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“..because the execution of an idea is always more important than the brilliance of the thought..”

(Harvard Business Publishing – Morgan, Levitt & Maleck – INVEST model)

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Banking Outlook Africa 2009

Regional Integration in the African Financial Sector

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1. An overview of the regional financial sector landscape
2. The drivers and benefits behind regional expansion and integration in the financial sector
3. Lessons learnt
4. How to devise a strategy for regional expansion
5. What does the future have in store for regional integration in the financial sector across Africa?



Overview of the regional financial sector landscape

- Regional integration in the African financial sectors is nothing new (Barclays, Standard Chartered, ANZ Grindlays/Stanbic)
- There has been a rapid growth in numbers of financial firms across the continent in the last decade, due mainly to low barriers to entry
- The financial services sectors in Africa are characterised by a large number of small banks (assets <\$100 M)
- A number of home grown banking institutions have expanded very fast and have been very successful in extending their footprint to other African jurisdictions
- There have also been a number of 'regional expansion' failures



Overview of the regional financial sector landscape

Country	No. of banks	GDP (US\$ Bil)	GDP/ Bank (US\$ Mil)	Population (Mil)	Pop/ Bank
United States of America	8,430	14,264	1,692	306,663	36,378
United Kingdom	343	2,674	7,796	61,612	179,628
Brazil	233	1,572	6,747	191,242	820,780
South Africa	36	300	8,344	47,900	1,330,566
Tanzania	30	21	691	40,000	1,333,333
Nigeria	24	214	8,933	148,000	6,166,667
Zambia	17	14	843	11,863	697,808

* Banks are defined as all banks licensed as deposit taking institutions



Overview of the regional financial sector landscape

- A large percentage of the population in SSA is unbanked (we estimate it to be around 88%)
- Around 115 million mobile phones in SSA in a population of around 800 million
- The GDP of SSA was US\$744 billion in 2008, which was equivalent to 28% of China's GDP, 69% of Brazil's, 74% of Russia's and 80% of India's
- The average percentage of exports within trade blocs in SSA is 7.1%. The East African Community has the highest within trade bloc share (16.5%), while the Economic Community of Central African States has the lowest share (0.6%)
- 65% of SSA's population lives in rural areas; Burundi has the highest rural share (90%), while Djibouti has the lowest (13.5%).



- Greater economies of scale and operational efficiencies
- Lower average costs, particularly important in the deployment of technology
- Initiatives and organisations such as SADC, COMESA and ECOWAS will pave the way for operational integration across different jurisdiction and the provision of cross-border products & services
- Move towards the African banking efficiency frontier (lower cost/income ratios)



- Many home grown African banks have embarked on regional expansion strategies with varying degrees of success
- Ecobank has been a shining example of successful regional expansion in the financial sector
- Ecobank has multi-national shareholders and management and adopted a 'multi-local' approach
- Banks must have an innovative culture and need to be open to understanding and appreciating different cultures and regional nuances if they are to succeed
- Regulatory resistance and nationalistic sentiments need to be overcome
- Governance needs to be sound, independent and transparent



1. Refine and perfect your product & service offerings and your operations in your home market before expanding into others
2. Decide on markets based on your own core competencies vs. the opportunities that exist in those markets – *"if you want to succeed, rely on your strengths"*
3. Develop a multi-national and multi-cultural organisation in your home market, order to appeal to your target markets
4. Seek the backing and support of the relevant regulators and governments
5. Map management and staff to markets that will present a cultural fit
6. Following one of the 'Multi-local' models, we would suggest arranging Africa into a number of clusters with similar cultural dispositions (e.g. Lusaphone, Francophone, Anglophone)



- The emergence of true Pan-African bank/s operating at the leading edge of the African banking efficiency frontier and with a trans-continental brand/s
- Banking the un-banked through mobile banking, supermarket banking, ATMs and other modern delivery channels
- Mobile phone operators and remittance companies will continue to grow and will play an ever increasing role in retail banking in Africa
- Regional banking products and services – *“your money will be able to follow you around the continent”*
- Different African nationalities and cultures will be integrated in regional banks



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