

Financial & Banking Operations in Ghana

A Private Sector Perspective

By

Emmanuel ADU-SARKODEE (BA, MBA, LLB)

Group Chief Executive, CDH Financial Holdings



CDH Financial Holdings Limited

Wisdom!

Outline of Presentation

- Overview of Ghana's Financial Sector
 - Structure of Industry
 - Regulatory Framework
 - Current Performance
- Prospects & Risks
 - Characteristics of the Industry
 - Prospects & Opportunities
 - Issues of Risk



Overview of Ghana's Financial Sector



Ghana's Financial System

- Ghana's Financial Sector can be mainly classified into 3 categories
 - ❖ Banking
 - ❖ Insurance
 - ❖ Capital Markets



Banking

Banking Landscape:

- 27 Universal Banks (15 Foreign Owned)
- 904 Branches
- 137 rural and community banks
- 63 non-banking financial institutions (*finance houses, savings and loans, leasing and mortgage firms*)
- 500 Microfinance Institutions
- Minimum Capital Requirement for Banks – \$30 million
- Minimum Capital Requirement for Non-Banks vary due to size

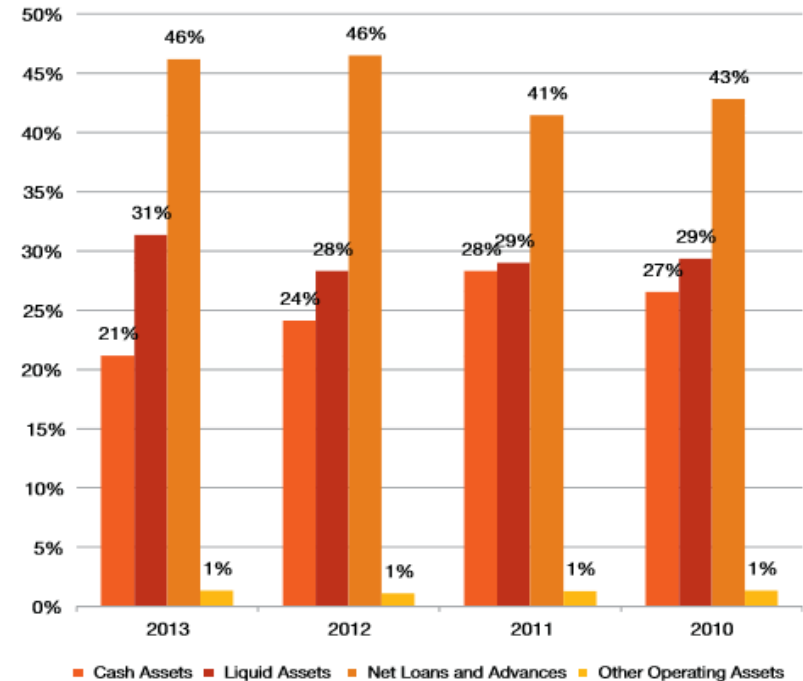


Banking

Banking Landscape:

- Total Assets of Banks at \$12 billion
- Deposits: \$8 billion
- Loans & Advances: \$5.5 billion
- Industry Return on Assets: 5%
- Industry Return on Equity: 30%
- Top 4 banks make up 40% of industry

Composition of Industry Operating Assets



Performance of Ghana's Banking Industry

\$billions	2010	2011	2012	2013	2014
Total Profits	0.29	0.31	0.50	0.71	0.56
Total Assets	11.86	14.71	14.40	16.30	12.30
Total Liabilities	10.27	12.73	12.30	13.89	10.48
Total Deposits	8.30	10.96	10.50	10.53	7.93
Total Earning Assets	9.27	10.50	11.46	12.94	9.54
Industry Return on Assets (%)	2.47	2.34	3.45	4.37	4.58
Industry Return on Equity (%)	18.47	17.34	23.71	29.93	29.29

Insurance

Insurance Landscape

- 25 Non-Life Companies
 - 21 Life Companies
 - 3 Re-Insurance Companies
 - 69 Brokers
 - 6,000 Insurance Agents
-
- Top 5 Non-Life Companies account for 60% while Top 5 Life Companies account for 80% of the industry



Capital Markets

Capital Markets Landscape

- 34 Listed Companies on the GSE main market, 3 on the alternative market
- Market Capitalisation on the GSE of \$16 billion
- 21 Brokerage Firms, 35 Mutual Funds & Unit Trusts
- Amount raised on the GSE since inception: \$600 million
- Total equities value traded on the GSE since inception: \$700 million



Ghana's Financial Regulatory Framework

Type of FI	Ownership	Legal Basis	Organised as	Fund Source	Authorised Activities	Agency Jurisdiction
Universal Banks	Private/State	Companies Act; Banking Law	Limited Liability Company	Equity Capital, Commercial Loans, Deposits	Full-service banks	Bank of Ghana
Savings & Loans	Private	Companies Act; NBFi Law	Limited Liability Company	Equity Capital, Commercial Loans, Deposits	Tier 2 banks	Bank of Ghana
Rural Banks	Community owned	Companies Act; Banking Law	Limited Liability Company	Government Loans, Deposits	Savings deposits and micro-loans	Bank of Ghana/ARB Apex Bank
Micro-finance	Private, NGOs, Individuals	NBFi Law; Law on Cooperatives	Limited Liability Company, Limited by Guarantee, Cooperative	Equity Capital, Grants, Loans, Member Contributions Deposits	Savings deposits and micro-loans	Bank of Ghana, Registrar General, GHAMFIN
Insurance	Private/State	Insurance Act	Limited Liability Company	Equity Capital, Premiums	General & Life insurance	National Insurance Commission
Brokerage Houses	Private	SEC Regulations	Limited Liability Company	Equity Capital	Brokerage, Fund Management, Private Wealth	Securities & Exchange Commission

Characteristics, Prospects & Risks of the Industry



Characteristics of Ghana's Financial Industry

- **Low Savings Rates** – Total Deposits as a percentage of GDP is about 15% (post-reform). This compares to a savings rate of about 37% in East Asia and 20% in Latin America.
- **High Treasury Bill Margins** – As a result of the high yields of treasury bills, portfolio allocation by the banking institutions has been in favor of short-term government Treasury bills. This has also impacted on savings mobilization and allocation of funds to the other productive sectors of the economy.
- **Short-term structure of bank lending in Ghana** – High rates on short-term investments, dominated by Treasury bills have provided a relatively safe outlet for bank's profit maximization, leaving a big gap in the long-term segment of the market.



Characteristics of Ghana's Financial Industry

- **Dominance of the Top 4 Banks** - Although there has been some progress in the privatization of state owned banks and the formation of many private financial institutions, the dominant position of the four largest universal banks remains entrenched with 40% of the industry.
- **Focus of Private Credit in Real Estate & Services** – There is opportunity for providing credit to important segments as the economy such as agricultural, manufacturing and infrastructure; as banks have tended to concentrate on credit to sectors such as construction, service, retailing, and hotels, which are perceived by the banks to be less risky.



Prospects & Risks

- **Rural Banking** – Major financial institutions must start focusing on providing services to rural areas and getting as close as possible to depositors to enhance savings mobilization.
 - This can be accomplished by “banks on wheels” to the rural areas of the country, introduction of more ATM machines and branch networks to the suburbs of the urban areas.
 - There can also be collaborations with the Rural and Community Banks who are more embedded in these areas.



Prospects & Risks

- **Mobile Technology** – Mobile technology is transforming the banking and payment industry by providing added convenience to existing bank customers in Ghana, and by offering new services to the unbanked customers with mobile phones. This has the potential to unlock a large untapped market.
- **Big Ticket Projects** – The lack of capacity in terms of capital outlay by most of the financial institutions in the country creates an opportunity for larger institutions to participate in big ticket projects such as the about \$2 billion annual cocoa syndicated loan by COCOBOD which has always been financed by foreign banks



Prospects & Risks

- **New Financial Products** - The Banking Act allows banks to engage in a number of activities including the acceptance of deposits, lending, leasing, investments, money transmission, portfolio management, credit reference services and electronic banking; Most financial institutions in Ghana however, focus on just core traditional functions. There is therefore opportunities for new entrants.
- **Finally, Risks in the Industry**- The Ghanaian Financial Sector is faced with the usual risks that exists in most other countries. However, the sovereign risks associated with political conflicts are very subdued unlike most other African countries as Ghana is the example of a stable democratic nation in Africa.



About CDH Financial Holdings

- Established in 1986, CDH Financial Holdings Limited started out as the **first discount house in Ghana**. The primary objective of the company was to help maintain liquidity in Ghana's financial services sector.
- In a move to further bolster its position in Ghana's financial markets, and provide its customers with a wider array of financial services, the company was restructured in 1998 into a holding company, with specialized subsidiaries, under the group name CDH Financial Holdings Limited. The company's operations expanded to include such areas as **savings & loans, asset management, stock brokerage, commodities trading, short-term finance, and insurance.**



Thank you

www.cdhgroup.co

CDH House

No. 36 Independence Avenue

North Ridge

Accra - Ghana

Tel: 0302- 671059

0302- 667428

Website: www.cdhgroup.co

Email: info@cdhgroup.co

