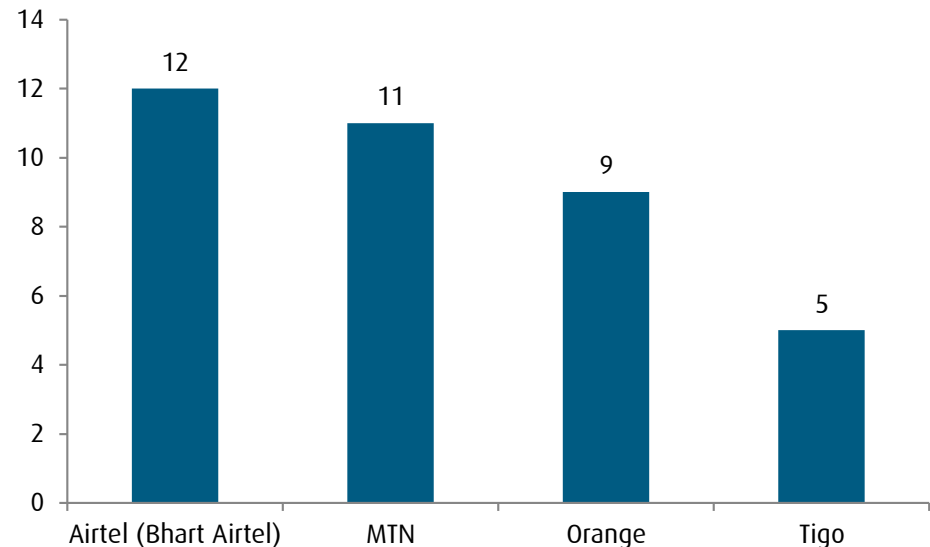
# The Big Picture: It's a necessary partnership

- MNOs are the leading lights of the mobile financial services industry in SSA. Since 2008, the success of Safaricom's M-PESA has continued to motivate MNOs to deploy mobile money platforms across the region. Currently, MNOs account for over 80% of live mobile money deployments in Middle Africa. While the majority of MNOs operate their mobile money businesses in a single country, Pan-African MNOs are launching their operations across countries. Surprisingly, Airtel is leading the race, with live mobile money deployments in 12 countries, ahead of MTN, which has live deployments in 11 countries.

Distribution of live deployments in Middle Africa



MNOs: Number of countries with live deployments.



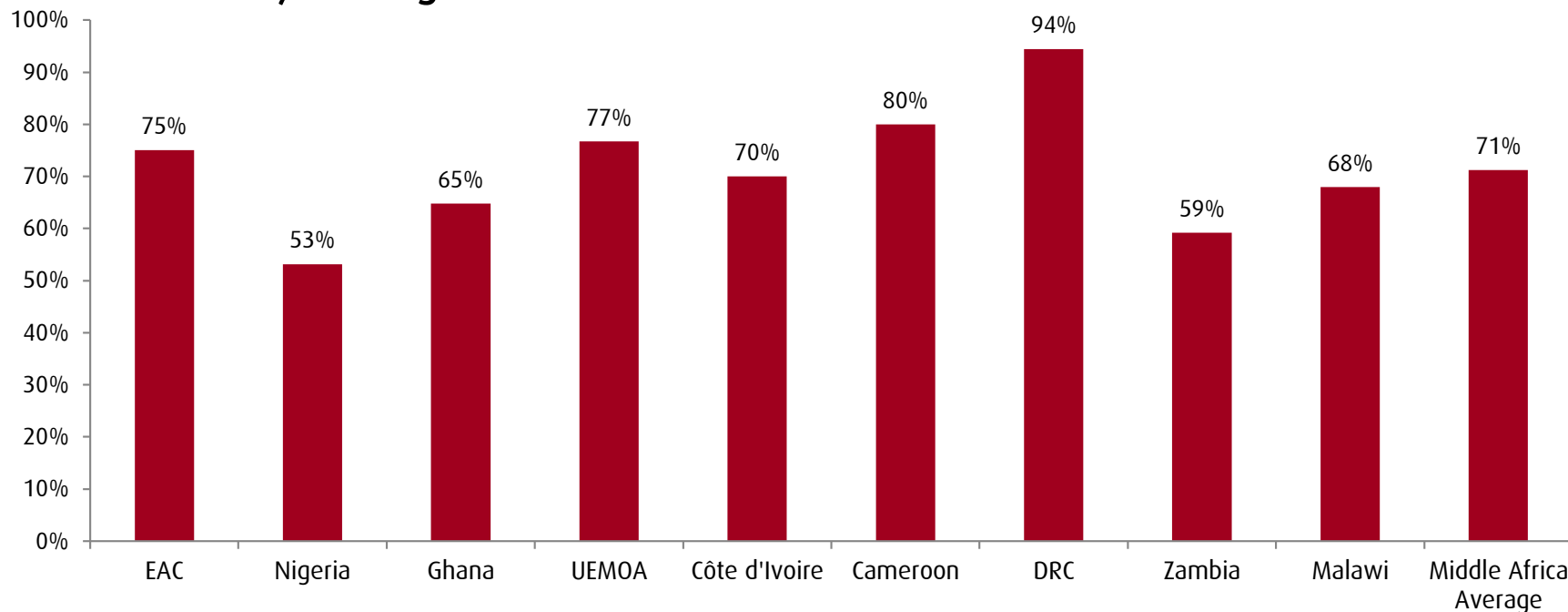
# Summary

- The traditional CASA approaches of brick-and-mortar and ring-fencing of receivables is still working, for now.
- Occasionally, any funding gap can be met via interbank borrowings or purchasing high cost institutional funds-which is sometimes ok in as far as ALM is concerned.
- However, a deliberate strategy has to adopted to expand into the alternative channels space-most notably mobile money. And the numbers are adding up.
- By the close of 2020, the number of registered mobile money users in Côte d'Ivoire could hit 12 million. Additionally, the 90-day active base could also hit 10 million, driven by growth in agency network across the country, and led by Orange Money.
- Furthermore, an increased number of utilities will get hooked onto the mobile money for ease of bill payments by consumers.
- Consequently, ECI has to think critically on how they can onboard this phenomenon-and they need to do it now.

# Côte d'Ivoire: Asset Plays

## The Market is Still Loan-driven

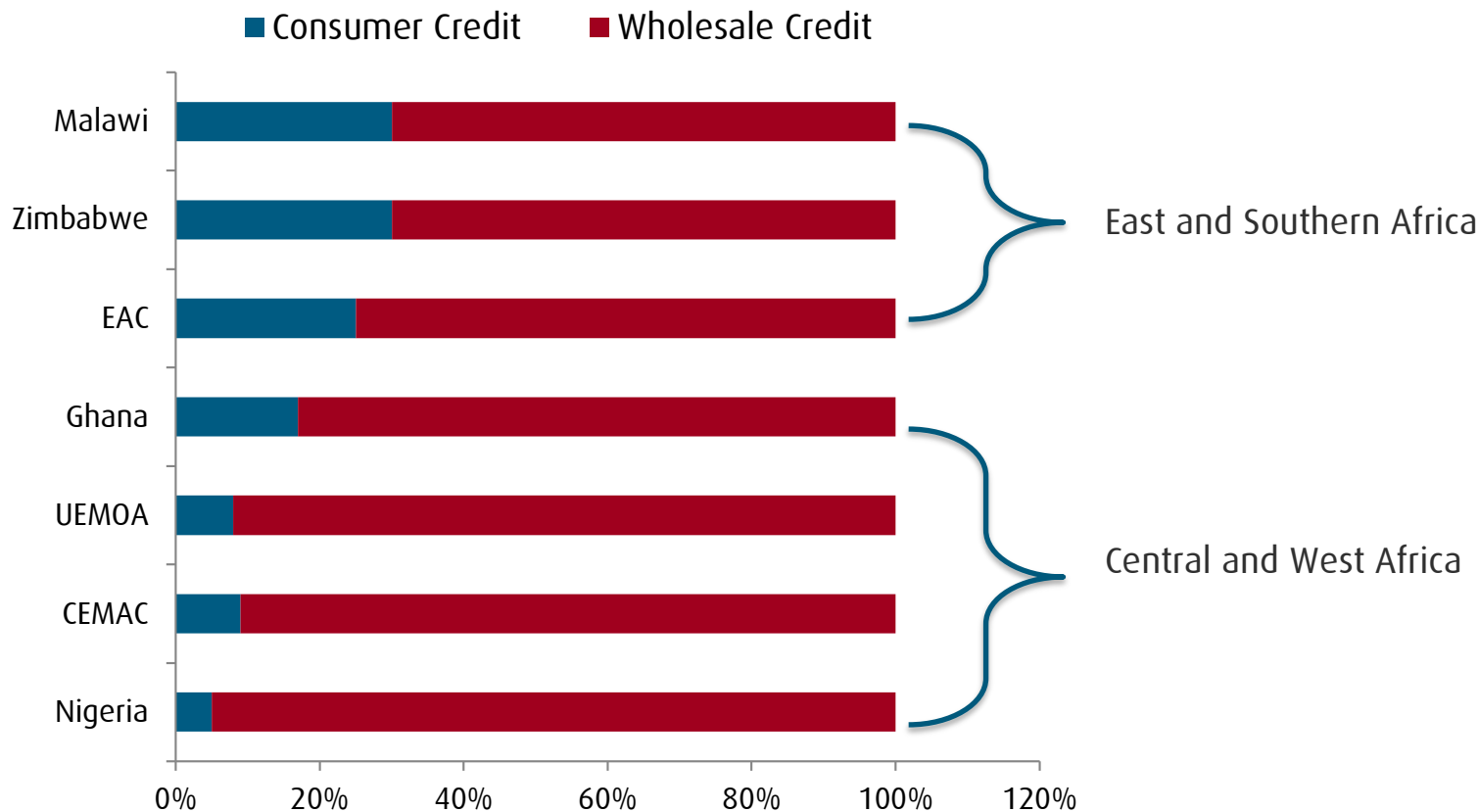
### Loans/Earning Assets



- The market is still loan-driven with loans and advances accounting for 71% of earning assets, on average terms (see Chart below). This lack of sophistication in the Middle African balance sheet is still a positive factor in as far as cost of compliance is concerned.
- Therefore, any asset strategies still has to be centered around lending.

# Côte d'Ivoire: Asset Plays

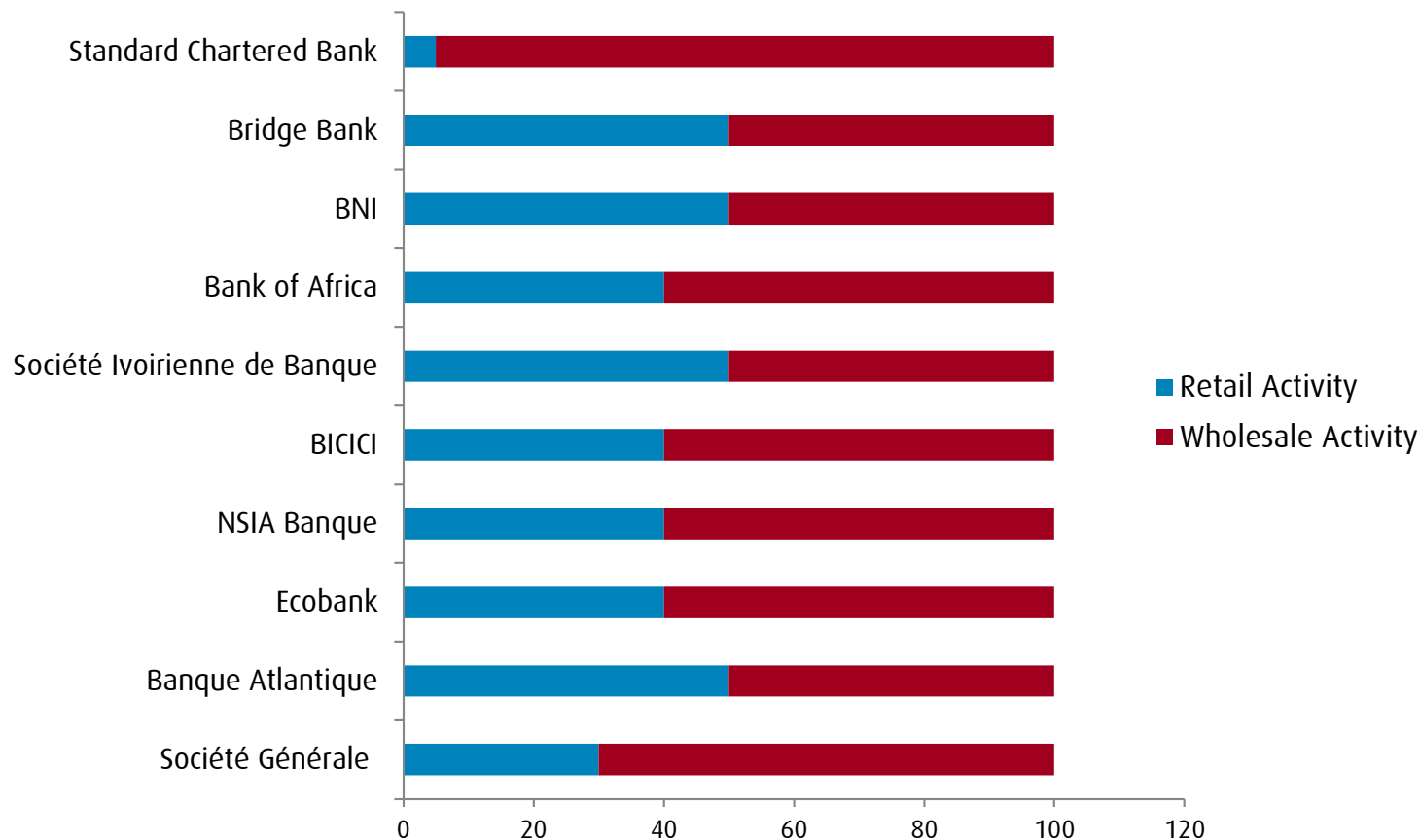
## Loan Book Segments: The Broader Picture



- Broadly speaking, East and Southern Africa has the largest exposure to consumer credit; perhaps a reflection of the growing financial inclusion in the two regions.
- Banks in Central and West Africa are still not fully keen to move down the risk curve (especially in UEMOA and Nigeria). This is down to (i) lack of robust systems and (ii) low financial literacy levels in those markets.

# Côte d'Ivoire: Asset Plays

## Loan Book Segments: Top 10 banks



- On average terms, we estimate that 60% of lending activities among the top 10 banks are geared towards wholesales borrowers-local entities (SMEs and corporates-public and private) as well as multinationals.
- This is a sign of an increasingly saturated corporate lending market in which competition is now two-pronged: (i) balance sheet strength; and (ii) pricing.



# Côte d'Ivoire: Asset Plays Cont'd

- Because of this increasing saturation, we recommend that ECI should move down the risk curve for one cardinal reason-margin expansion.
- Net spreads are already too thin and flat in Côte d'Ivoire compared to a peer market like Kenya (see Chart below); and since ECI enjoys a relatively low funding base, margin expansion is easily achievable.

Net Spreads



- In order to successfully move down the risk curve, the following ingredients are required:
  - ✓ Scale-in terms of personnel and debt recovery capabilities;
  - ✓ Strong distribution; and
  - ✓ Alternative channels.

Thank You