

Digital Revolution: A Case from Kenyan Banks

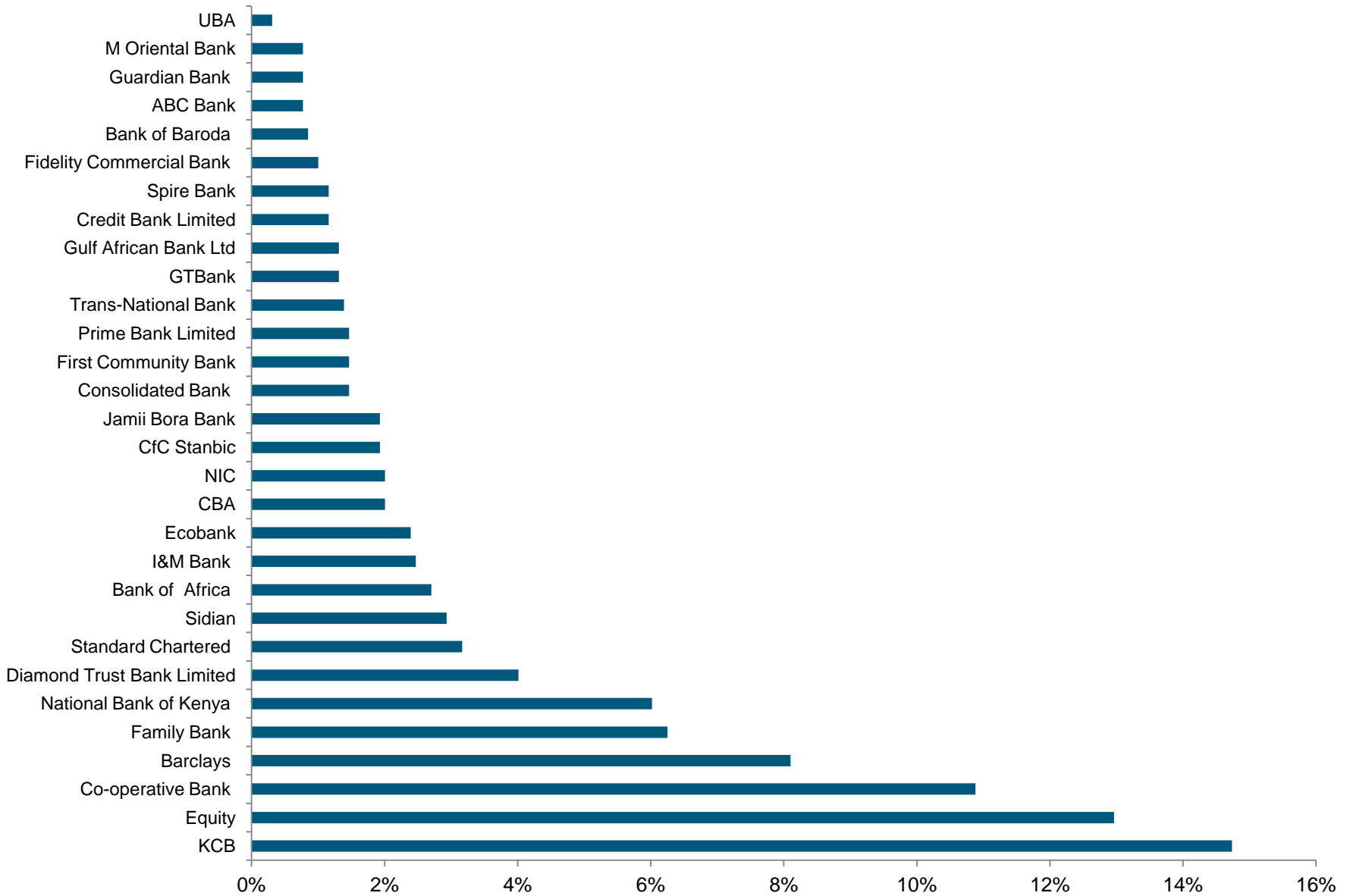
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8th September, 2016.

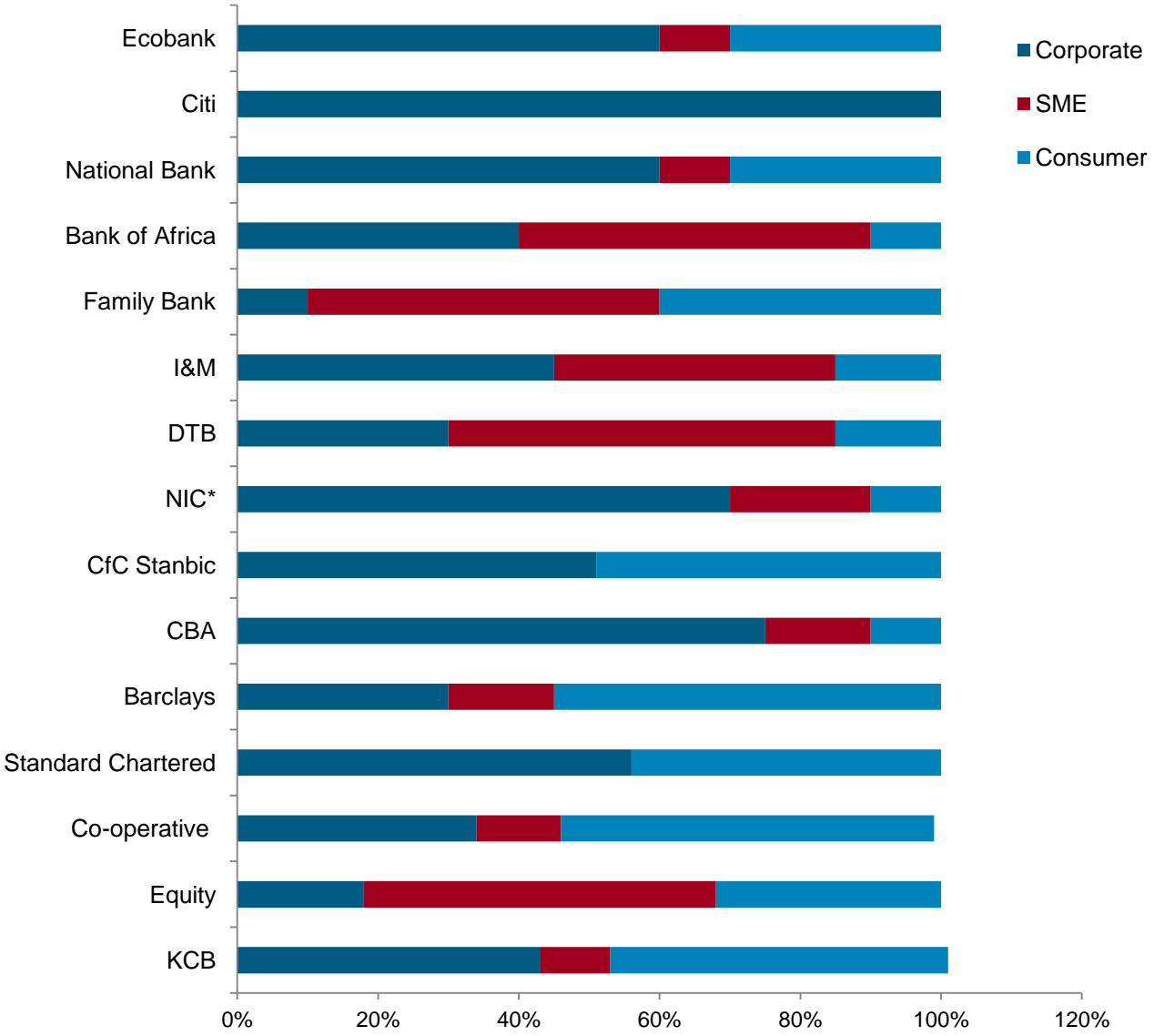
Villa Rosa Kempinsky, Nairobi



Kenyan Banks: Retail Franchise Strength



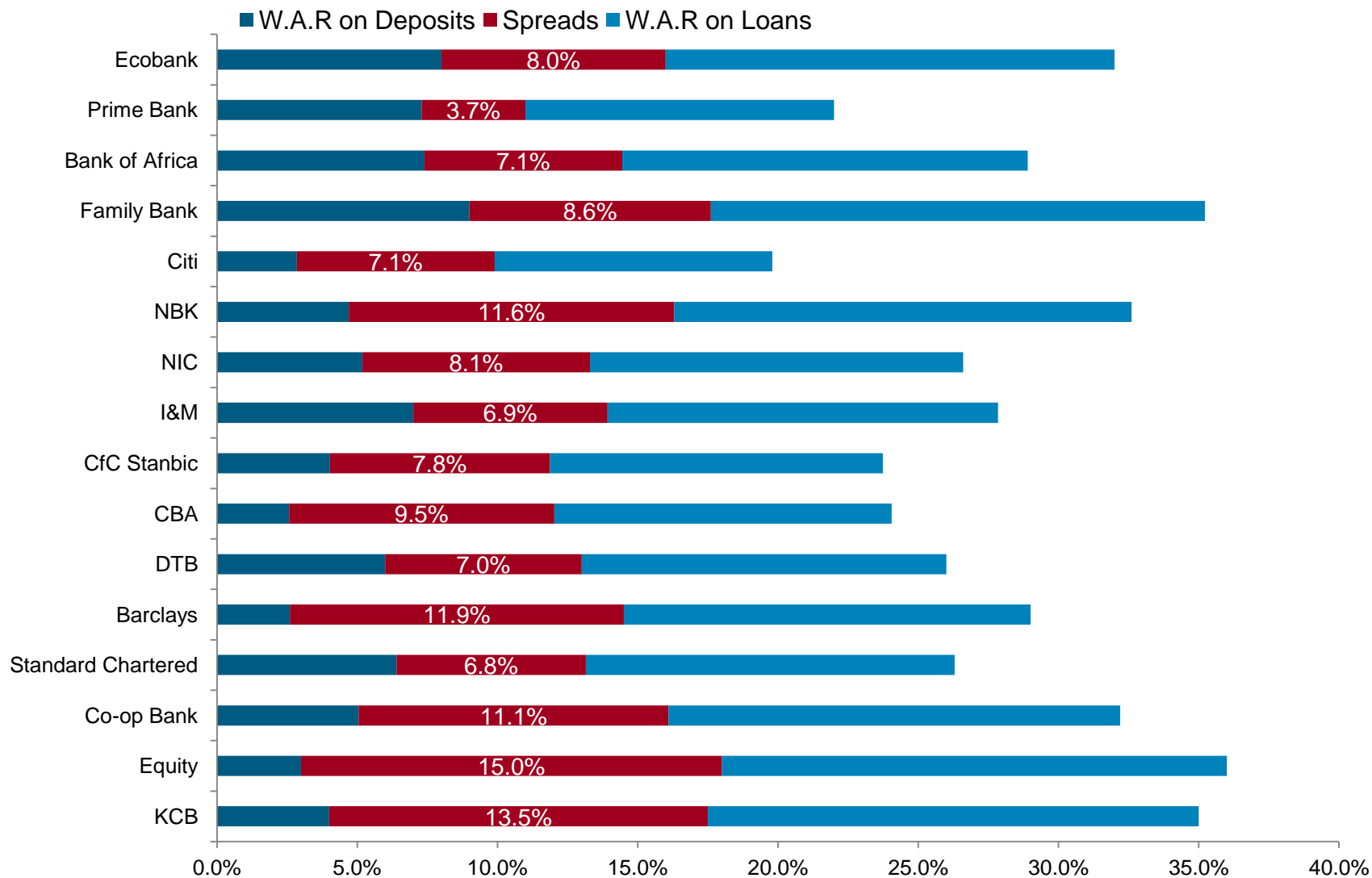
Kenyan Banks: Loan book concentration by key segments



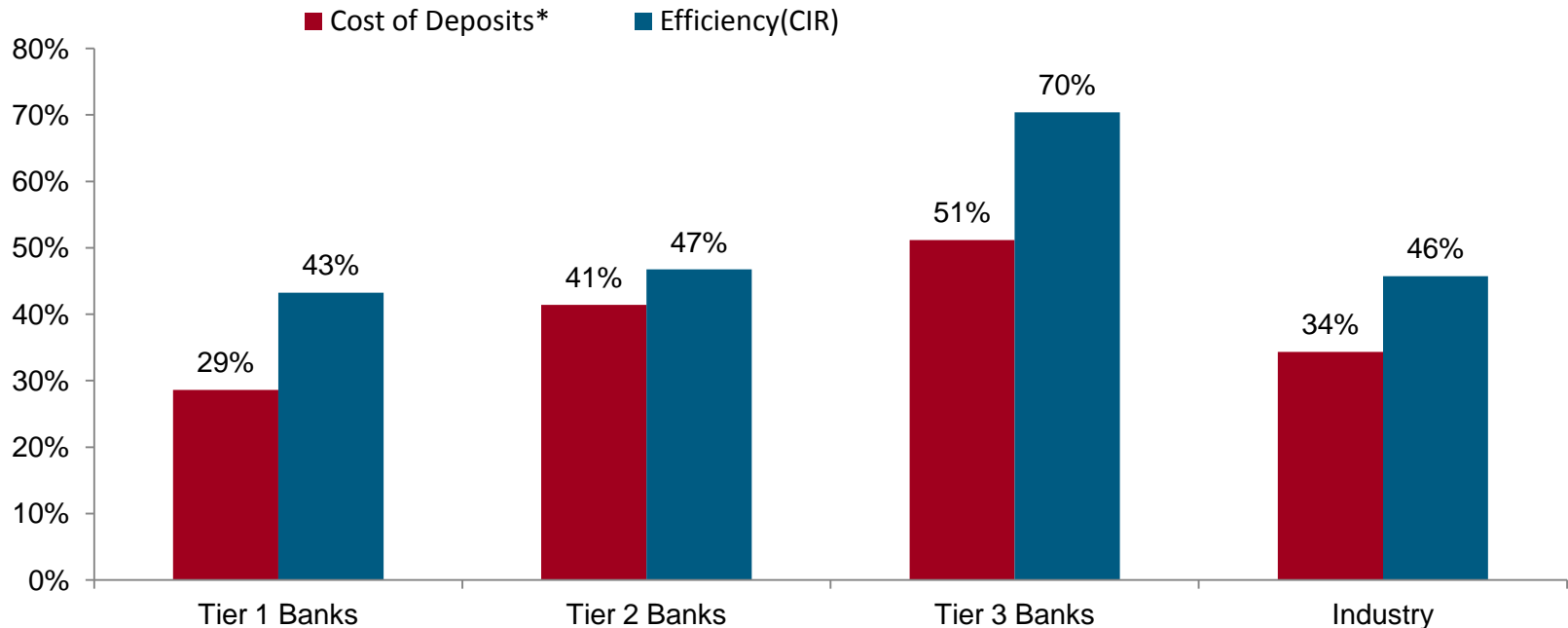
Source: Ecobank Research

The 'New Normal' now requires certain key adjustments

Chart below shows old normal as at FY2015

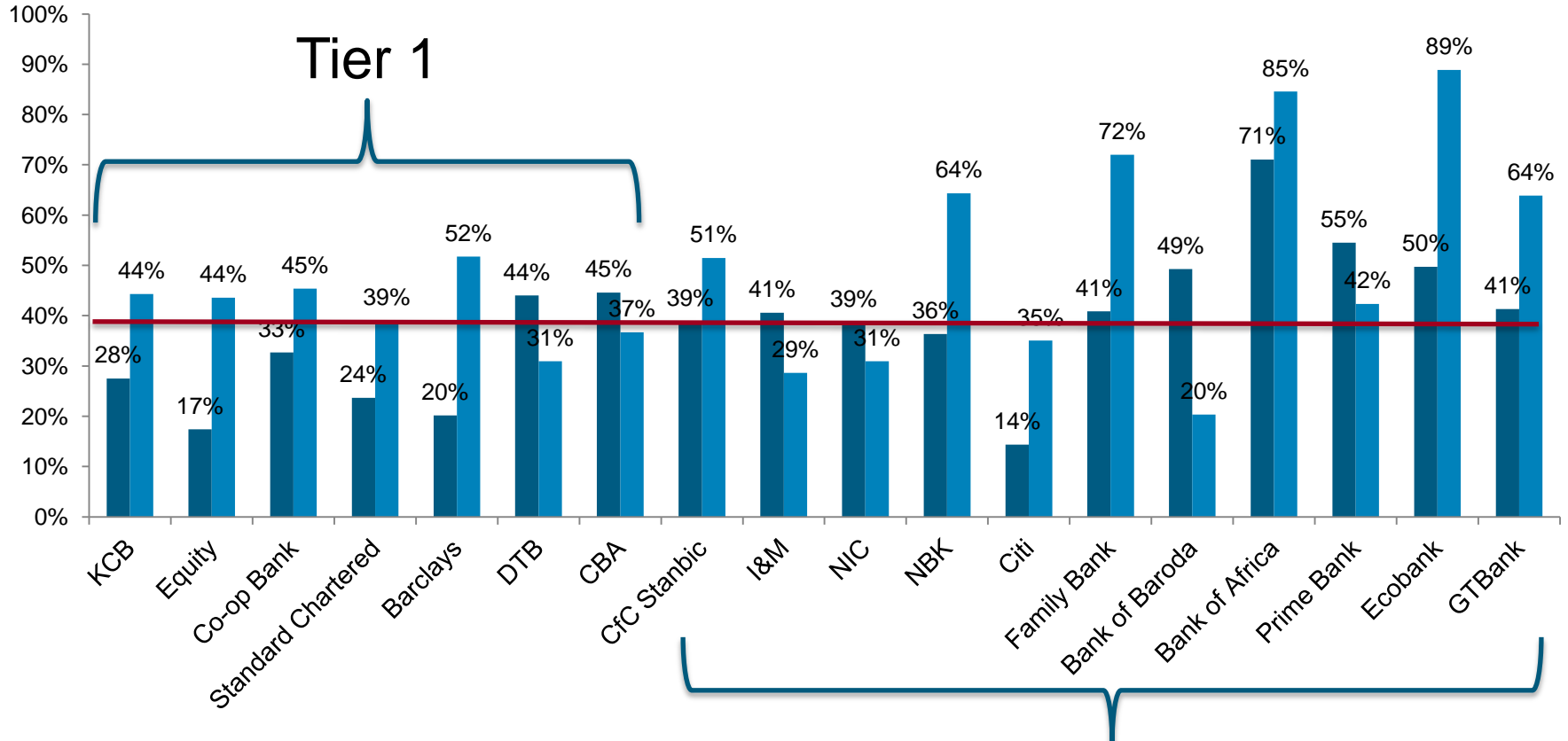


New Normal: Key adjustment points



Now that caps on lending rates as well as floors on deposit rates are part of our national laws, banks will have to make adjustments to their business models-especially around costs (both funding and non-funding). Technology is likely to be the next game changer in this new battlefield; and banks will have no choice but to elevate technologization of their businesses.

■ Cost of Deposits ■ Efficiency(CIR)



In the new normal:

- CIR must not exceed 40%;
- Cost of funds must not exceed 30%

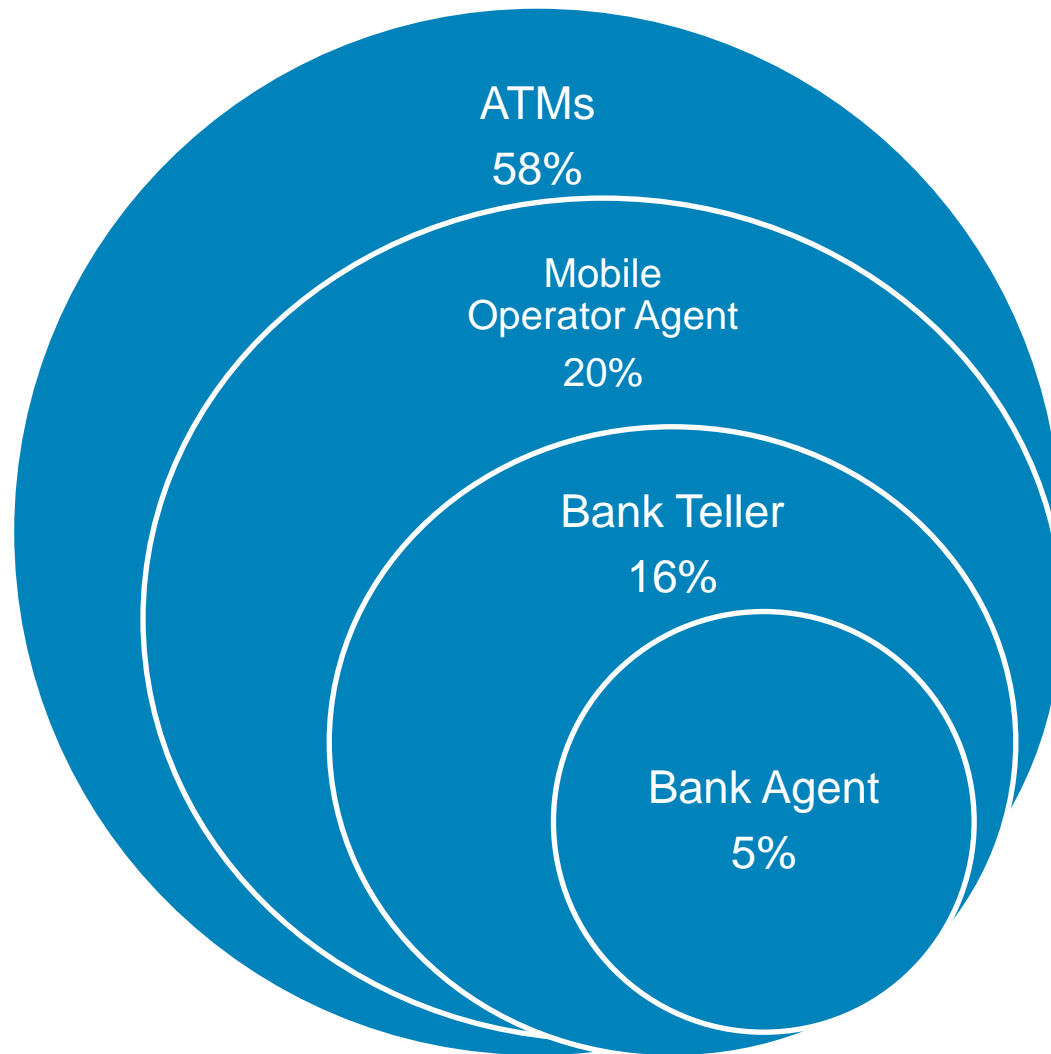
Tier 2

Customer Behaviors

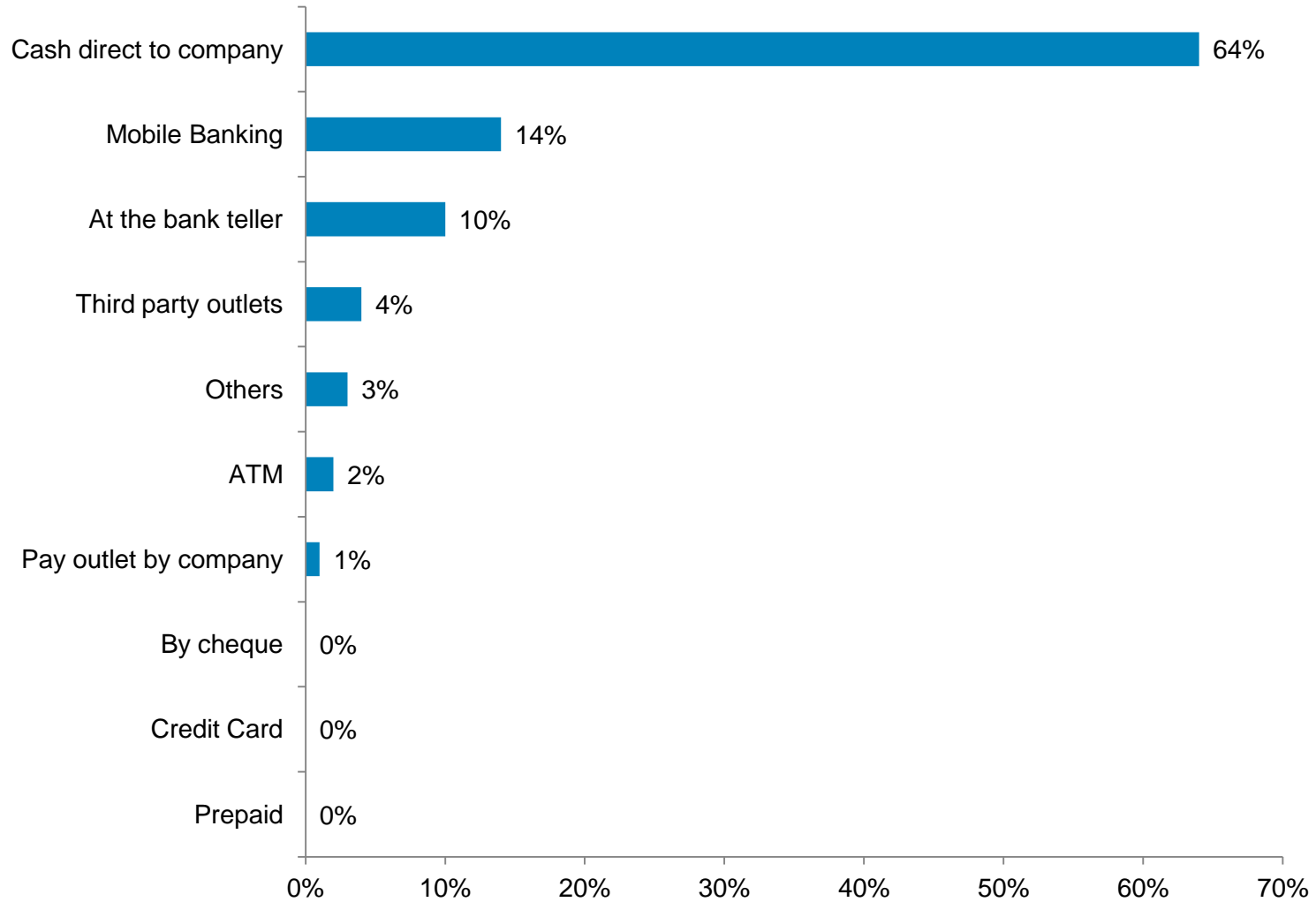
Regular banking transactions and frequency

Type of Transaction		Daily-several times	Daily-Once	Weekly-several times	Weekly-once	Monthly-several times	Monthly-once	Occasionally-less than once a month
		117	141	608	484	786	1328	626
Cash Withdrawal	76%	9	12	149	133	260	254	141
Cash Deposit	67%	7	20	142	105	166	272	132
Savings	59%	6	29	73	89	159	293	88
Balance Enquiry	40%	11	15	47	53	88	163	122
Airtime Recharge	26%	76	52	120	29	21	18	9
Funds Transfer	23%	3	4	46	42	47	80	69
Bill Payments	21%	0	1	13	18	20	193	17
Other Payments	5%	0	2	8	2	14	16	19
Purchasing	4%	4	5	7	8	6	15	11

Places where cash is withdrawn

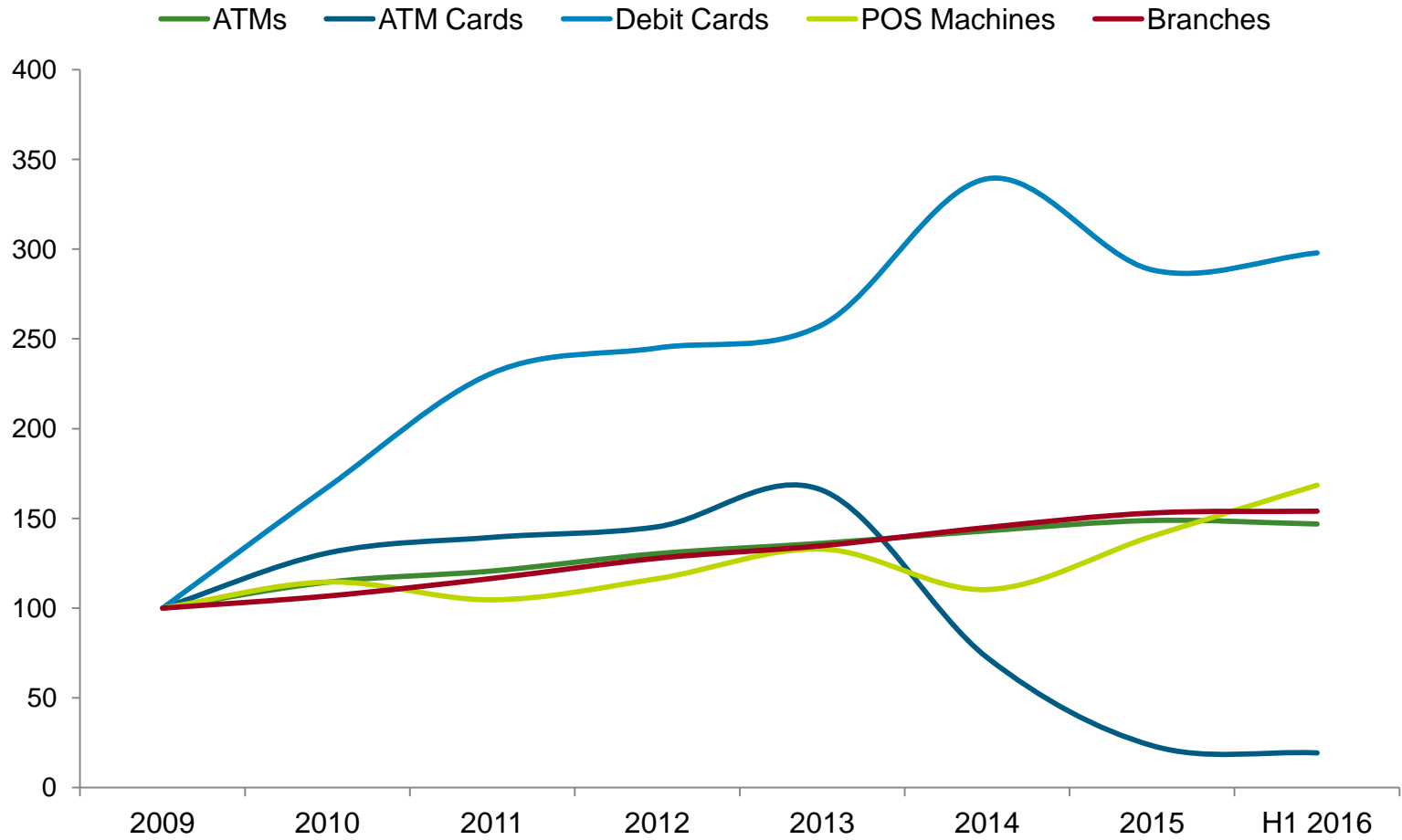


Payment of Bills



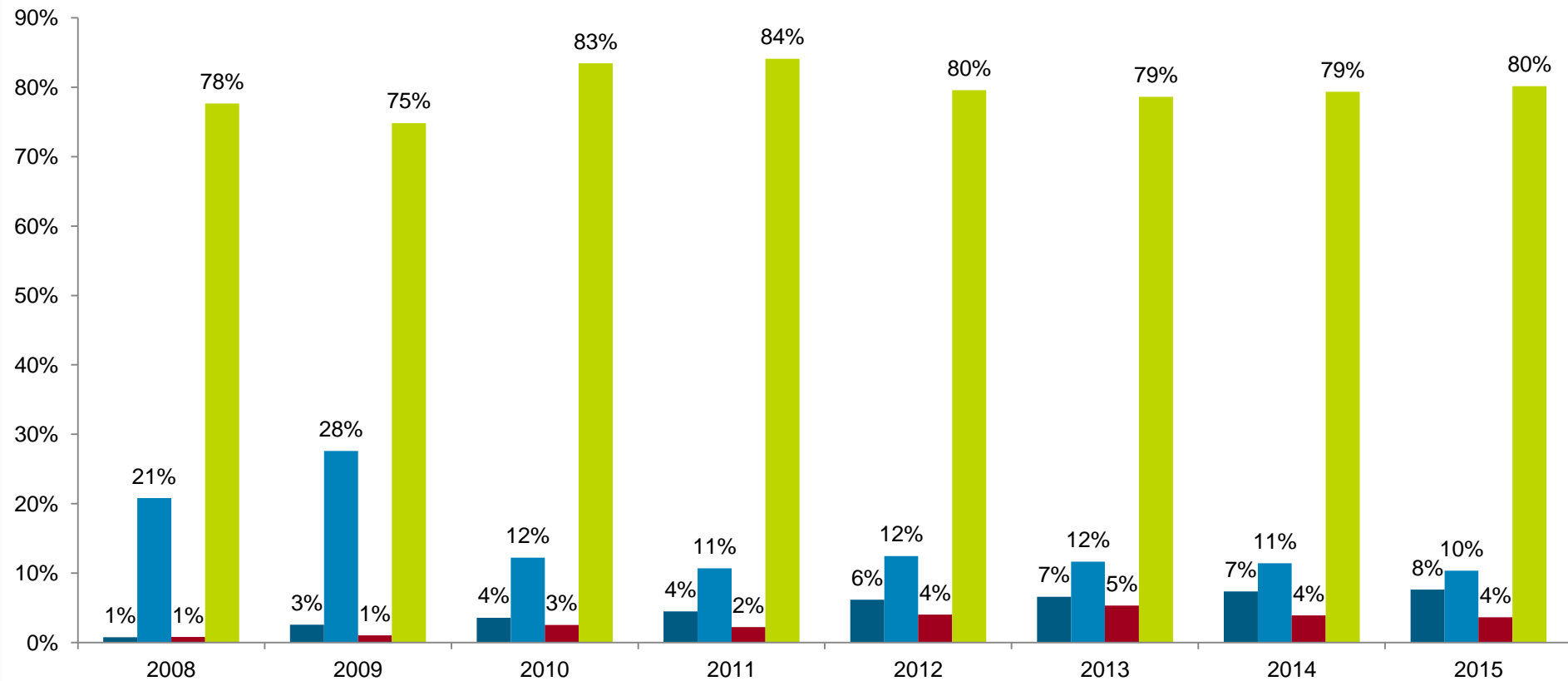
Bank Initiatives: Alternative Channels

Channels...



Payments...

- Mobile Payments as % of Total National Payments
- Card Payments as % of Total National Payments
- Cheque&EFT Payments as % of Total National Payments
- RTGS Payments

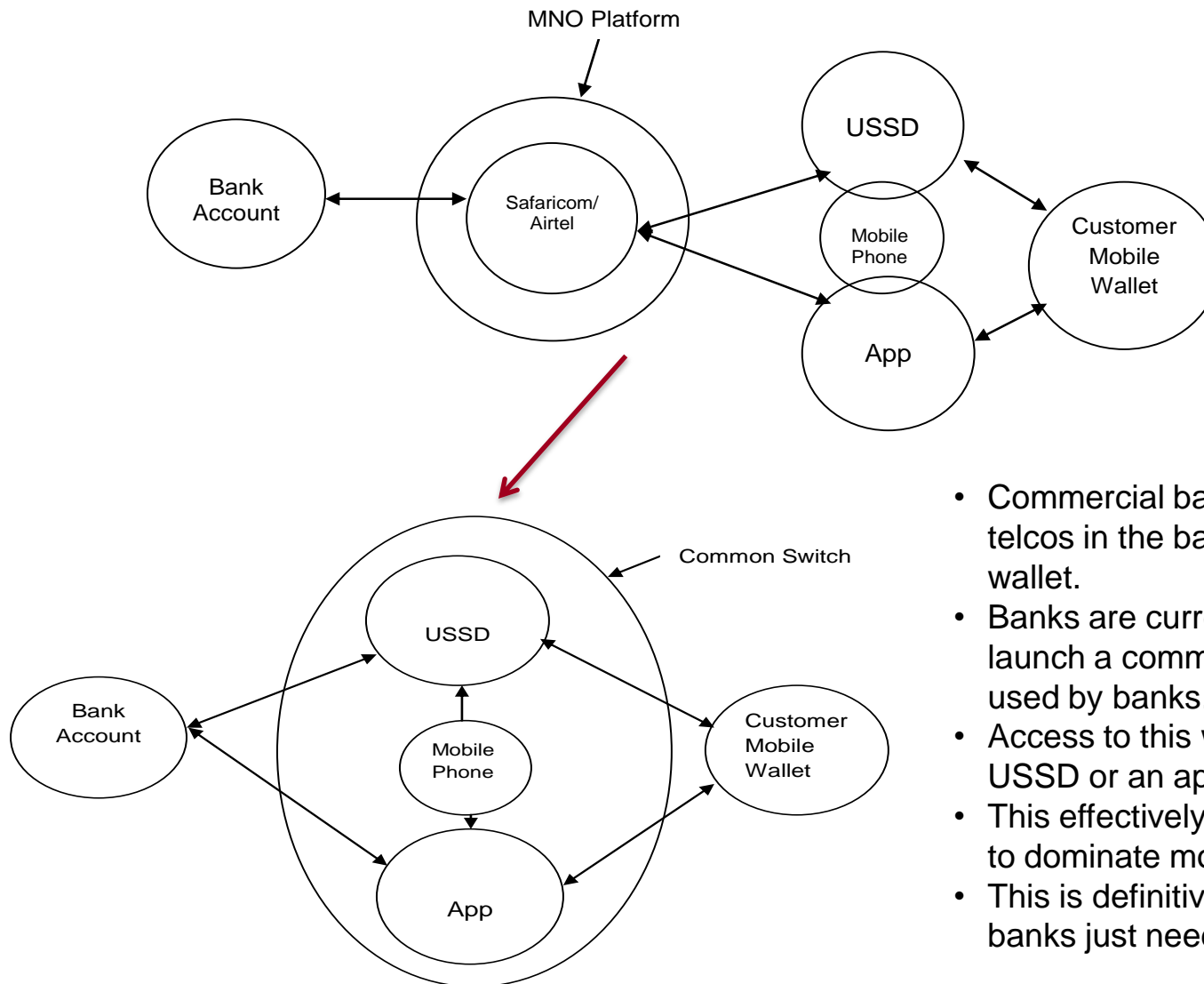


Agency Banking...

	# of Banks	# of Agents	Cash Withdrawals (KES'Bn)	Cash Deposits (KES'Bn)	Total Transactions (Mn)	Value of Transactions(KES'Bn)
2011	8	9,748	15	28	9	44
2012	10	16,333	50	101	30	152
2013	13	23,477	74	160	42	236
2014	16	35,847	105	236	58	346
2015	17	40,592	133	297	80	442

Initiatives currently in the pipeline: Switches

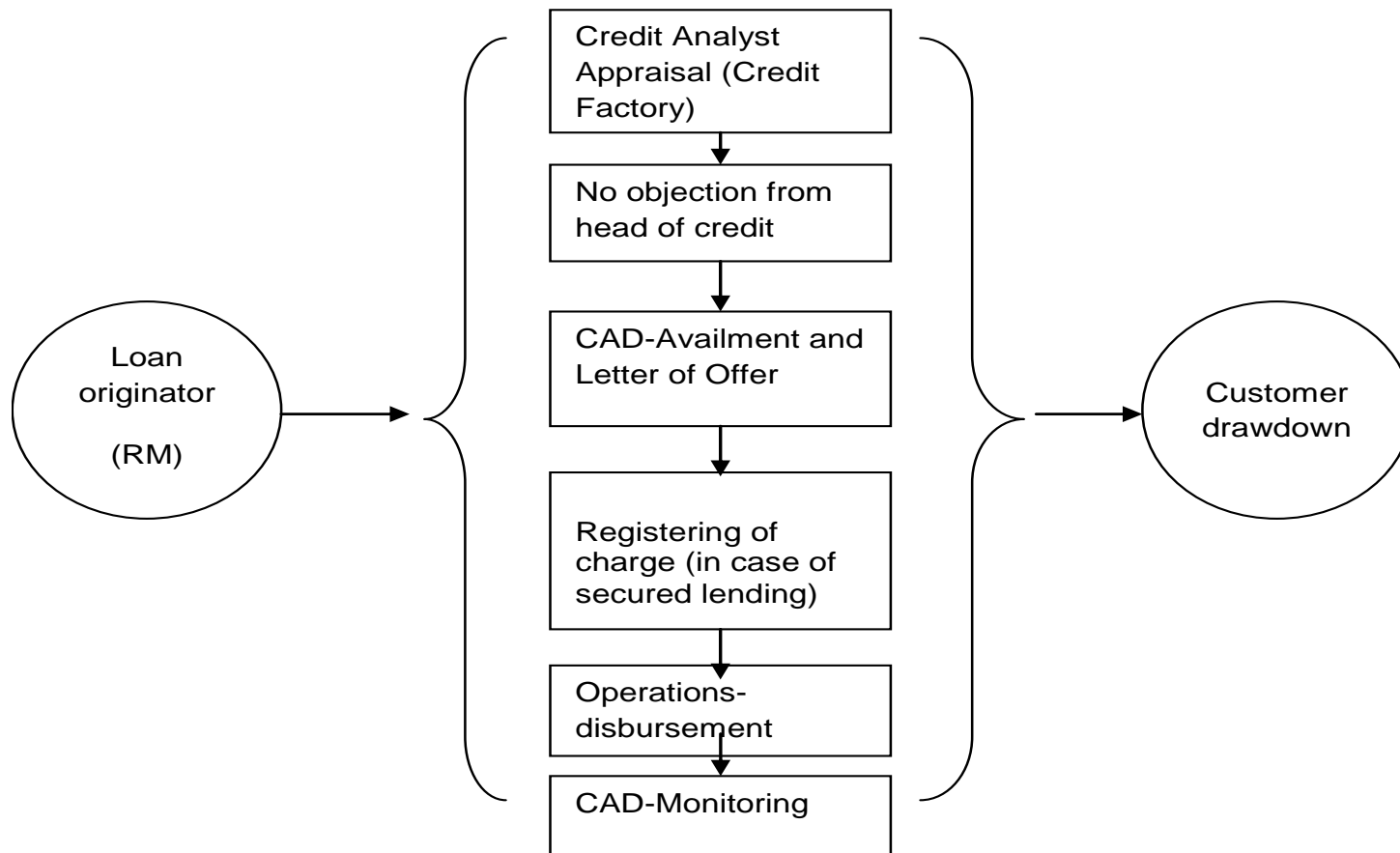
Mobile Switch



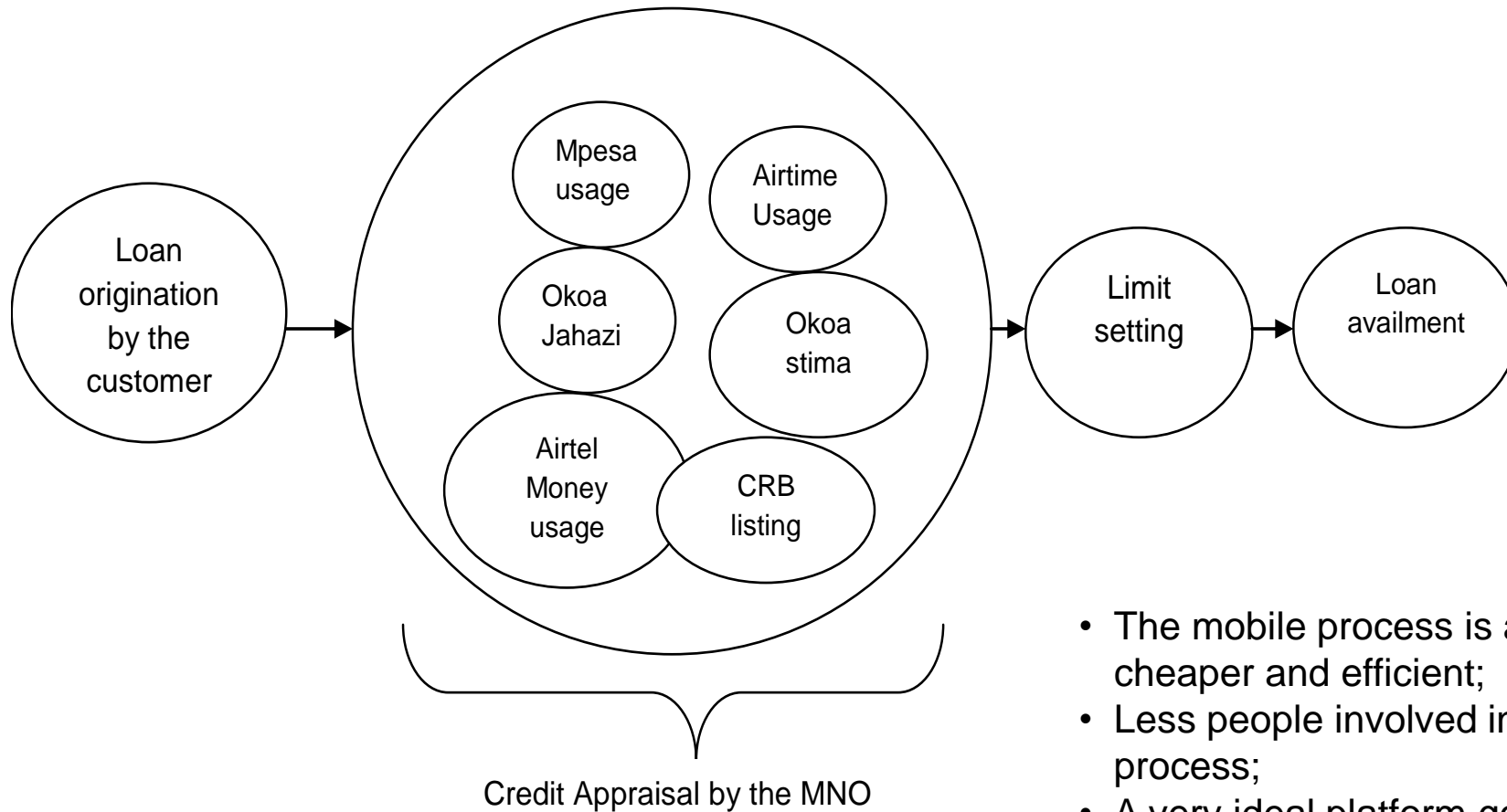
- Commercial banks now want to bypass telcos in the battle for mobile money wallet.
- Banks are currently on top gear to launch a common mobile switch to be used by banks.
- Access to this wallet will be through USSD or an app.
- This effectively means that banks want to dominate mobile payments.
- This is definitively a game change and banks just need to drive its acceptability.

Mobile Phone Loans

The normal bank process



The Mobile Process



- The mobile process is a lot more cheaper and efficient;
- Less people involved in the process;
- A very ideal platform going forward for mass-market focused banks.

Initiatives currently in the pipeline: Switches

Mobile Switch

Thank you