January 2015

PAN-AFRICAN BANKS—OPPORTUNITIES AND CHALLENGES FOR CROSS-BORDER OVERSIGHT

IMF staff regularly produces papers covering multilateral issues and cross-country analysis. The following document has been released and is included in this package:

- The report on Pan-African Banks—Opportunities and Challenges for Cross-Border Oversight, prepared by IMF staff and completed on December 18, 2014 to brief the Executive Board on January 12, 2015.

The Executive Directors met in an informal session, and no decisions were taken at this meeting.

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International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

PAN-AFRICAN BANKS: OPPORTUNITIES AND CHALLENGES FOR CROSS-BORDER OVERSIGHT

December 18, 2014

Approved By
José Viñals and
Antoinette M. Sayeh

This staff report is based on an analysis of publically available information; discussions with regulators, supervisors and market participants in the countries visited; and feedback from the authorities during a high level seminar at IMF headquarters October 11, 2014.

Prepared by a staff team led by Charles Enoch (WHD),[1] Paul Mathieu (MCM) and Mauro Mecagni (AFR), and including Jorge Ivàn Canales Kriljenko, Sandra Donnally, Cheikh Gueye, Herve Joly, Christian Josz (all AFR), Pilar Garcia Martinez (MCD), Suliman Aljabrin, Rachid Awad, Kay Chung, Alexandra Peter, and Mamoru Yanase (all MCM), Bruno Flanchec (AFRITAC West), and Dirk Grolleman (AFRITAC East).

Discussions were held during missions to South Africa (May), Morocco (June), Kenya (July as part of the Article IV consultation), Nigeria and Ghana (August), and Togo, Cote d'Ivoire, and Senegal (September).

CONTENTS

GLOSSARY 4

EXECUTIVE SUMMARY 6

I. INTRODUCTION: FINANCIAL STABILITY ASPECTS AND RATIONALE FOR STUDY 9

II. SYSTEMIC IMPORTANCE OF CROSS-BORDER BANKING GROUPS IN SUB-SAHARAN AFRICA 20

A. Cross-Border Banking Groups in SSA 20

B. Systemic Importance of Cross-Border Banking Groups 21

C. Structure, Balance Sheet Expansion, and Financial Soundness of Cross-Border Banking Groups 24

III. CHALLENGES FOR BANKING OVERSIGHT 29

A. Cross-Border Regulatory and Supervisory Issues 29

B. Cross-Border Crisis Management and Resolution Issues 37

[1] Mr. Enoch was in MCM while working on this project.

C. Roles of Regional Institutions 41

IV. AUTHORITIES' VIEWS 44

V. CONCLUSIONS AND RECOMMENDATIONS 45

A. Recommendations 46

B. Surveillance and Technical Assistance 49

BOXES

1. Increasing Intra-Regional Trade Linkages in Sub-Saharan Africa 10
2. Benefits of Cross-Border Banking 14
3. Financial Sector Supervisory Standards in Sub-Saharan Africa and Morocco 15
4. IMF TA on Banking Supervision and Regulation to Sub-Saharan Africa 17
5. PABs' Complex Ownership and Corporate Structure—Example of Bank of Africa 26
6. Intra-group Integration and Centralized Group Services 27
7. Subsidiaries versus Branches—One Size Does not Fit All 32
8. Overview of Governance Best Practices in Commercial Banks 34
9. Crisis Management Groups and Resolution Plans 40
10. Lessons From the GFC for Cross-Border Supervision and Resolution of PABs 41
11. Development of SIRESS 43

FIGURES

1. Major PABs: Cross-Border Expansion, 2002–14 9
2. Selected PABs and Foreign Banks: Systemic Importance by Country, 2013 12
3. SSA: New Syndicated and Large Bilateral Loans for Infrastructure by Lender Nationality, 2006–13 13
4. SSA and Morocco: Basel II Implementation by Country 16
5. Major PABs: Size and Share of Cross-Border Subsidiaries, 2013 23
6. Selected Foreign Banks: Size and Share of Sub-Saharan African Subsidiaries, 2013 23
7. Selected PABs and Foreign Banks: Size and Systemically Important Operations, 2013 24
8. SSA: Compliance with Basel Core Principles 30
9. SSA and Morocco: Accounting Standards by Country 33
10. Selected PABs: Maps of Share of Deposits by Country, 2013 63
11. Selected PABs: Maps of Assets in Percent of GDP by Country, 2013 66

TABLES

1. Summary of Key Recommendations 8
2. Selected PABs: Main Information, 2013 51
3. Selected PABs, Share of Deposits by Country, 2013 52
4. Selected PABs: Assets in Percent of GDP by Country, 2013 53
5. Selected Foreign Banks with SSA Presence: Share of Deposits by Country, 2013 54
6. Selected Foreign Banks with SSA Presence: Assets in Percent of GDP by Country, 2013 55

7. Selected PABs and Foreign Banks: Asset and Loan Growth, 2007–2012/13 ____ 56
8. Selected PABs and Foreign Banks: Consolidated Financial Soundness Indicators, 2007–13 ____ 57
9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13 ____ 58

APPENDICES

I. Pan-African Banks' Home Countries ____ 69
II. Selected Pan-African Banks ____ 75
III. Ecobank Transnational Incorporated ____ 81
IV. Key BCP Findings ____ 85
V. Summary of FSAP Stress Test Results ____ 91
VI. Banking Integration in ASEAN ____ 95

REFERENCES ____ 97

GLOSSARY

BAGL	Barclays Africa Group Limited
BAM	Bank Al-Maghrib
BC	Commission Bancaire (Banking Commission) of the WAMU
BCBS	Basel Committee on Banking Supervision
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank for West African States)
BCP	Basel Core Principles
BMCE	Banque Marocaine du Commerce Extérieur
BOA	Bank of Africa
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CMA	Common Monetary Area
CMG	Crisis Management Group
CSWAMZ	College of Supervisors of the West African Monetary Zone
D-SIB	Domestic Systemically Important Bank
EAC	East Africa Community
ETI	Ecobank Transnational Incorporated
FIP	Finance and Investment Protocol
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
GBCP	Groupe Banque Centrale Populaire
GFC	Global Financial Crisis
G-SIB	Global Systemically Important Bank
GTBank	Guaranty Trust Bank
IFRS	International Financial Reporting Standards
IT	Information Technology
KCB	Kenya Commercial Bank
MAC	Monetary Affairs Committee
MFI	Microfinance Institutions
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NPL	Non-performing Loan
PAB	Pan-African Bank
PABSOC	PAB Supervisory Oversight Committee
ROA	Return on Average Assets
RTAC	Regional Technical Assistance Centers
SABG	South African Banking Groups
SADC	Southern African Development Community
SARB	South African Reserve Bank
SBG	Standard Bank Group

SIRESS	SADC Integrated Regional Electronic Settlement System
SSA	Sub-Saharan Africa
TA	Technical Assistance
UBA	United Bank for Africa
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone

EXECUTIVE SUMMARY

1. **There has been a rapid expansion of pan-African banks (PABs) in recent years, with seven major PABs having a presence in at least ten African countries**: three of these are headquartered in Morocco, two in Togo, and one each in Nigeria and South Africa. Additional banks, primarily from Kenya, Nigeria, and South Africa, have a regional presence with operations in at least five countries. PABs have a systemic presence in around 36 countries. Overall, the PABs are now much more important in Africa than the long-established European and American banks.

2. **PABs have expanded mainly through subsidiaries, via the acquisition of existing banks**. Only a few PABs have used greenfield investments to expand across countries. Subsidiarization reflects regulators' wish to minimize contagion, particularly given the relatively high risks associated with banking activity in the continent.

3. **The growth of PABs offers a number of opportunities and benefits**. The expansion of these banks reflects the increase in economic integration within Africa more generally, and is contributing to improve competition, support financial inclusion, and give rise to greater economies of scale. In addition, PABs have been filling the recent gap left by European banks and are becoming the lead arrangers of syndicated loans (IMF, 2014b).

4. **At the same time, the rapid expansion of PABs poses oversight challenges that if unaddressed, may increase systemic risks**. Supervisory capacity is already constrained and under-resourced in most of Africa. PABs raise the importance of transparency and disclosure, good governance, strong prudential oversight, and a legal and regulatory framework that supports effective and comprehensive supervision and crisis management, particularly in the countries that are homes to major PABs. Progress is being made in most areas but efforts to strengthen oversight in some cases need to be intensified.

5. **Governance challenges too should be addressed if the PABs are to emerge as strong institutions supporting the pan-African economy**. Fitness and propriety of owners and shareholders, in particular of bank holding companies, is not always fully assessed and ownership structures in some cases are opaque. The recent case of Ecobank Transnational Incorporated (ETI), which played out in the public domain, was a wake-up call. Disclosure in Africa is also less extensive than elsewhere. The lack of a single accounting standard across the continent makes assessment of the banks' overall situation difficult. And in many countries conduct-of-business oversight is only now emerging.

6. **The lack of regulatory oversight of bank holding companies and their supervision on a consolidated basis in some home jurisdictions needs to be addressed urgently**. At least two large PABs operate as subsidiaries of unregulated bank holding companies. While requiring separately capitalized subsidiaries reduces the extent of possible contagion, it does not eliminate it. Bank subsidiaries may well have exposures to their parents or to other bank or nonbank subsidiaries within the same group. Difficulties in a bank's operations in one country may well lead to problems for the group as a whole, particularly if governance is a concern. Greater integration has benefits,

but interconnectedness means that countries are more exposed to spillovers from cross-border shocks.

7. Cooperation on cross-border supervision has started, but enhanced collaboration is critical. The Central Bank of Nigeria (CBN) requires a Memorandum of Understanding (MOU) with home regulators before allowing a bank to be established in its jurisdiction. Quarterly meetings of the West African Monetary Institute (WAMI) include discussions of PAB issues. Several joint inspections have taken place and supervisory colleges established for a few PABs, and others are planned. Supervisory colleges need to be established for all PABs and meet at least once a year at the senior supervisory level. MOUs that ensure full exchange of information are needed between all homes and hosts.

8. Sustained efforts are needed on cross-border resolution. The recent global financial crisis (GFC) demonstrated the costs of not having a workable cross-border operational framework in place, as well as the difficulty of constructing one. Without a resolution mechanism, supervision alone may have limited effectiveness. Most African countries also need to enhance resolution at the national level. While some countries have sought to reduce spillover risks through ring-fencing approaches, this cannot avoid the need for cross-border collaboration. Ex-ante understandings are needed across jurisdictions as to respective responsibilities in the event of difficulties.

9. Regional currency unions, such as the WAEMU, face particular challenges on the interface of responsibilities between regional and national authorities. WAEMU operates as a single regional monetary and supervisory authority, but with a licensing and resolution role for national authorities. National responsibility for bank resolution, while supervision is conducted at the regional level, can seriously complicate the handling of bank problems. Given that WAEMU is home to two major PABs and host to many others, developing appropriate arrangements to reconcile regional and national interests is paramount. As seen in the euro area, the problems that emerge in crisis situations indicate a need to clarify regional responsibilities, powers, and institutions. Regional groupings that are homes or hosts of major PABs should examine the scope for establishing a single resolution mechanism.

10. The agenda is formidable; strategic oversight could assist implementation. Existing arrangements are either not specifically focused on PAB issues or may include too wide a participation for effective decision making. It is proposed that a new group be set up, a PAB Supervisory Oversight Committee (PABSOC) comprising the home regulators/supervisors and central banks of the major PABs (Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the central bank for the West African Economic and Monetary Union (WAEMU), Kenya, Morocco, Nigeria and South Africa), with representation of the Association of African Central Banks, to drive the cooperative and harmonization agenda.

11. Pursuing the reform agenda expeditiously will require extensive technical assistance. The IMF is prepared to continue to provide assistance in its areas of responsibility and, if helpful, to liaise with other providers to help ensure a comprehensive program to safeguard financial stability.

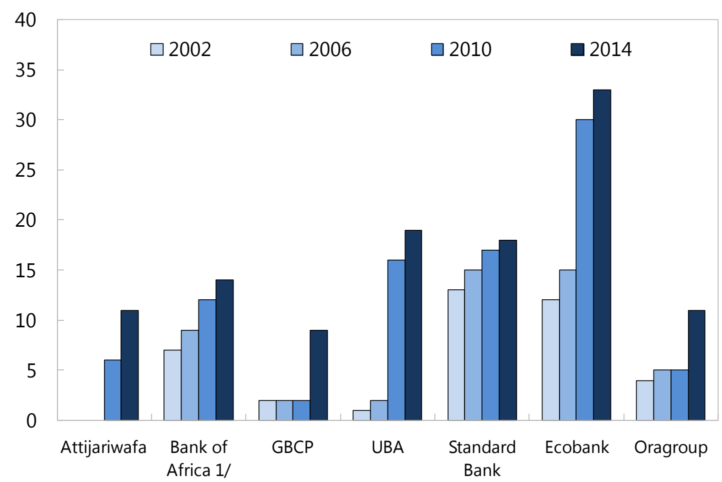
Table 1. Summary of Key Recommendations	Priority
Regulatory and Supervisory Harmonization	
• Ensure full regulation and supervision of bank holding companies.	H
• Implement consolidated and risk-based supervision.	H
• Accelerate adoption of International Financial Reporting Standards (IFRS) in all countries that are home or hosts to major PABs.	H
• Enhance data availability, for example, on banks' cross-border exposures.	H
• Harmonize and align key prudential norms with international standards (for example, concentration limits), in all countries that are home or major hosts to major PABs.	H
• Consider subjecting PABs with regional systemic importance to Basel III domestic systemically important bank (D-SIB) requirements.	H
Governance	
• Ensure fit-and-proper criteria are applied to Boards and management of banks and bank holdings both at time of licensing and periodically thereafter.	H
Cross-border collaboration	
• Ensure MOUs feature full exchange of information between home and host authorities for all major PABs.	H
• Broaden range of joint inspections to include all major PABs.	
• Introduce supervisory colleges for all PABs. Ensure that each college meets at least once a year.	H
• Enhance the function of supervisory colleges by introducing a two-tier structure of core and universal membership.	M
• Clarify countries' respective responsibilities in the event of liquidity or solvency difficulties in a PAB. Run joint simulation exercises.	H
Financial stability	
• Ensure through macro and micro stress tests and other techniques that national financial systems are sound even in the event of cross-border contagion from PABs. Share national financial stability findings.	M
Resolution and safety net	
• Ensure adequate legal framework, featuring special resolution regimes, are in place to resolve failing banks and bank holdings, in conformity with the Financial Stability Board (FSB) Key Attributes.	H
• Extend cooperation to cover resolution of PABs, establish crisis management groups (CMGs) for systemically important ones and require them to develop recovery and resolution plans.	H
Strategic oversight	
• Intensify coordination and collaboration between the CBN and the Banking Commission (BC), as these two agencies are at the forefront of oversight responsibility for several major PABs.	H
• Establish a PABSOC of the home regulators and central banks of the major PABs, i.e., BCEAO, Kenya, Morocco, Nigeria, and South Africa, with the chair of the Association of African Bank Supervisors, in order to: ◦ drive the reform agenda, ◦ coordinate on emerging problems, ◦ integrate into the African financial systems the best practices in financial sector management that are emerging in the global fora, ◦ provide assistance to lagging regulators/supervisors and other authorities, either from within the group, or from outside sources such as the multilateral agencies.	M
Regional integration	
• Regional bodies such as the BCEAO and the East Africa Community (EAC) to review their regional structure to improve their ability to provide effective regional financial sector oversight and management capacity in the face of PAB development, for instance as regards safety nets and resolution mechanisms.	M

I. INTRODUCTION: FINANCIAL STABILITY ASPECTS AND RATIONALE FOR STUDY

12. Pan-African banking groups have expanded rapidly across sub-Saharan Africa (SSA) (Figure 1).[2] Seven banking groups dominate in terms of their geographic footprint (Attijariwafa Bank, Groupe Banque Centrale Populaire (GBCP), and Banque Marocaine du Commerce Extérieur (BMCE)/Bank of Africa (BOA)[3] from Morocco; ETI and Oragroup from Togo, Standard Bank from South Africa, and United Bank for Africa (UBA) from Nigeria).[4] About 35 percent of their subsidiaries are systemically important in the host countries, in particular subsidiaries of Ecobank, Standard Bank, and BMCE/BOA. In addition, Kenyan banks have expanded rapidly primarily in the EAC. Notwithstanding the rapid expansion, only partial information is available for all these groups.

Figure 1. Major PABs: Cross-Border Expansion, 2002–14

(Number of subsidiaries in SSA)



Sources: Bank websites and annual reports.
1/ BMCE is a majority owner of Bank of Africa Group since 2010.

13. The timing of the rise of the PABs reflects a convergence of a number of idiosyncratic factors (Appendix I). The end of Apartheid in the mid-1990s opened the door for South African banks to extend their expertise abroad. The ending of several civil conflicts in Africa, recovering

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[2]In this report, pan-African banking groups include all banks with cross-border operations headquartered in SSA or North Africa (Table 2 provides an overview). Major PABs are defined as the seven largest groups that have subsidiaries in ten or more countries. While the analysis in the report will mostly focus on the seven major PABs and their home countries (Morocco, Nigeria, South Africa, WAEMU), the recommendations on banking oversight apply to all PABs. The analysis also includes Kenya as a home to a significant number of PABs and due to Kenya's role in the EAC.

[3]BOA is majority owned by Morocco's BMCE Group since 2010. The presence in SSA is under the "Bank of Africa" brand and thus the analysis will mostly focus on BOA, as the other two BMCE operations in SSA are minority stakes.

[4]A Libyan bank (Banque Sahelo-Saharienne pour L'Investissement et le Commerce or BSIC) operates in 12 SSA countries, however, due to the lack of recent data, they are not included in the detailed analysis.

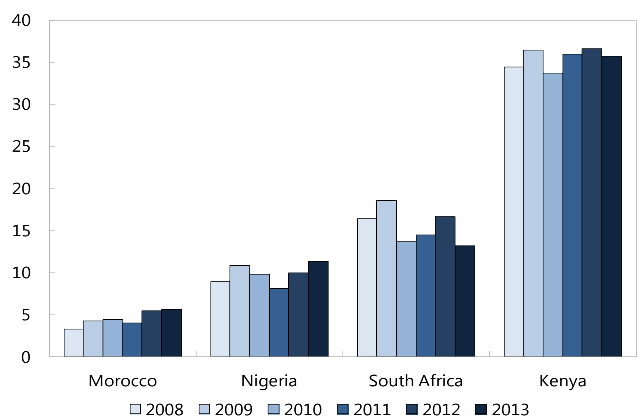
growth and macro-stability, and the opportunities from large unbanked populations across Africa was fertile ground for the expansion. In Nigeria, the large increase in minimum capital requirements, following a banking crisis in the mid-2000's, pushed banks to consider expanding abroad to make use of their new capital bases. Moroccan banks also saw opportunity to extend their networks south in the face of a more saturated banking market at home. A renewed impetus for regional integration in the EAC, coupled with the success of mobile payments in Kenya was propitious to the expansion of Kenyan banks in east Africa. Increasing trade linkages between African countries induced banks to follow their clients abroad (Box 1). The GFC and associated regulatory stiffening, especially regarding risk-based capital, along with high costs of small-scale operations, accelerated the retrenchment of European banks from the continent (Figure 2).

Box 1. Increasing Intra-Regional Trade Linkages in Sub-Saharan Africa

Historically, intra-regional trade in SSA has been low and trade links with Europe, the United States (U.S.), and Asia still outweigh intra-regional trade. However, the intra-African trade and financial linkages that have been expanding rapidly in recent years are bound to grow further in the coming years (IMF, 2012b). The recent cross-border expansion of PABs has been partly influenced by increasing trade flows and expansion of companies into new markets in SSA. In particular, cross-border banks from different countries such as Kenya, South Africa or Nigeria cited as one of the reasons for expansion following corporate clients abroad (for example, see IMF (2012b) for a list of South African companies operating in SSA).

The share of SSA trade in total trade has increased in four PAB home countries since 2008. The share of trade with SSA is highest in Kenya with around 35 percent, of which the largest part is trade within the EAC. In Morocco, the share of trade with SSA is the smallest of the four countries, but exports to the West Africa Monetary Zone (WAMZ) and WAEMU countries have increased strongly in the last few years. Nigeria's exports to SSA are recovering from a low of eight percent in 2011, which might be mostly driven by oil prices.

Selected PAB Home Countries:
Share of exports to SSA, 2008–13
(In percent of total exports)

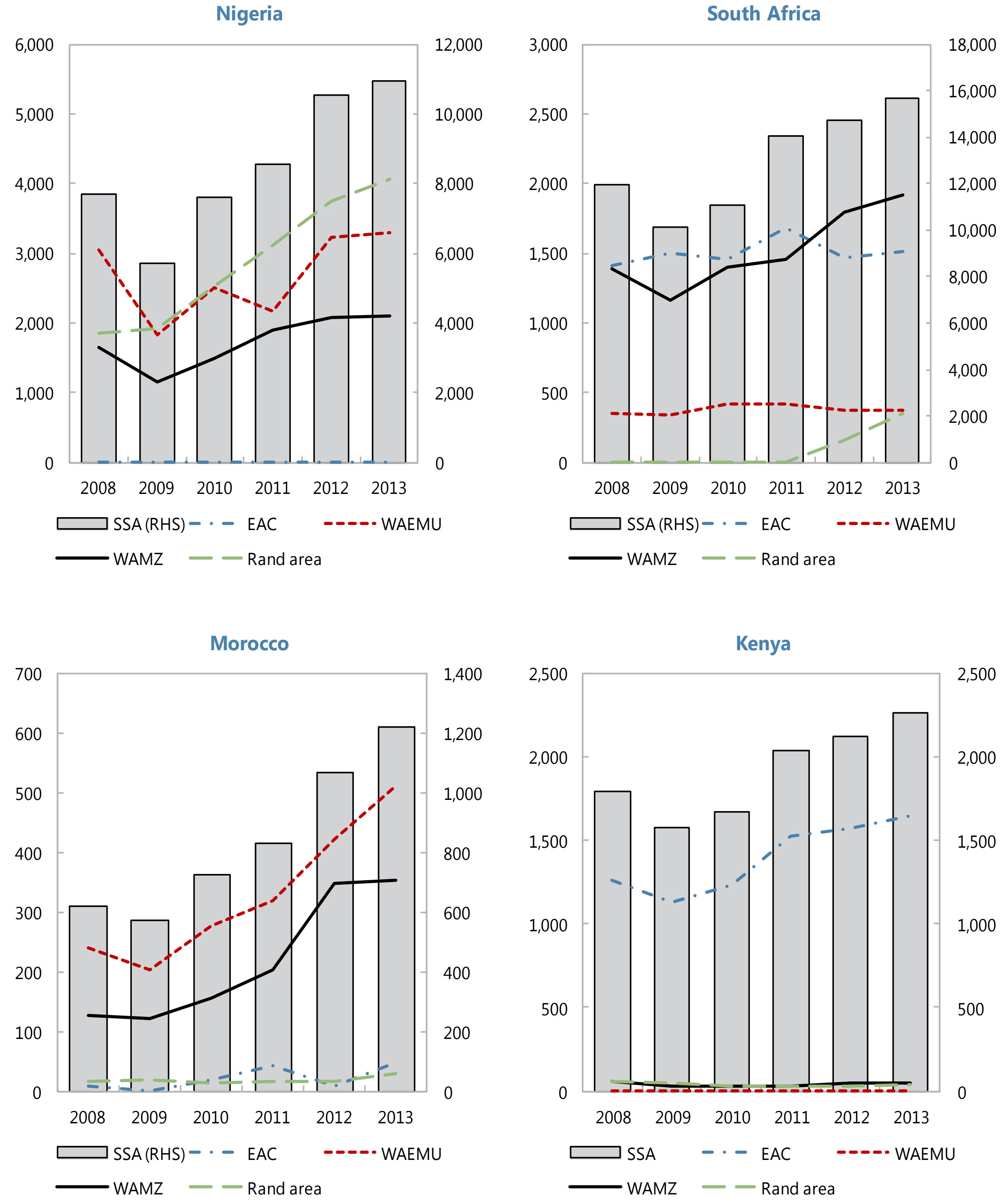


Source: IMF, Direction of Trade Statistics.

Box 1. Increasing Intra-Regional Trade Linkages in Sub-Saharan Africa (concluded)

Selected PAB Home Countries: Exports to Selected Economic Regions, 2008–13

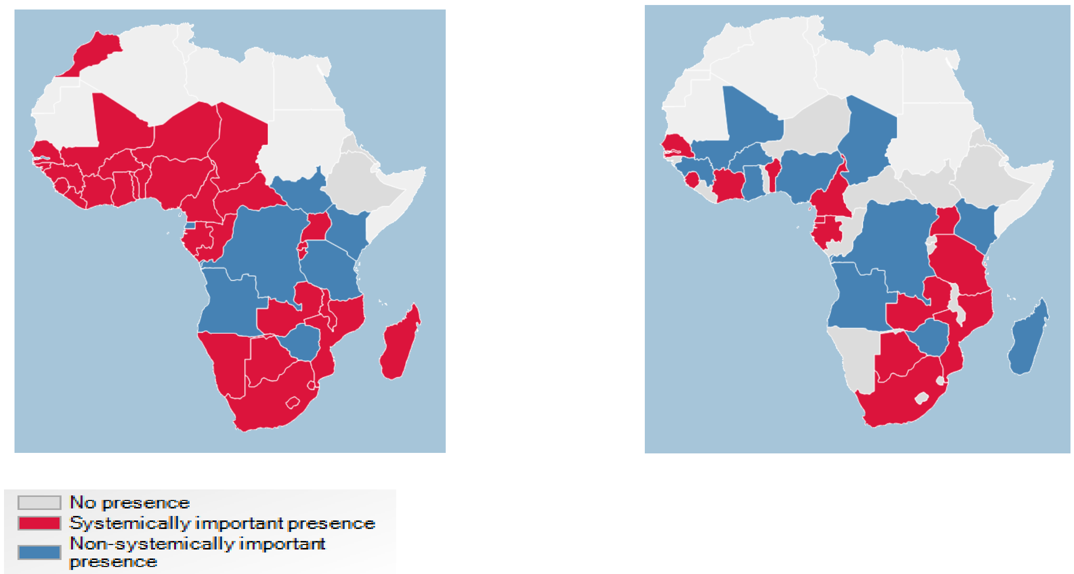
(Millions of U.S. dollars)



Sources: IMF, Direction of Trade Statistics.

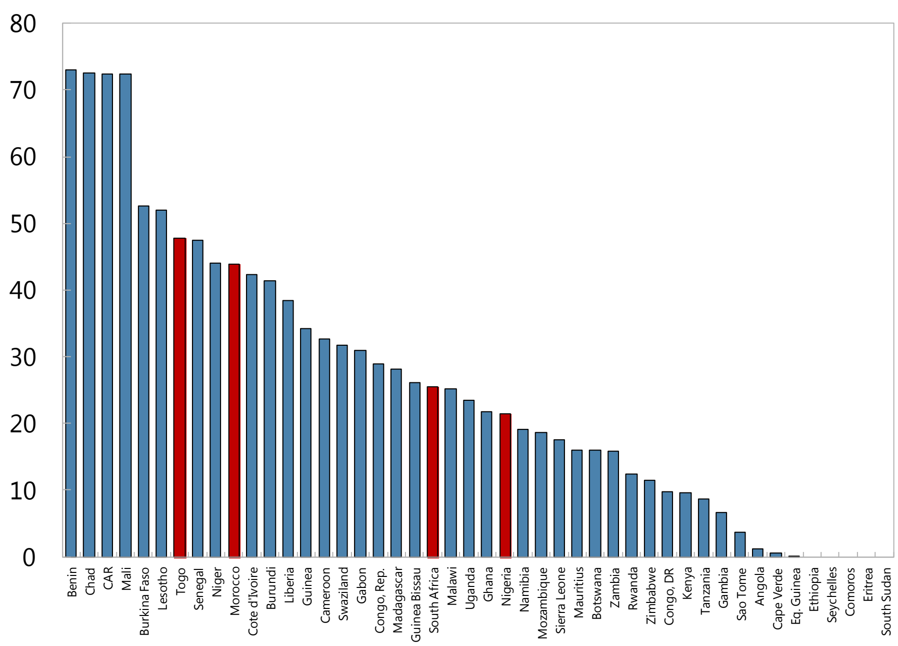
Figure 2. Selected PABs and Foreign Banks: Systemic Importance by Country, 2013

Major PABs | **Selected Foreign Banks**



Sources: Annual reports, Bankscope and IMF staff calculations.
Note: Systemically important presence includes parents in their home countries and subsidiaries with a deposit share of more than ten percent of banking system deposits.

SSA and Morocco: Major PABs' Share of Total Bank Deposits by Country, 2013

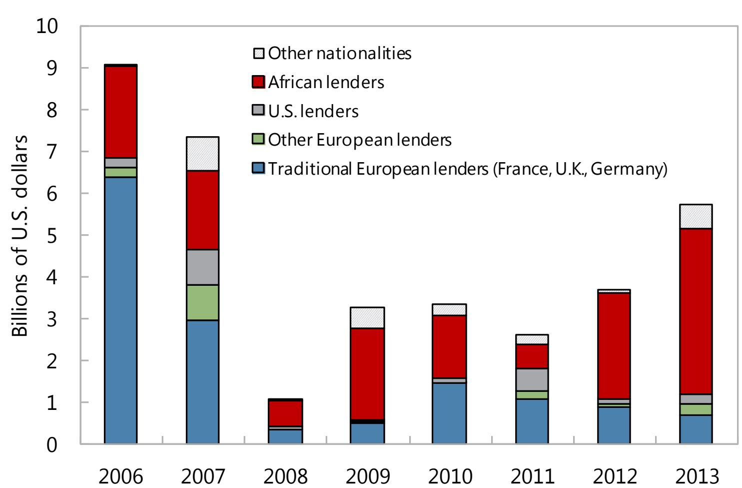


Sources: Annual Reports, Bankscope, and IMF staff calculations.
Note: Highlighted columns indicate the home countries of the seven major PABs.

14. Growing pan-African banking groups offer opportunities, but pose supervisory challenges (Box 2). Anecdotal evidence suggests that the expansion of these banks has improved competition and given rise to economies of scale especially in host countries with small local markets. The PABs are driving innovation, offer opportunities to enhance financial inclusion, and in some cases have contributed to lowering costs (for example in the EAC). African banks have also become lead arrangers for syndicated loans filling the recent gap left by European banks (IMF, 2014b and Figure 3). The expansion of PABs increased diversification effects for home countries and provided further growth opportunities. However, as these groups developed in reach and complexity, significant supervision gaps, governance issues, and questions about cross-border resolution have emerged. In addition, countries are on different levels of implementing international standards, for example some countries have implemented Basel II standards, whereas for others it is still work in progress (Box 3 and Figure 4). These issues could pose risks to national and regional financial stability. Against these developments, IMF technical assistance (TA) efforts on banking supervision and regulation including strengthening of legal frameworks to SSA have increased in recent years, including through the regional technical assistance centers (Box 4).

15. Well functioning financial infrastructure both on a national level as well as cross-border is important for reaping the benefits of the cross-border expansion of PABs. This includes efficient payment and settlement systems, credit rating agencies and credit information systems, including comparability of credit information across countries, as well as dispute resolution and consumer protection mechanisms. With further cross-border integration and expansion of PABs, payment and settlement systems need to be consistent across countries to avoid payment difficulties with adverse effects for financial stability. Examples of cross-border integration of payment and settlement systems include the WAEMU region (as a currency union) and the East African Payments System launched in 2013 as well as the recent introduction of a settlement system for regional transactions in the Southern African Development Community (SADC) (Box 11).

Figure 3. SSA: New Syndicated and Large Bilateral Loans for Infrastructure by Lender Nationality, 2006–13



Sources: IMF, 2014 (Dealogic Analytics; and IMF staff calculations).

Box 2. Benefits of Cross-Border Banking[1]

The expansion of cross-border banking groups across the African continent offers opportunities and benefits for the economies involved. Cross-border banks have also expanded in other regions of the world such as Latin America or Central and Eastern Europe leading to a rich literature analyzing the benefits and risks of cross-border activities. While specific evidence for the African case and in particular for the benefits of the expansion of pan-African banking groups (as opposed to other foreign banks) is still rudimentary, benefits can be categorized into three main areas: competition and efficiency, financial deepening and inclusion, and stability.

Competition and Efficiency

Cross-border banks benefit the host countries' banking sector by increasing competition, increasing access to higher skills and expertise, better access to capital, and economies of scale. More broadly, they can also have a positive effect through improving governance structures. However, whether the effects are positive or not depend on country circumstances and existing market structures. For example, in a crowded market the effects of higher competition might not materialize. In the African context of underdeveloped banking systems, the arrival of more skilled, better managed and better funded competitors can have a significant positive impact on host economies.

Empirical studies using cross-country comparisons generally found a positive association between foreign bank entry and efficiency and competition as measured by net interest margins, profitability, and cost efficiency. In the EAC, EAC-headquartered banks or their subsidiaries have lower spreads and are more efficient than other private domestic banks or subsidiaries of foreign banks headquartered outside of the region (World Bank, 2013).

Financial Deepening and Financial Inclusion

By bringing in special expertise from their home markets, cross-border banks foster financial inclusion, if they reach out to previously underserved market segments. On the other hand, if foreign banks focus on the high end customers only ("cherry picking") or rely too much on formal information, thereby precluding the lower end of the market, this could result in a limited impact on financial inclusion.

Empirical studies on the effects of cross-border banking for financial inclusion do not give a consistent picture; instead results depend on countries and regions as well as data sources used. For example, a higher foreign bank share can be associated with a lower number of loan and deposit accounts per capita (Beck, Demirguc-Kunt and Martinez Peria, 2007), but also with lower barriers to deposit service access (Beck, Demirguc-Kunt and Martinez Peria, 2008). In the African context, there is anecdotal evidence that PABs are serving under-banked parts of the population, have led to an increase in branches across the host countries (one example are Nigerian banks in the WAMZ) and are exporting innovative business models from their home markets (for example, Moroccan or Kenyan banks).

Financial Stability

Cross-border banks can contribute positively to financial stability through diversification benefits both for the banks themselves and their customers, in particular if business cycles are not synchronized. Indirect effects on stability can stem from upgrades in quality of supervision and regulation in host countries induced by the foreign banks and their home supervisors, who often introduce higher standards (e.g., IFRS accounting and Basel II/III standards). However, potential contagion effects can offset stability benefits as cross-border banks can also more easily propagate shocks from their home countries across the host economies.

Empirical evidence based on data prior to the GFC supports the positive impact of cross-border banking on financial institutions and economies through risk diversification (e.g., Arena, Reinhart, and Vazquez, 2007). More recent studies find that while cross-border banking can help mitigate effects of local financial shocks, global financial shocks are propagated (e.g., Popov and Udell, 2012, and de Haas and Lelyveld, 2014 for bank level analysis and Kalemli-Ozcan, Papaioannou and Perri, 2013 for macro analysis). However, the effects of contagion also depend on the structure of the local subsidiaries as the differences in contagion impact of the global financial crisis on Eastern Europe and Latin America show (Cull and Martinez Peria, 2013).

[1] This box is adapted from chapter 2 of Beck and others (2014).

Box 3. Financial Sector Supervisory Standards in Sub-Saharan Africa and Morocco

Countries in SSA are at different development levels with regards to their financial sector regulation and supervision standards and operate at varying stages of implementation of international standards. Whereas a number of countries have moved to IFRS accounting standards, implementation of Basel II standards has only been completed in a handful of countries. An important part of depositor protection, namely depositor insurance, is missing in the majority of countries.

Summary of Supervisory Standards by Country

	Accounting Standard	Capital Adequacy Standard 1/	BCPs /2	Deposit Insurance	Asset Classification 3/
Angola	National	No Basel II yet	<50%	No Dep. Ins.	< 90 days
Botswana	IFRS	Basel II in progress	>80%	No Dep. Ins.	90 days
Burundi	IFRS Plan	Basel II in progress	<50%	No Dep. Ins.	> 90 days
Cape Verde	IFRS	Basel II in progress	50-80%	No Dep. Ins.	< 90 days
CEMAC	IFRS Plan	No Basel II yet	N/A	Implemented	> 90 days
Comoros	National	Basel II in progress	N/A	No Dep. Ins.	N/A
Dem. Rep. of Congo	National	No Basel II yet	N/A	No Dep. Ins.	90 days
Eritrea	N/A	N/A	N/A	No Dep. Ins.	N/A
Ethiopia	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Gambia	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Ghana	IFRS	No Basel II yet	<50%	No Dep. Ins.	90 days
Guinea	National	No Basel II yet	N/A	No Dep. Ins.	N/A
Kenya	IFRS	Parts of Basel II/III	50-80%	Implemented	90 days
Lesotho	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
Liberia	IFRS	Basel II in progress	N/A	No Dep. Ins.	90 days
Madagascar	National	No Basel II yet	N/A	No Dep. Ins.	90 days
Malawi	IFRS	Basel II	50-80%	No Dep. Ins.	90 days
Mauritius	IFRS	Basel II	50-80%	No Dep. Ins.	90 days
Morocco	IFRS	Parts of Basel III	>80%	Implemented	90 days
Mozambique	IFRS	Basel II	50-80%	No Dep. Ins.	> 90 days
Namibia	IFRS	Parts of Basel II	N/A	No Dep. Ins.	90 days
Nigeria	IFRS	Basel II in progress	50-80%	Implemented	90 days
Rwanda	IFRS	Basel II in progress	>80%	No Dep. Ins.	90 days
Sao Tome and Principe	IFRS Plan	Basel II in progress	N/A	No Dep. Ins.	N/A
Seychelles	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Sierra Leone	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
South Africa	IFRS	Basel III	>80%	No Dep. Ins.	90 days
South Sudan	National	No Basel II yet	N/A	No Dep. Ins.	N/A
Swaziland	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
Uganda	IFRS	No Basel II yet	50-80%	Implemented	90 days
Tanzania	IFRS	No Basel II yet	>80%	Implemented	90 days
WAEMU	IFRS Plan	No Basel II yet	50-80%	No Dep. Ins.	> 90 days
Zambia	IFRS	No Basel II yet	>80%	No Dep. Ins.	90 days
Zimbabwe	IFRS	Basel II in progress	N/A	Implemented	91 days

Sources: IFRS.org (jurisdiction profiles, April 2014) and PwC report "IFRS adoption by country" (April 2013); FSI Survey on Basel II, 2.5 and III implementation (Financial Stability Institute, July 2014); Standards and Codes Database; Demirgüç-Kunt, Kane and Laeven (2014); World Bank Survey on Bank Regulation 2012; IMF FSAP and TA reports; Information from IMF country teams.

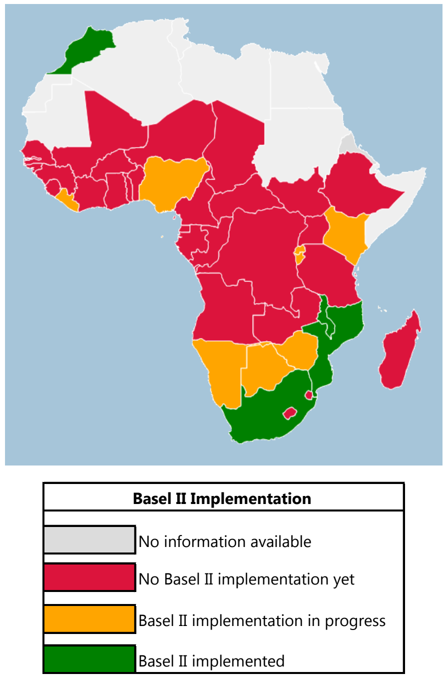
Notes:

1/ The Financial Stability Institute conductes a survey on the current status report on implementation of Basel II, 2.5, III for non-BCBS/non-EU jurisdictions and publishes unedited responses. The column is based for Basel II on answers to Pillar 1 (Standardized approach for credit risk, basic indicator approach and standardized approach for operational risk), Pillar 2 and Pillar 3.

2/ This category shows percentage of compliant or largely compliant BCPs and is based on assessments against the 2006 Basel Core Principles methodology undertaken as part of FSAPs during 2007-12.

3/ This category indicates the threshold of 'number of days in arrears" after which loans are classified as nonperforming loans.

Figure 4. SSA and Morocco: Basel II Implementation by Country



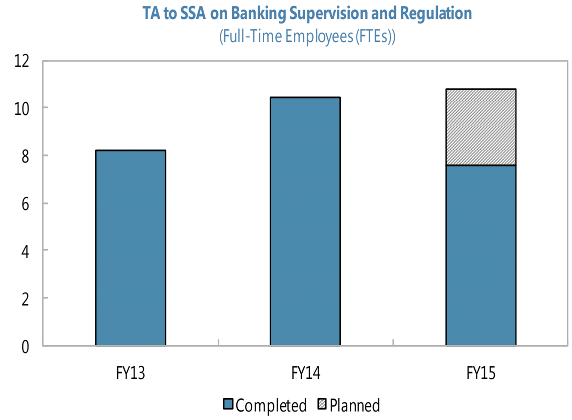
Sources: Financial Stability Institute Survey on Basel II, 2.5 and III implementation (Financial Stability Institute, July 2014) and IMF country team information.

Note: The Financial Stability Institute conducts a survey on the current status report on implementation of Basel II, 2.5, III for non-Basel Committee on Banking Supervision (BCBS)/non-European Union jurisdictions and publishes unedited responses. The figure is based on answers to Pillar 1 (Standardized approach for credit risk, basic indicator approach and standardized approach for operational risk), Pillar 2 and Pillar 3.

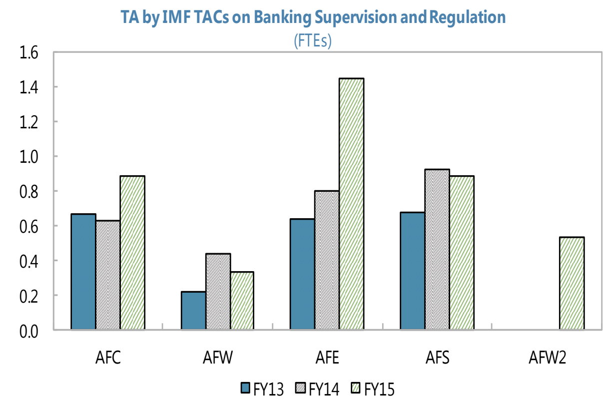
16. Past experiences of cross-border banking in Africa have resulted in costly failures. The International Bank of West Africa and Meridien, both of which had pan-African aspirations, failed in the 1990s, as did Bank of Credit and Commerce International, which also had extensive branch operations on the continent. In all cases, SSA countries suffered significant losses, setting back financial integration. More recently, although the GFC had relatively limited effects on Africa, it demonstrated the difficulties in managing and resolving cross-border institutions, even in advanced economies where the supervisory infrastructure is most developed.

Box 4. IMF TA on Banking Supervision and Regulation to Sub-Saharan Africa

The IMF has been progressively increasing its TA activities in banking supervision and regulation (including cross-border and consolidated supervision as well as strengthening of legal frameworks) throughout SSA. The contribution of the IMF Regional Technical Assistance Centers (RTACs) has been instrumental in this regard. Out of the nine RTACs that the IMF operates around the world, five are based in various parts of SSA. These are the: Central AFRITAC (AFC) based in Gabon, West AFRITAC (AFW) based in Cote D'Ivoire, East AFRITAC (AFE) based in Tanzania, South AFRITAC (AFS) based in Mauritius, and the recently opened WEST AFRITAC 2 (AFW2) based in Ghana. The IMF has also recently opened an African Training Institute (ATI) in Mauritius that will contribute to building capacity of African authorities including on banking regulation and supervision issues. The charts below show the increase in TA delivered to Africa on banking supervision and regulation by the IMF in general and by the AFRITACs in particular.



Source: MCM Technical Assistance Tracking System



Source: MCM Technical Assistance Tracking System

The AFRITACs have been and are increasingly involved in building capacity of African supervisors including on issues related to cross-border supervision of PABs. Most of these centers have organized seminars and workshops on consolidated and cross-border supervision to better familiarize supervisors with the importance of this supervisory aspect and the implications for financial stability in the region. In addition, many hands-on TA activities targeted the practical application of consolidated supervision.

With the growing importance of cross-border banking activities, some AFRITACs are assisting in enhancing the cross-border supervisory framework and establishing supervisory colleges. One particular success story in this respect is the TA provided by AFE in assisting the Central Bank of Kenya (CBK) in organizing a first East African supervisory college for a cross-border bank and continuing the establishment of such colleges for other Kenyan banking groups. Another TA helped the CBK to develop a structured approach to assess the regulatory and supervisory framework of the host authorities of Kenyan banks' subsidiaries. This provides a good example on how Fund TA and the regional approach to TA (as represented by AFRITACs) can be usefully mobilized to deal with the challenges related to PABs' oversight and to enhance collaboration among various supervisory authorities in the region.

17. **This exercise is in line with the IMF's institutional priority of sharpening the focus of surveillance by strengthening the assessment of financial sector interconnectedness.** The purpose of this exercise is to take stock of these developments, identify regulatory, supervisory and resolution gaps, and determine how the Fund can help the authorities address these challenges. The project focuses on the countries and regions with a high presence of PABs, with the objective of better understanding PABs' activities and vulnerabilities. It has involved missions that discussed with the main home and host regulatory and supervisory authorities the challenges they face in

overseeing these groups. Namely, this has involved assessing: (i) how supervisors monitor the business plans and governance of the PABs; (ii) the coverage of consolidated supervision, and the extent of cross-border collaboration; and (iii) the level of crisis preparedness (modalities of liquidity backstopping and bank resolution) among supervisors. The missions also met with each of the main cross-border banking groups, to assess their business plans and their risk mitigation strategies.

Macro-financial risks

18. Unprecedented growth in SSA provided the backdrop for the expansion of PABs. The region's average growth rate has risen from 2½ percent in 1980–94 to about five percent during 2008–13. SSA has become the second fastest growing region after emerging Asia, and two-thirds of the countries in SSA have enjoyed ten or more years of uninterrupted growth; indeed, a quarter have grown without interruption for 20 years. Real GDP per capita doubled in the median SSA country and slightly more in the average country.

19. The global financial crisis had a lower impact on SSA, but the region is not immune to spillovers from the rest of the world. A one percentage point growth slowdown in the rest of the world has been found to lead to an estimated half percentage point slowdown in SSA (Drummond and Ramirez, 2009). In addition, a 100 basis point increase in the spread of 3-months LIBOR vs. U.S. Treasury bills reduces growth in SSA countries by an estimated half percentage point. This implies that while SSA economies suffered the negative impact of the global financial crisis, this was partially offset by lower global interest rates.

20. There are several key macroeconomic risks that could give rise to financial stress in SSA. The main risk factors are a slowing of global trade, sustained lower commodity prices, and the financial impact of the tightening of monetary policy in advanced countries. The materialization of these risks would adversely impact economic activity and external and fiscal balances in SSA with attendant impact on bank profitability and rising non-performing loans. In addition, banks in some countries have significant direct and indirect exposures to the sovereign (Appendix V).

21. Interactions between the real and the financial sector could take place through other mechanisms as well. The financial sector is inherently pro-cyclical, in the sense that it generally amplifies the business cycle via changes in the value of assets and leverage (Canuto and Gosh, 2013). During booms, bank capital is usually reinforced by increased bank profitability or by capital gains implied by increasing asset prices. Thus, increased demand for assets raises their prices, further fuelling the cycle and leading to a generalized expansion of credit. During an upturn, the financial system as a whole may build up vulnerabilities, e.g., due to increasing liquidity, maturity, and foreign exchange mismatches or by concentrating exposures to particular types of assets (e.g., real estate). In the downturn, this may trigger system-wide problems, even in the case of a small shock, through declining collateral values as financial institutions' balance sheets become weak, capital is insufficient to absorb losses, credit is reduced and depositors' confidence may impact banking liquidity.

22. The expansion of PABs may increase the risk of contagion and raises concerns about financial stability in the region. This expansion has created a network of systemically important banks, whose financial health might not be known due to—in some cases—nascent consolidated supervision.[5] In addition, PABs can lead to contagion across borders, in particular for countries without adequate financial safety nets. The channels of contagion could run both ways from the parent bank to the subsidiary and from the subsidiary to the parent bank, as well as across subsidiaries of the same group.[6] For example, deficiencies in governance or perceptions of mismanagement at the group level as well as reputational risks coming from large macroeconomic disequilibria in the home country could lead to bank runs on subsidiaries. Subsidiaries could be affected if they are interconnected with the parent bank through the placement of deposits. Economic or financial problems in the host countries could, on the other hand, impact parent banks in case the subsidiaries' operations are large relative to the whole group, particularly, as some subsidiaries of the major PABs seems to be weak (see Section II.C). Lastly, for some PABs subsidiaries are connected through syndicated loans across borders leading to potential spillovers between subsidiaries. As information on the amounts of these loans and further interconnections within the groups are not available, these risks could build up undetected. Subsidiarization and ring-fencing provides some level of protection.[7] Subsidiaries are in principle separate entities and separately capitalized. Thus, in the event of problems elsewhere in the group, they may withstand contagion and could continue operations.

23. The analysis of cross-border contagion has—for the most part—not played a role in Financial Sector Assessment Program (FSAP) stress tests conducted so far. One reason is that the major expansion of pan-African banking groups is still relatively recent and thus has not been an important issue at the time of these FSAPs. For many of the PABs the size of their cross-border subsidiaries is still quite low compared to their overall assets, such that problems in subsidiaries might only have a limited impact on home countries. Lastly, even if cross-border contagion was analyzed in a stress test, the lack of data on cross-border transactions or intra-group exposures made it impossible to quantify the impact of cross-border contagion.

[5] In addition, the banking groups have become more complex encompassing non-bank activities like insurance or securities dealing. This has increased linkages between banks and nonbanks of the same group, for example through interbank, securities or derivatives exposure and given rise to additional contagion channels between home and host countries.

[6] Similar contagion and financial stability aspects apply for branches as well. In particular, from a financial stability perspective neither the branch nor the subsidiary model is better in terms of reducing the probability and cost of failure of cross-border banks (Box 7).

[7] In this report, ring-fencing is understood as the separation of parts of a cross-border banking group from the rest of the group (the parent bank or other affiliates) to protect domestic assets from contagion (D'Hulster and Ötker-Robe, forthcoming) and can take the form of restricting cross-border intra-group transfers (profits or capital) imposed by either home or host regulators (Cerutti and others, 2010). Ring-fencing includes both ex-ante (e.g., capitalization requirements for subsidiaries and branches) and ex-post (e.g., ad hoc restrictions in case of problems) measures.

II. SYSTEMIC IMPORTANCE OF CROSS-BORDER BANKING GROUPS IN SUB-SAHARAN AFRICA

A. Cross-Border Banking Groups in SSA

24. This section identifies and describes the increasing number of banking institutions headquartered in SSA with cross-border subsidiaries and branches. This exercise also includes banks from North Africa with a significant presence in SSA and describes the presence of subsidiaries from banking groups headquartered outside Africa for comparison purposes.[8] In mapping the cross-border banking groups, this paper builds on previous work (IMF, 2012a).

25. While the number of PABs is increasing, the phenomenon is dominated by seven banking groups in terms of geographical dispersion. Of these aforementioned banks, Ecobank has the most widespread presence, operating in 33 SSA countries, while Standard Bank is the largest group based on the size of its balance sheet (Table 2). In addition, around 40–60 percent of the subsidiaries of Attijariwafa, BOA, Ecobank, and Standard Bank are systemically important in their host countries based on deposit shares (Table 3, Figure 9). While UBA has a widespread presence, its subsidiaries mostly only play a small role in their host countries' banking systems, due to its relatively recent expansion.

26. The presence of smaller African banking groups is concentrated in sub-regions. These smaller groups operate in three to nine countries and concentrate their operations in their sub-regions, with some groups starting to expand beyond. Examples include Nigerian banks focusing on Anglophone West African countries (e.g., Guaranty Trust Bank (GTBank), Skye Bank, or Zenith Bank), which are starting to expand to francophone West Africa or the EAC,[9] and Kenyan banks operating in the EAC (Burundi, Rwanda, Tanzania, and Uganda), which have recently expanded into South Sudan.

27. In addition to African banking groups, several foreign groups have a large presence in SSA with the European banking groups clustered in regions reflecting the colonial legacy. Foreign banks with a strong presence in SSA include Standard Chartered (United Kingdom (U.K.)), Barclays (U.K.),[10] and Société Génerale (France). These banks have operations in at least nine

[8] In this section we will denote banking groups headquartered outside sub-Saharan or North Africa as foreign banking groups.

[9] In 2013, Guaranty Trust Bank (GTBank) purchased a 70 percent stake in Fina Bank (Kenya) completing the acquisition in December 2013, such that GTBank now has three subsidiaries in the EAC (Kenya, Rwanda, and Uganda).

[10] On July 31, 2013, Barclays Africa Group Limited (BAGL) was formed through combining Absa Group Limited and Barclays' African operations, changing the name to reflect the enlarged groups' pan-African focus. As BAGL is majority owned by Barclays Bank Plc (62.3 percent) and an integral part of the Barclays group, it is classified as a foreign bank in this paper. However, arguments could also be made for classifying it as an African based institution as BAGL is incorporated in South Africa and supervised on a sub-consolidated basis by the South African Reserve Bank (SARB) (Beck and others, 2014).

countries and more than one third of them have systemic importance in the respective host countries (Table 5). However, the number of operations of foreign banking groups is considerably smaller than those of the large PABs and they are less widespread. In particular, their presence is mainly concentrated on Anglophone countries for U.K. banks, francophone countries for French banks or lusophone countries for Portuguese banks. Other foreign banking groups mainly have smaller operations, however spread over a number of countries. This includes Citigroup (U.S.) and Bank of Baroda (India), with a presence in 11 and 8 countries, respectively.

28. The PABs have expanded their operations across SSA mainly in the last decade (Figure 1). While some groups had subsidiaries since the 1990s or even earlier, the massive expansion of pan-African banking groups happened since the mid-2000s. Between 2006 and 2010, the number of subsidiaries of the seven largest PABs almost doubled from less than 50 to almost 90 operations. Ecobank, for example, added 15 subsidiaries between 2006 and 2010. Similarly, UBA added 17 operations since 2006. Some groups expanded via a mixture of greenfield investments and acquisitions if the opportunities arose, whereas others focused almost exclusively on acquisitions to expand rapidly. For example, the Moroccan banks build up their presence in francophone Africa mainly through acquiring existing banking groups: GBCP bought Banque Atlantique in 2012 and BMCE became the major shareholder in BOA in 2010. The retrenchment of some European banks also contributed to this process as Attijariwafa bought Credit Agricole's African operations in 2008 increasing its operations to six.

B. Systemic Importance of Cross-Border Banking Groups

29. African and foreign banking groups often have systemic importance in their host countries. Absent more elaborate measures in light of data limitations systemic importance is measured in two ways:[11] (i) operations are deemed systemically important if the share of their deposits in total banking system deposits exceeds ten percent; or (ii) if their asset share exceeds seven percent of GDP.[12] The results are shown by banking group and country in Tables 3 through 6 and Figures 10 and 11. However, in some cases the results need to be interpreted cautiously as some data is outdated or not available for some operations.

30. Almost 30 percent of the operations of PABs are systemically important (Table 3 and 4). Excluding domestic operations, this measure falls slightly below one quarter. In addition, around 30 percent of systemically important operations have a deposit share exceeding one quarter of total

[11] The BCBS has published a framework for dealing with D-SIBs (BCBS, 2012), complementary to the G-SIB regime (BCBS, 2013), including principles on the assessment methodology. The potential impact of a domestic systemically important bank's failure should be assessed, in principle, including bank-specific factors such as size, interconnectedness, substitutability and complexity (including from cross-border activity). The BCEAO is working on a framework to identify systemically important banks using these criteria. The CBN has designated banks as systemically important that have a five percent share of either total assets, liabilities, or deposits of the banking system.

[12] It would be also desirable to analyze the systemic importance based on interconnectedness between banking groups and their subsidiaries, but such data was not available.

banking deposits in the respective countries. Most of the systemically important subsidiaries are concentrated in Attijariwafa, BMCE/BOA, Ecobank, and Standard Bank. In a few countries, subsidiary deposit shares account for more than half of total deposits (Table 3). For example, Standard Lesotho Bank manages 52 percent of customer deposits in Lesotho and Ecobank Centrafrique 72 percent of the deposits in the Central African Republic.

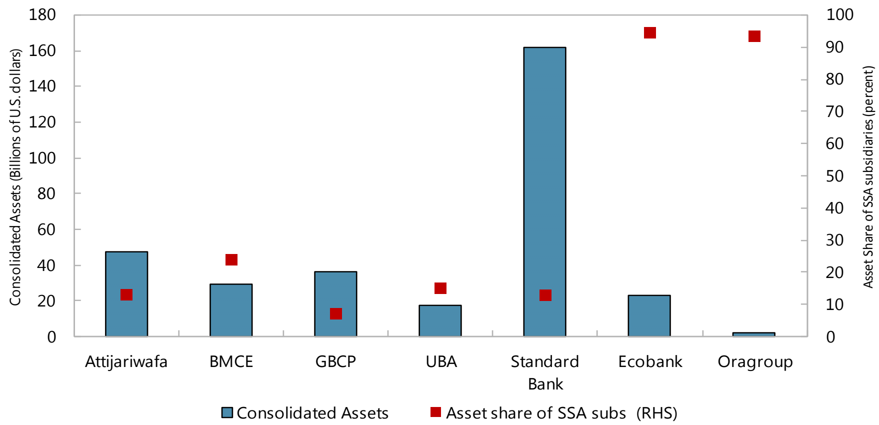
31. **Similarly, around 30 percent of the operations of foreign banking groups are systemically important** (Table 5 and 6). Of these subsidiaries, around 25 percent manage more than a quarter of customer deposits in their respective host countries. Similarly to African banking groups, there are examples of subsidiaries that have a deposit share exceeding 50 percent of host countries' customer deposits, including the subsidiaries of Barclays in Seychelles and of Caixa Geral de Deposits in Cape Verde. Standard Chartered, Barclays, and Société Génerale have the largest number of systemic subsidiaries among foreign banking groups with four or more systemically important operations. The other British and French banks and most Portuguese banks also have at least one systemically important subsidiary.

32. **Some PABs also account for a large deposit share in their home markets.** For example, the market in South Africa is very concentrated with the four largest banks (including BAGL) having almost 90 percent of total deposits. In addition, the unconsolidated assets of the four largest South African banks (including BAGL) together account for about 90 percent of South African GDP, while the consolidated assets are 114 percent of GDP. Similarly, consolidated assets of the three large Moroccan banks account for 108 percent of GDP in their home market and a large share of deposits. In contrast, the large cross-border Nigerian and Kenyan banks are smaller and together account for around 21 percent of Nigerian GDP and 28 percent of Kenyan GDP, with only one Nigerian and one Kenyan bank being systemically important in the home market based on asset size. The deposit share is also less concentrated among the large number of cross-border banks in these two countries.

33. **While assets of cross-border subsidiaries account for a small part of the consolidated balance sheet of many PABs, these shares are higher in some cases implying considerable spillover risks.** (Figure 5, Table 2). For the South African banks the asset share of cross-border subsidiaries in SSA is equivalent to less than 15 percent. This share is somewhat higher for Moroccan banks, in particular for BMCE for which is reaches 24 percent. Similarly, for most Nigerian banks cross-border subsidiaries contribute less than ten percent to total assets with UBA being the exception with 15 percent. For Kenyan banks the share is somewhat larger with an average of 22 percent. However, for a number of banks incorporated in relatively small home markets, like Togo, cross-border subsidiaries represent the dominant part of these banks' balance sheets. For both ETI and Oragroup, the asset share of cross-border subsidiaries in SSA exceeds 90 percent. Thus, for some banking groups spillover risks from cross-border subsidiaries could have a material effect on the parent banks. For comparison, subsidiaries in SSA only play a minor role for foreign banks representing less than five percent of total assets (Figure 7).

Figure 5. Major PABs: Size and Share of Cross-Border Subsidiaries, 2013

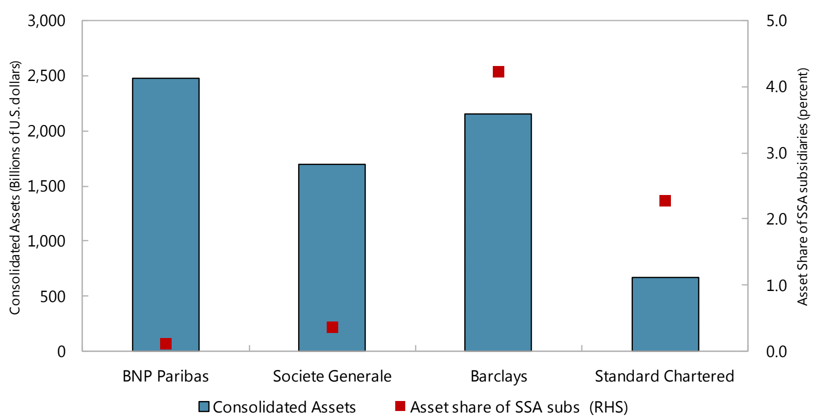
(Billions of U.S. dollars and percent)



Sources: Annual reports, Bankscope, and IMF staff calculations.

Figure 6. Selected Foreign Banks: Size and Share of Sub-Saharan African Subsidiaries, 2013

(Billions of U.S. dollars and percent)

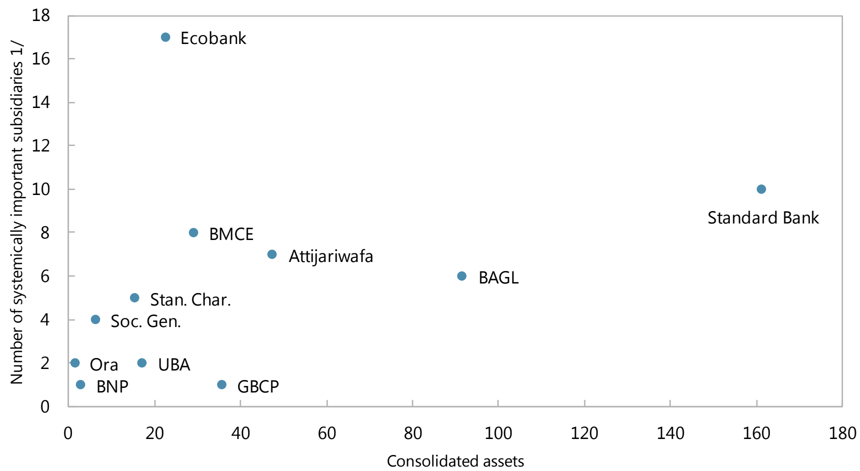


Sources: Annual reports, Bankscope, and IMF staff calculations.

34. **Standard Bank and Ecobank dominate the large cross-border banking groups in terms of size and number of systemically important subsidiaries** (Figure 7). Standard Bank is the largest group in size measured by consolidated assets.[13] Ecobank has the most systemically important subsidiaries, but its balance sheet size is small compared to the South African or Moroccan banks. The figure also shows that the banking groups from Nigeria and Togo are much smaller in asset size compared to the South African and Moroccan banks. Similarly, the foreign banks' African business is relatively smaller as well.

[13] For the foreign banking groups included in Figure 7, only the sum of assets of the African subsidiaries are used with the exception of Barclays, for which consolidated assets for BAGL are used.

Figure 7. Selected PABs and Foreign Banks: Size and Systemically Important Operations, 2013
(Billions of U.S. dollars)



Sources: Annual reports, Bankscope, and IMF staff calculations.
1/ A systemically important subsidiary is defined as having a deposit share exceeding 10 percent.
This chart shows the seven major pan-African Banking groups plus four selected foreign banking groups (sum of assets of SSA subsidiaries) for comparison.

35. The major PABs seem to have become more important in a number of countries compared to the foreign groups (Figure 2). The combined deposit share of foreign groups is higher than that of African groups in only a handful of countries. With few exceptions one of the pan-African groups' subsidiaries has the highest deposit share when comparing their and foreign groups' subsidiaries' shares. For example, in the WAEMU region, Société Générale has an important subsidiary only in Cote d'Ivoire, whereas in all other WAEMU countries the subsidiaries of either BOA, Ecobank, or Attijariwafa are more important than Société Générale's or other French banks' subsidiaries. Overall, the share of systemically important subsidiaries in the total number of subsidiaries is somewhat higher for the foreign groups (28 percent versus 24 percent, excluding home markets), however the share of systemically important subsidiaries with more than 25 percent deposit share is a lot higher for the African groups (33 percent versus 25 percent).

C. Structure, Balance Sheet Expansion, and Financial Soundness of Cross-Border Banking Groups

Structure and operations

36. The major PABs generally have complex and in some cases opaque holding structures and cover a broad range of financial activities (Box 5).[14] While the exact holding structures differ across groups, several operate with an ultimate holding at the top and several sub-holdings below, including complex cross-holdings across the different subsidiaries. The financial holdings in some cases are not regulated and only sparsely supervised. Banking is the dominant financial activity of

[14] See Lukonga and Chung (2010) and Appendix II for further details.

the groups. Other financial activities include insurance (e.g., BMCE/BOA or Standard Bank),[15] microfinance through own operations or joint ventures (e.g., Ecobank or GBCP), investment activities and securities dealing, leasing and in some cases even non-financial activities (e.g., information technology (IT) or real estate companies). In addition, there have been increasing linkages—including cross-border linkages—between banks and non-banks of the same groups.

37. The shareholding structure of some groups is diversified. In particular, for ETI and Standard Bank the major shareholders have at most a quarter of shares each and include shareholders from across SSA as well as international shareholders (e.g., the International Finance Corporation (ETI) and the Industrial and Commercial Bank of China (Standard Bank)).[16] The Nigerian cross-border banks also have a diversified shareholding structure. However, in other cases the shareholding structure is more concentrated. The major shareholder in Attijariwafa is SNI Group, which is controlled by the royal family of Morocco, whereas for BMCE the major shareholders are a multi-business Moroccan group (FinanceCom Group) and a French banking group (BFCM-Holding). Oragroup and Nedbank are both majority owned by investment companies, ECP and Old Mutual, respectively.

38. Major PABs conduct their cross-border operations mostly as subsidiaries, but with centralized business lines (Lukonga and Chung, 2010). The subsidiaries are separate legal entities in their host countries with their own banking license. However, in the WAEMU region two banks operate branches within other WAEMU countries out of a subsidiary in one of the WAEMU countries and requirements for these branches are based on a different formula than for subsidiaries.[17] The parent bank or group holding provides a common framework and guidance on certain functions such as risk sharing or internal audit controlling that the subsidiaries follow the common policies of the group. In addition, the group provides certain centralized services such as a common IT platform and IT infrastructure or a centralized treasury (Box 6). One example is Ecobank's treasury function, which is centralized in Paris. To disseminate group knowledge, personnel from headquarters are often sent to the subsidiaries or personnel from subsidiaries are trained at headquarters.

[15] Activities in the insurance sector were developed in Africa by the group FinanceCom, shareholder of BMCE, but not by the bank itself.

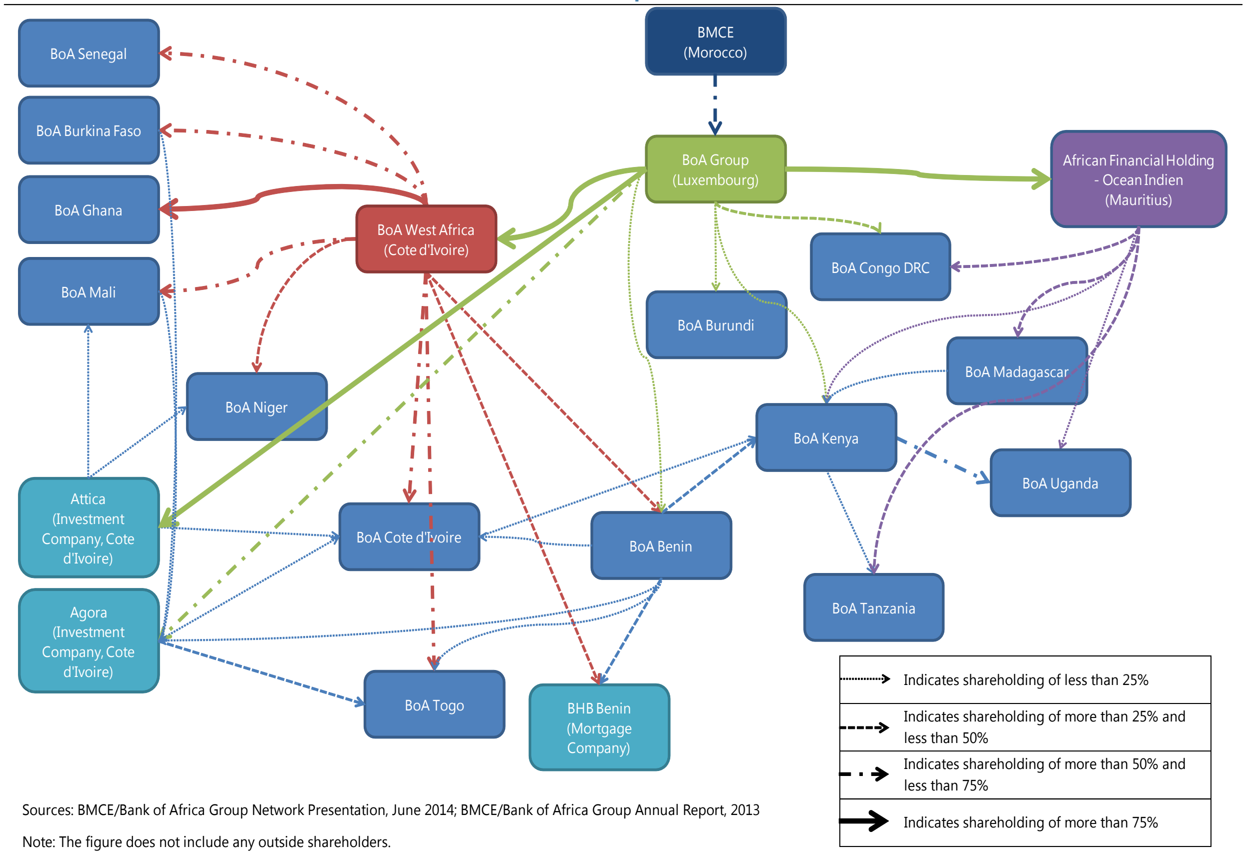
[16] South Africa's Nedbank has acquired a 20 percent shareholding in ETI, strengthening an alliance existing since 2008. Qatar National Bank is also a major shareholder in ETI since September 2014.

[17] Oragroup operates the former Banque Régionale de Solidarité (BRS) banks it took over as branches through its subsidiary in Cote d'Ivoire and Attijariwafa's subsidiary CBAO in Senegal has several branches in other WAEMU countries, including Burkina Faso, Benin, and Niger.

Box 5. PABs' Complex Ownership and Corporate Structure—Example of Bank of Africa

Like many other pan-African financial groups, the BOA Group has a complex corporate structure. BOA group's subsidiaries in each country have very complex shareholding structures and the subsidiaries and group sub-holdings are interlinked through cross-holdings, which makes it difficult for the supervisors to have a consolidated view and assess the risks.

BMCE/Bank of Africa Ownership Structure, as of June 2014



Sources: BMCE/Bank of Africa Group Network Presentation, June 2014; BMCE/Bank of Africa Group Annual Report, 2013

Note: The figure does not include any outside shareholders.

Box 6. Intra-group Integration and Centralized Group Services

A number of cross-border banks centralize certain activities and systems at the group level to reap economies of scale. These functions include IT services or treasury functions. While this brings down costs, there are also risks associated with these centralized services and supervisors fear that fees for these services might be used to circumvent restrictions on dividend or capital transfers between subsidiaries and parent banks.

Functions that are typically centralized include IT infrastructure and IT services or treasury operations. For example, in some cases all operations of a bank run on a standardized IT platform, for which the back office is located in one country, which does not necessarily have to coincide with the headquarter of the bank. This location services the entire group sometimes with backups in other locations. Other functions, e.g., internal control or risk management, are centrally overseen at the group level and have common and standardized manuals.

Centralized services can help achieving economies of scale of cross-border banking, but add operational risks and might cause problems when it comes to resolution. Operational risks relate to sensitive information being kept offshore, which could possibly be accessed by unauthorized parties, and to information that might not be accessible when necessary. Supervisors audit and check these systems carefully including their backup locations. Some supervisors are requesting banks to keep these information and IT infrastructure within the country. Centralized systems and functions might also pose a problem in case of resolution, e.g., if the functionality of the subsidiary depends too much on the parent bank or group wide services.

An additional issue in terms of centralized services arises from fees charged for these services. The parent bank or a specialized service subsidiary charges the subsidiaries for the centralized services. This could be used to circumvent restrictions on capital transfers or restrictions on dividend pay outs. Supervisors have started to scrutinize transfer prices more closely including with the help of consultants, putting bans on fees that cannot be explained with the value added by the services rendered.

Balance sheet expansion

39. **Analyzing asset growth at the consolidated level shows that three major PABs (Ecobank, BMCE, and Attijariwafa) expanded their assets strongly since 2007.**[18] In contrast, only one of the foreign banking groups (Standard Chartered) had strong asset growth (Table 7). For the remaining banks, assets grew less than ten percent during 2007–13, or even declined. That said, for the big foreign banking groups, the African operations only play a small role in the global group (with a share of less than five percent of total assets) and, thus, the development of the consolidated group might be somewhat misleading. Therefore, Table 7 also includes asset and loan growth rates for the sum of all SSA operations.[19] With the exception of Société Génerale and Barclays, the aggregated African operations' data follows the same pattern as the consolidated data.

40. **The pan-African banking groups show a strong asset expansion across most of their subsidiaries.** In particular, almost all subsidiaries of Ecobank show very high asset growth. Standard Bank and BMCE also have a large number of subsidiaries with strong growth, although asset growth

[18] The analysis includes four major PABs (Attijariwafa, BMCE, Ecobank and Standard Bank) and four foreign banking groups operating in SSA (Barclays, BNP Paribas, Standard Chartered, and Société Générale). Due to the lack of time-series or outdated data the analysis does not include UBA, GBCP or Oragroup.

[19] For Barclays and BMCE the consolidated assets of BAGL and BOA group are used.

seems to have been smaller in economies where the subsidiaries have a higher deposit share. A potential reason for the low growth of the consolidated assets of Standard Bank could be the relatively low asset growth in its South African home market, which is by far its largest operation, while the sum of assets of other SSA operations has increased more strongly.

41. For subsidiaries of foreign banking groups, asset growth has been somewhat smaller and more heterogeneous across and within different groups. For example, Standard Chartered had strong asset growth in some subsidiaries, but declines in others. Almost half of Barclays' subsidiaries have seen decreasing assets, whereas asset growth has been diverse, though mainly subdued in the subsidiaries of French banks. Overall, in countries with operations of pan-African and foreign banking groups, pan-African banking groups had stronger asset growth compared to subsidiaries of foreign banking groups. Thus, it seems there has been less interest by foreign banks in certain markets; nevertheless, the share of SSA banking operations in total assets of the foreign banks has not declined strongly since 2007.

42. The pattern of loan growth has been similar to that of asset growth. Accordingly, subsidiaries of pan-African banking groups have expanded their loan book more strongly than foreign banking groups. All of pan-African banking groups had a strong expansion of their loan book from 2007 to 2013 across most of their subsidiaries. For foreign banks, on the other hand, the expansion had been much more subdued and for quite a number of subsidiaries the loan book had declined.

Financial soundness

43. Based on analysis of publicly available data, financial soundness seem to be an issue for some subsidiaries of the major groups and data gaps could be masking the true picture. The position of four pan-African banking groups, for which sufficient data is publicly available, and four foreign banking groups is analyzed using information on loan-to-deposit ratios, return on average assets (ROA), the total capital ratio, and non-performing loans (NPLs) for the consolidated groups as well as for subsidiaries over the time period 2007–13 (Tables 8 and 9).

44. On a consolidated basis, the four PABs analyzed have higher profitability (as measured by ROA) and lower loan-to-deposit ratios than the four foreign banking groups. Whereas the foreign banking groups generally have loan-deposit ratios exceeding 100 percent (except Standard Chartered*)*, the pan-African banking groups analyzed exhibit loan-deposit ratios that are well below 100 percent. However, the loan-deposit ratio of Attijariwafa has been increasing in the last couple of years to above 100 percent. The differences between pan-African and foreign banking groups might be due to the fact that for the foreign banks consolidated data on the group level is used, which includes the foreign banks' global business and is quite different from the business of the PABs. Capital ratios and asset quality have not deteriorated markedly. Nevertheless, some issues might still exist. In particular, the capital ratio of Ecobank has been on a downward trend, and its NPL ratio has exhibited large swings since 2008.

45. Important data gaps limit the analysis of bank soundness at the subsidiary level. While ROAs and loan-deposit ratios are generally available for almost all subsidiaries, the picture is significantly different in the case of capital ratios and NPLs (Table 9).[20] In particular, data on capital ratios for subsidiaries shows large gaps and is available for a large number of subsidiaries only for Standard Bank and Barclays. Additionally, the full set of indicators is available over the entire period only for a small number of systemically important subsidiaries. Moreover, erratic data movements in capital and NPL ratios might hint at problems with the underlying data.

46. Available data indicate that credit expansion had a negative impact on the soundness of some subsidiaries. For instance, some have low profitability (and even losses), coupled with high and rising NPLs and falling or very variable capital ratios (Table 9). In addition, some also had high credit growth over the last five years, suggesting strong credit expansion at the expense of asset quality. In the case of Ecobank, this pattern is largely observed in smaller and relatively newly established subsidiaries, while in the case of Barclays several subsidiaries have low profitability and high NPLs (though credit growth has been subdued over the last years). On the other side, loan-to-deposit ratios are generally below 100 percent with few exceptions and subsidiaries are financed through local deposits. This is in contrast to the situation in Eastern and Central Europe prior to the financial crisis, where foreign banks used a centralized bank funding model supplying their subsidiaries with ample parent bank financing, which exposed these economies to strong reversals during the financial crisis (IMF, 2013b).

III. CHALLENGES FOR BANKING OVERSIGHT

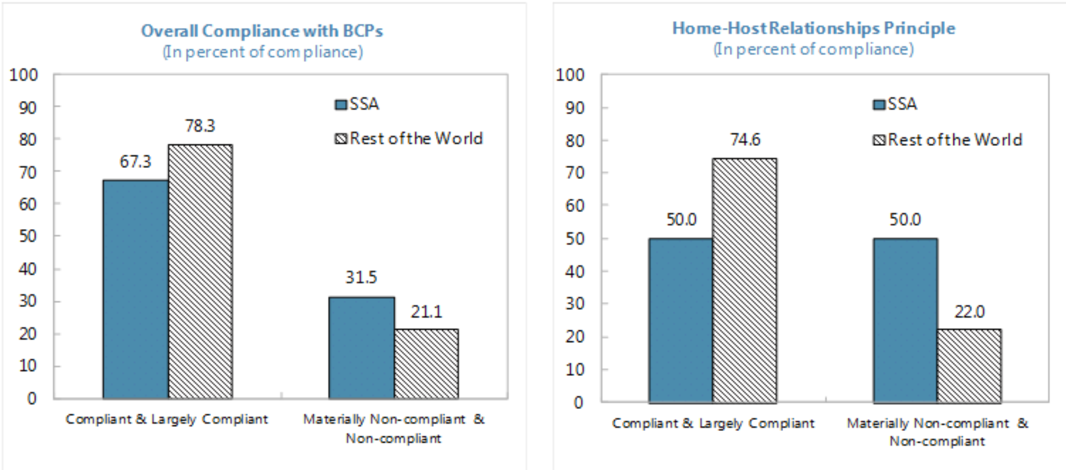
A. Cross-Border Regulatory and Supervisory Issues

47. The rapid expansion of PABs creates supervisory challenges given key weaknesses in the supervisory framework. Supervisory challenges include: (i) licensing and ownership structure, (ii) differences in accounting and data standards, (iii) consolidated bank supervision, and (iv) home-host issues including cross-border coordination and information sharing.

48. While compliance with the Basel Core Principles (BCP) varies among African countries, it is generally lower than in the rest of the world (Figure 8). Compliance is particularly weak regarding the home-host relationships principle. In particular, only 50 percent of African countries are compliant or largely compliant with this principle compared to almost 75 percent in the rest of the world (out of the 16 African countries where an assessment has been undertaken only Mozambique, South Africa, WAEMU, and Zambia were compliant). With large and expanding banking groups, deficiencies in consolidated and cross-border supervision are particularly worrisome.

[20] For capital ratios the analysis only looks at ratios, but not at the absolute values for capital or risk-weighted assets.

Figure 8. SSA: Compliance with Basel Core Principles



Source: Standards and Codes Database.
Note: The figures are based on assessments against the 2006 Basel Core Principles methodology undertaken as part of FSAPs during 2007-12. It includes 75 countries, of which 16 are African countries.

49. The supervisory weaknesses in SSA go beyond consolidated and cross-border supervision. While some countries have made some progress, challenges in many countries remain to be forcefully addressed, including in:[21]

- **Supervisory capacity**. Supervision is undermined by understaffing, lack of expertise and a growing gap between resources and mandate (including the expansion in the scope of supervision to cover micro finance).

- **Prudential regulation and enforcement.** While standard prudential regulations are sometimes less demanding than international standards (e.g., WEAMU and Central African Economic and Monetary Community), enforcement is weak, and progress has been slow in harmonizing regulatory standards and practices.

(i) Licensing and ownership structure

50. Licensing of new banks and cross-border operations does not always follow a structured approach that is transparent enough to allow an effective supervision and oversight. Some authorities in the region have adopted a clear policy regarding the structure of cross-border operations, allowing foreign banks to open only subsidiaries and limiting cross-border expansion through branches, whereas other authorities have no clear stance on this. In addition, many banking groups in the region have a complicated cross-border structure making effective

[21] It is important to stress that attention should be given to upgrading the regulatory framework as well as implementing the essential elements of good supervision. For an overview of the elements constituting good supervision see Viñals and Fiechter (2010).

supervision and resolution challenging for both home and host supervisors, particularly as bank-holding companies are not properly regulated or supervised in some countries.

51. Supervisors should weigh costs and benefits associated with PABs' cross-border structures (Box 7). Expansion via subsidiaries or branches implies different needs for competencies at the home and host supervisor level and different issues when it comes to resolution. For instance, in the event of a crisis at the group level, stand-alone subsidiaries might be protected against contagion or might be easier to resolve. From a bank perspective, while expanding through branches allows for cost efficiencies and flexibility it may also complicate resolution and raises the stakes for cross-border cooperation. Pan-African banks have mostly expanded through subsidiaries. However, a few groups expanded their operations in the WAEMU via branches from pre-existing subsidiaries in the WAEMU region.

52. The presence of PAB holding structures that are not subject to regulation and supervision in some countries poses financial stability risks. Some PABs are established under the umbrella of bank holding companies, which in some jurisdictions are not subject to regulation and regular supervision. This impedes the supervisor from overseeing group-wide activities and monitoring the consolidated situation of the bank.

53. Supervisors should understand PAB corporate structures and if necessary hold them to a higher standard if the structure is not conducive for effective supervision. Complex structures impede effective supervision of the banking group, undermine detection of risks, and impact the way a group could be resolved, for example if responsibilities cannot be clarified. Deficiencies in supervision can be exacerbated by complicated ownership structures, in particular if the suitability of major shareholders cannot be properly assessed or risk exposures are hidden within parts of the group (Box 8).

(ii) Accounting and data standards

54. Financial reports and disclosures of PABs are based on different sets of accounting standards, which complicate comparative analysis across banks and may not contribute to transparent disclosures. While many African jurisdictions apply IFRS for financial statement reporting, other countries are still lagging behind (Box 3, Figure 9). Even if plans for moving to IFRS exist, progress has been slow. Plans to implement IFRS should be accelerated where local accounting standards do not form a basis for fair and accurate measurement and transparent reporting.

Box 7. Subsidiaries versus Branches—One Size Does not Fit All[1]

Cross-border banking groups generate a trade-off between efficiency arising from the scale and diversification of their operations and financial stability concerns due to cross-border contagion of shocks. Policymakers need to consider this trade-off as well as the advantages and disadvantages for the different organizational structures for cross-border banking groups. Given the diversity of business lines and the varying objectives and stages of financial development in different countries, there is no single organizational model that is unambiguously preferable.

Decentralized model—Subsidiaries

From the banking group perspective the preference depends on the business model. A global retail bank may prefer a more decentralized subsidiary model as it focuses on serving local clients and relies on local deposits. Well-developed local financial markets facilitating local funding or a wider set of criteria required for branch operations could favor the subsidiary model.

From a policymakers perspective the view depends on whether a country is the home or host authority. Home authorities may prefer a cross-border banking structure with stricter firewalls across parts of the group when their banks expand into countries with weak economies and a risky business environment.

Host authorities may prefer the subsidiary model if conditions in their country are conducive to a healthy banking sector, allowing them to shield the affiliate from problems of its parent. Other factors such as systemic importance of the local affiliate, uncertainties about the group's support for affiliates, the quality of home supervision and difficulties reaching an adequate level of cross-border cooperation would induce the host supervisor to choose a subsidiary structure as it facilitates local oversight and protection of domestic financial stability.

For financial stability both models have advantages and disadvantages. Neither parent nor affiliates have a legal obligation to support troubled affiliates, which may limit contagion for healthy parts of the group and make it easier to spin them off. However, reputational factors may still induce a parent to support a troubled affiliate.

Centralized model—Branches

Banks with significant wholesale operations tend to prefer a more centralized branch model. This provides flexibility for managing liquidity and credit risks globally and reduces funding costs compared to a subsidiary model. Less developed local financial markets or favorable tax and regulatory treatments compared to subsidiaries could also lead to a preference for branches.

Home authorities may prefer a branch structure that allows them to keep control over group capital and liquidity, particularly if in a host country prudential oversight and resolution frameworks are weak, funding markets less developed and operations systemic at the group level.

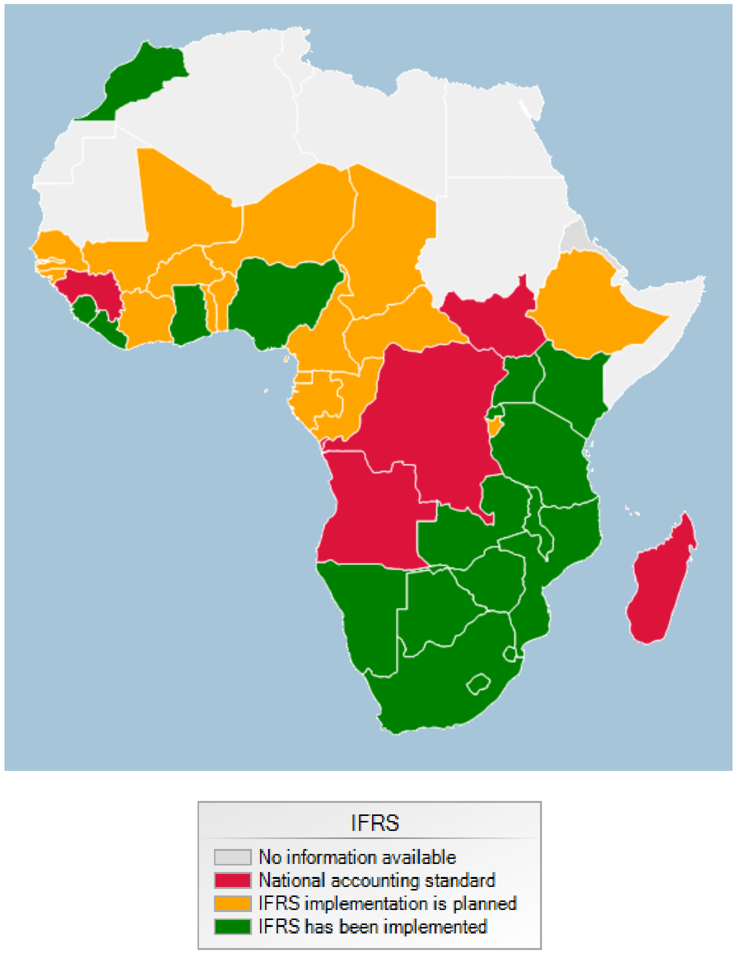
Host supervisors from countries with underdeveloped financial systems and weak economies may prefer global banks to enter via full service branches that can provide credit services based on the strength of the parent.

The group may have greater ability to withstand idiosyncratic shocks as surplus resources can be redeployed to affiliates hit by the shock, thus possibly limiting the impact on financial stability.

Overall, one size does not fit all and the differences between the models are increasingly smaller than they may first appear, in particular as there are varying degrees of centralization between the two ends of the spectrum and regulation for branches has increased, for example requiring separate capitalization.

[1]This box is based on Fiechter and others (2011).

Figure 9. SSA and Morocco: Accounting Standards by Country



Sources: IFRS.org (jurisdiction profiles, April 2014), PwC report "IFRS adoption by country" (April 2013) and IMF country teams.

Box 8. Overview of Governance Best Practices in Commercial Banks

A key ingredient for financial soundness and stability is good governance frameworks and practices in banks and banking groups. Ensuring good governance is an important element in the work of regulators and supervisors, in accordance with the 2012 BCPs, the 2013 Code of the International Organization of Securities Commissions, and other standards and codes.

Recent experiences that have played out in the public domain regarding the governance of the ETI group are instructive in this regard. Very large boards, with few members with banking experience, and issues relating to fit-and-proper standards put the group at risk of confidence losses. Reforms at ETI in mid-2014 to address these shortcomings and concerns are therefore welcome.

Ownership (BCP 5)

- A transparent ownership structure with limited complex cross-ownership of subsidiaries enhances transparency.
- Supervisors need to have a clear view of ultimate ownership.
- Parent holding companies need to be regulated as banks.

Boards (BCP 5, 14, 26)

- There should be a majority of independent, non-executive members.
- There should be a core of members with sound background in banking and financial services.
- All board members should be subject to and pass fit-and-proper tests, including that they do not have unresolved defaults on past debts.
- The internal audit function should report to a Board committee of independent members.
- Board members should have individual responsibility for oversight of the bank.
- Boards of subsidiaries should be clearly mandated and held responsible for oversight of subsidiary operations and soundness.

Management (BCP 15)

- Top management should be qualified and experienced in banking operations.
- Management should be subject to and pass fit-and-proper tests. Key managers should not have unresolved defaults on past debts.
- Appropriate internal risk management and assessment frameworks should be in place.

Accounting and IT systems (BCP 5, 22, 25–28)

- High quality, secure, and reliable accounting and IT systems should be in place.
- The accounting framework should comply with IFRS standards.
- Accounts should be audited by reputable audit firms in conformity with international or national accounting standards and published. Auditors should be periodically changed to ensure objectivity.

(iv) Consolidated supervision

55. Consolidated supervision is a major deficiency in some of the home countries of pan-African banking groups. While some countries like South Africa and Morocco conduct supervision on a consolidated basis, others are only slowly implementing it. Nigeria has recently commenced conducting consolidated supervision. However, in the WAEMU region, one of the obstacles for effective consolidated supervision is that while bank holdings, in principle, are subject to supervision according to the existing law, prudential regulations to make it effective are not in place. Consolidated supervision encompasses reporting, regulation (prudential norms and limits applied at the consolidated and solo basis) and supervisory techniques. This is essential regardless of the legal form through which expansion is taking place, i.e., through subsidiaries or branches. For example, Morocco has a formally articulated supervision policy for home banks with operations abroad. The Moroccan central bank quarterly monitors key prudential indicators, including solvency, provisioning, and profitability among others factors.

56. Implementation of consolidated supervision is key for sound risk assessment of cross-border banks. First, it allows supervisors to develop a thorough understanding and analysis of the operations and capitalization of the group and the interactions between parent banks and subsidiaries. Second, the consolidated assessment is important given that many PABs expand into jurisdictions where supervision frameworks may be considered as weak. In this case, an effective consolidated supervision by the home supervisory authority would be essential to ensure that all entities of the group are subject to strict oversight and that the consolidated position of the overall group is well monitored and analyzed. This should include supervision of the provision of centralized group services ensuring they are not used for circumvention of restrictions. Third, the importance of consolidated supervision is heightened in light of deficiencies in the cooperation and information sharing arrangements among some of the region’s supervisors. As such, performing consolidated assessment and monitoring would hedge to some extent the supervisory gaps that may be caused by the lack of proper information sharing and coordination mechanisms with host supervisors.

(v) Home-host issues

57. The rapid growth of PABs highlights the importance of enhancing supervisory coordination and information sharing. Supervisory authorities have started to strengthen their working relations and joint activities, and have established formal cooperation agreements, and first supervisory colleges. While these first steps are welcome, more effort is needed to strengthen cooperation and make the process more structured and effective.

58. The arrangements put in place so far have not been optimally exploited. While many African supervisors have established informal contacts or signed formal information sharing and cooperation agreements, in practice the flow of information seems not systematic and regular. In addition, it does not fully take into account the respective roles and responsibilities of concerned supervisors. These arrangements may call for joint inspections or activities; however, the number and frequency of these have been limited so far.[22] There are four likely reasons for the limited interaction of supervisors so far. Firstly, some supervisors are still struggling to achieve effective oversight over domestic banking operations, so cross-border issues may be beyond their capacity or institutional mandates. Second, the expansion process has started recently and needs additional time to become a more structured exercise. Third, the size of cross-border subsidiaries is still generally limited compared to the total group. Therefore, from a materiality point of view, home supervisors may not consider the process as a priority part of their framework. Fourth, effective cross-border supervision is a complicated skill, the limitations to which, if not constructed effectively, were demonstrated clearly during the global financial crisis. Therefore, African supervisors may still be wary of committing to arrangements that they may see as untested. This may be particularly the case with regards to crisis management and resolution, areas in which cooperation has essentially not yet begun.

59. Home supervisory authorities rely to a major extent on offsite supervision and monitoring of cross-border subsidiaries and branches with limited onsite inspection and monitoring. While this allows the supervisor to have a regular analysis and assessment of the soundness of cross-border operations, it may not give a view of the true position of subsidiaries, especially given possible data quality problems. Accordingly, home supervisors should enhance the onsite framework when it comes to inspection of cross-border subsidiaries of pan-African banking groups, for example by using joint inspections to a stronger degree than currently.

60. African home supervisors have established or are planning to establish supervisory colleges for the largest cross-border banking groups. Of the seven major PABs, three groups had a supervisory college recently and for three groups colleges are planned to be held by the end of the year. In addition, the CBK has organized supervisory colleges for most of its PABs. The supervisory colleges were organized as general colleges involving all host supervisors of the concerned banks. The first meetings proved very productive to foster better relationships among supervisors, better understanding of the group strategy and its risk assessment, and sharing of subsidiary assessments by host supervisors. Challenges in the process included among others the time needed to organize the college meeting, the issues to be discussed at the meeting, and the decision-making capacity of the supervisory staff attending the meeting.

61. The establishment of these supervisory colleges is a step in the right direction, but the practice needs further nurturing to better contribute to the enhancement of cross-border supervision. Colleges can play an important role in sharing information and coordinating supervisory activities, but they should not be looked at as simply triggering action at the time of regular meetings. The ultimate objective of such colleges is to establish relationships that remain active in-between college meetings through different means (e.g., teleconferences, videoconference,

[22] Recently, some supervisors have started doing joint inspections, for example, Nigeria mainly for subsidiaries in WAMZ, Kenya with supervisors in EAC, as well as Bank Al-Maghrib (BAM) and the BC.

or emails). Also, colleges are just one tool for collaboration among supervisors, and they should supplement and not replace bilateral forms of information sharing and cooperation.

62. Going forward the structure of the supervisory colleges for the largest PABs might need to be reconsidered once the organization of colleges enters a more mature stage.[23] While it is beneficial at a first stage to have a single structure and include all host supervisors of a group, this might not be effective for widespread PABs with a large number of subsidiaries and host supervisors. Thus, home supervisors should aim for a balance between college effectiveness and involvement of host supervisors. One possible structure would be a core college including a few supervisors of key host countries, for example the primary risk-taking entities, and a universal college with a wider representation, particularly host supervisors where PABs are domestically systemic. This would be the responsibility of the home supervisor taking into consideration the nature, scale and complexity of the banking group and the needs of relevant supervisors associated with the group. The college structure should be periodically reviewed and membership criteria transparently communicated with host supervisors. In particular, home supervisors should involve host supervisors not included in colleges via other methods of engagement, for example bilateral arrangements.

63. Based on initial meetings some functional aspects of the supervisory colleges could also be enhanced going forward. This includes: (i) circulating meeting agendas and materials well in advance of meetings to allow sufficient time for preparation and to determine the necessary level of representation; (ii) recording meeting summaries, recommendations and action points, and following up on them; and (iii) better preparation and coordination ahead of the college meetings to ensure that seniority of representatives, their knowledge of the groups and their decision making powers are commensurate with the importance of topics for discussion.

B. Cross-Border Crisis Management and Resolution Issues

64. While cross-border supervision of PABs has progressed over the last years, very limited work has been done on establishing crisis management and resolution frameworks for these banks.[24] In fact, even in the countries with relatively better developed supervisory and regulatory frameworks, the issue of crisis preparedness and resolution planning of cross-border banks has not been tackled yet. In some African countries, particularly those that are part of a regional monetary union, bank resolution would pose many challenges on the national and regional levels since relevant resolution powers are not always clear and are spread across regional and national bodies with possibly conflicting objectives and varying interests. In many/most countries, bank resolution is conducted via regular company insolvency law, which typically fails to deliver prompt and effective resolution in systemic cases. The inability to act promptly can have an adverse

[23] See BCBS (2014) for guidance on effective supervisory colleges.

[24] For an overview of recent developments in cross-border bank resolution see IMF (2014a).

impact on public confidence, as depositors lacking ready access to their funds can trigger contagion and runs on other banks.

65. African supervisors should ensure that their national resolution frameworks provide them with adequate powers along with sufficient legal and operational capacity. Authorities should enact legislation in line with the FSB's Key Attributes of Effective Resolution Regimes, providing them with a range of resolution tools (including transfer and bridge bank powers) applicable at an early juncture. Some authorities have already started this process. In countries or monetary zones where powers may be allocated between different national authorities or between regional and national authorities, cooperation and clear lines of responsibility and accountability would be essential to ensure an orderly and timely resolution of problem or failed banks.

66. African supervisors should establish CMGs for regionally and domestically systemic cross-border banks. While supervisors form the backbone of CMGs, these may also include other stakeholders like central banks, ministries of finance, or deposit insurance corporations. CMGs could play a pivotal role in developing and implementing institution-specific cooperation agreements between home and relevant host authorities (i.e., where cross-border subsidiaries are systemic to the banking group) on the main issues and steps that should be involved in planning and crisis resolution stages (Box 9). [25]

67. In addition, African supervisors should require regionally and domestically systemic cross-border banks to develop recovery and resolution plans. The GFC demonstrated the high costs of not having a workable cross-border operational framework in place, as well as the difficulty of constructing one (Box 10). Recovery plans are essentially contingency plans that banks should prepare to demonstrate their ability to maintain and continue profitable operations during stressful times. Therefore, all banks should be required to prepare comprehensive financial contingency plans, updated annually, respecting proportionality criteria (small banks will have less complex contingency plans). While the home supervisor should lead the development of the resolution plan, relevant host supervisors should be actively engaged in the process. National and regional supervisors should require resolution plans from systemic banks, which in some cases may necessitate legal reforms including giving supervisors the power to require changes to group structures for making them more resolvable. Such plans not only provide valuable information to the supervisory authority regarding the bank's operations and how they might be wound down in an orderly fashion, but also provide a tool for bank management to obtain a better grasp on their own operations and the inherent risks involved. Resolution plans should be revised and updated annually. This should not preclude the host resolution authorities from preparing their own resolution plans for subsidiaries of the banking groups in their jurisdictions.

68. While cooperation and information sharing on cross-border banks' resolution plans and crisis management are fundamental, this should not preclude supervisory authorities

[25] For example, the South African authorities participate in two global CMGs, Barclays Group (BAGL) and Old Mutual Group (Nedbank) and could use their experience for establishing effective CMGs in SSA.

from taking discretionary actions in certain circumstances and subject to specific conditions. Supervisory or national resolution authorities should have resolution powers with respect to the local structures of cross-border banks and should use these powers in coordination with home authorities. In cases where the home supervisory authority is not acting in the interest of the host jurisdiction and its financial stability, the host authority may take discretionary action, like ex-post ring-fencing measures restricting intra-group transfers, but subject to prior notification and consultation with the home authorities.[26] Ring-fencing may be a rational response to a problem bank where the cross-border parent will not support the host entity, and host authorities wish to ensure that local assets are not up streamed to the parent to the detriment of local depositors and creditors.

69. However, taken to excess, such measures could present an unhelpful restriction on capital mobility. In particular, trapping capital and liquidity in group entities on a geographic basis could destabilize a PAB facing stress. In 2012, in the face of large increase in capital requirements mostly directed at non-local banks in some other countries, the CBN issued directives forbidding Nigerian banks from re-capitalizing subsidiaries abroad. Subsequent consultations led to modification of the directives to allow for capitalization based on commercial needs on a non-discriminatory basis. Consultations and transparency should lead to a more cooperative solution that can remove uncertainty, and enhance the safety of the PAB both in the home and host country.

70. Only some African countries have deposit insurance schemes, which is a further challenge for resolving PABs. Effective bank resolution requires effective financing arrangements, for example an ex ante deposit insurance fund that can be used to back a transfer of retail depositors to another bank in a resolution. One challenge in designing such schemes is the coverage range of the deposit insurance scheme, and whether it only includes banks and their activity within the jurisdiction or also includes their branches and/or subsidiaries overseas. Another challenge relates to the hierarchy of creditors and how to treat different types of claims that may exist across borders. Depositor preference which does not discriminate by location or nationality of depositor, and deposit insurance schemes with coverage provided by the jurisdiction—home or host—that collects the premiums for an ex ante fund, would go a long way toward alleviating these challenges. Finally, the use of deposit insurance funds, in accordance with the revised International Association of Deposit Insurers/BCBS Core Principles for Effective Deposit Insurance Systems, should not be diverted to support ailing banks to keep them open, or for any other government support. These issues are especially relevant in African countries that are planning to establish deposit insurance schemes.

[26] The active information sharing between home and host authorities as part of MOUs is very important. However, during a crisis the effectiveness of such agreements might be limited, which should not preclude from using them.

Box 9. Crisis Management Groups and Resolution Plans

Crisis management groups: CMGs could play a pivotal role for developing cooperation on main issues and steps involved in planning and crisis resolution stages and may include the following points:

- the roles and responsibilities of the authorities in the pre-crisis stage as well as during the crisis;
- information sharing process and details before and during the crisis;
- information sharing and consultation procedures among home and host supervisory authorities in case of adverse developments at the level of the parent bank and/or its affiliates;
- joint work and regular consultations to assess the robustness of a cross-border bank resolution plan and strategy;
- procedures for protection of confidential or sensitive information.

Resolution plans are intended to provide a roadmap of an orderly wind-down of troubled systemic banks. Given the nature of such plans, including the conditions under which they would be executed, resolution plans should be prepared with considerable supervisory input. Resolution plans should include, inter alia:

- detailed information regarding the bank's various business lines to substantive legal entities along with a breakdown of its corporate organization;
- a complete explanation of the ownership structure, along with a full accounting of the assets, liabilities, and contractual obligations of the company;
- an explanation of where critical functions—such as information technology or treasury functions—are conducted: how will the subsidiaries operate in resolution if these functions are housed in entities in other jurisdictions;
- data on credit and other exposures, major sources of funding, capital situation, and cash flows, along with identification of foreign countries in which it operates, are particularly important.

Box 10. Lessons From the GFC for Cross-Border Supervision and Resolution of PABs

Supervisory authorities in Africa can build on the lessons learned through the GFC to foster cooperation on supervision and resolution of PABs. The GFC has demonstrated that, absent effective cooperation and planning of cross-border bank resolution, tools utilized to resolve cross-border institutions tend to be last-minute ad hoc interventions involving public support. Two main cases from 2008 may illustrate this fact: Fortis Group, a Belgian/Dutch financial conglomerate with substantial subsidiaries in Belgium, the Netherlands and Luxembourg, and the Lehman Brothers group, which consisted of 2985 legal entities operating in more than 50 countries with an ultimate holding company monitored by the U.S. Securities and Exchange Commission. The Fortis resolution required government interventions by both home and host authorities, while Lehman's holding company and several major subsidiaries filed for bankruptcy protection.

Even longstanding relationships can break down in a crisis situation. The Fortis case showed that longstanding relationships among closely integrated neighbors with a history of collaboration in the context of a monetary and economic union, namely Dutch and Belgian supervisory authorities, may not work well under crisis times. This could be due to differences in the assessment of available information and the perceived sense of urgency in addressing the problem. This led to a domestically focused resolution based on national frameworks and responsibilities. Moreover some limited legal resolution powers have delayed the resolution process.

Lehman Brothers' case demonstrated that short-term liquidity needs of large complex groups in crisis times may result in different reactions by home/host supervisors that could lead to disorderly bankruptcy and disruptions to key systems and services. The Lehman collapse led to difficult discussions between the U.S. and U.K. regulators on the institution's resolution (BCBS, 2010). This experience highlights that effective cross-border bank resolution requires, inter alia: (i) orderly resolution plans; (ii) an understanding by regulators of the cross-border banking group structure, the interdependencies thereof and the implications for going as well as gone concern purposes; and (iii) an understanding of insolvency regimes in different home/host jurisdictions since these would usually govern the resolution of various components of a cross-border banking group.

Lessons from these and other cases were reflected in the recommendations made by the Vienna Initiative to enhance bank resolution and supervisory practices. The Vienna Initiative was launched in 2009 following the first wave of the GFC and was reinvigorated as Vienna 2.0 toward the end of 2011 amid the euro zone crisis. The aim of Vienna 2.0 was to safeguard the financial stability of emerging Europe and to ensure that home countries of European banks coordinate more closely with host countries to take better account of potential systemic risks concerns in host countries.

C. Roles of Regional Institutions

WAEMU

71. In the WAEMU, responsibility for the supervision of the financial system is shared between regional and national authorities with the BC at the center. Banks and microfinance institutions (MFIs) with more than CFAF2 billion in deposits or loans are supervised by the BC. Smaller MFIs are supervised by national authorities. A Financial Stability Committee is responsible for macro-prudential supervision and to guarantee the stability of the financial system at the regional level. Bank licenses are issued by the national Minister of Finance after a binding opinion by the BC and are revoked by the national MOF upon decision of the BC. However, the domestic MOF has the right to appeal at the WAEMU Council of Ministers. The role of the national authorities reflects the understanding that banks and subsidiaries that are in trouble may have to be financially supported by the governments of the countries in which they are located. A prefunded deposit insurance scheme is being implemented. Bank holding companies are not formally regulated, but are supervised by the BC on the basis of a WAEMU council minister's decision of 1991 on ETI. Thus far, the BC has conducted several onsite visits to ETI.

72. In light of the shared responsibilities for supervision and licensing, resolution and the allocation of responsibilities is a problematic topic. Questions regarding the lender of last resort role and the responsibility of fiscal authorities need to be answered. This is particular important as some PABs are very large compared to their home country GDP (for example ETI domiciled in Togo). A case where financial support to banks, whether through liquidity support by the central bank or through the government budget, turns into a sovereign default problem should be avoided. Another important issue is the role of lender of last resort in foreign currency, for which the central bank may need to seek swap arrangements to facilitate central bank support operations in dollars, Euros or other foreign currency.

EAC

73. Cross-border cooperation is part of the broader agenda of the EAC central banks on bank regulation and supervision. Article 85 of the EAC Treaty (on banking and capital market development) envisages the development and integration of financial markets and the associated legal and regulatory frameworks as prelude to the long-term goal of establishing the East African Monetary Union.[27] The cooperation agenda on financial market integration goes well beyond banking and also covers capital markets, insurance and pension sectors. Nevertheless, the banking sector naturally features high on the agenda, given the importance of the banking sector within EAC countries' financial systems and the role of central banks as the driving force behind the integration process.

74. The EAC has taken several steps to institutionalize supervisory cooperation among the five member countries. This includes the Monetary Affairs Committee (MAC), formed in 1997, which aims to speed up regional supervisory cooperation. To that end, MAC meetings are attended by the central bank governors, as well as representatives of various departments of the central banks, including supervisory departments, and cover a wide range of areas and topics including monetary policy, bank regulation, and financial inclusion.

75. EAC central banks signed a multilateral MOU in 2008 to accelerate the move toward cooperation in banks' consolidated supervision. This MOU facilitates collaboration in supervision and information sharing with a view to increasing regional financial integration. Thus far the MOU has facilitated closer cooperation among the EAC authorities including joint on-site examinations of banks and training opportunities. However, the MOU does not address crisis management issues.

[27] The monetary union protocol has been signed on November 30, 2013.

SADC

76. SADC countries have started to collaborate in core elements of the financial infrastructure and efforts are underway to enhance cooperation and coordination of regulatory and supervisory policies. In particular, the Protocol on Finance and Investment (FIP) encourages SADC countries to develop harmonized standards of practice and regulations. Two regional institutions serve as coordinating fora for cross-border regulatory cooperation, the Committee on Central Bank Governors and the SADC Subcommittee on Banking Supervisors, with the latter established to deal with coordination of activities relating to banking supervision. While there has been some progress in harmonizing regulatory standards, different stages of development and adherence with international good practices as well as differences in legislative and institutional models have hampered the process. An important recent development was the creation of a common settlement system (SADC Integrated Regional Electronic Settlement System—SIRESS) that allows banks within the SADC countries to settle regional transactions among themselves on a gross basis and in real-time. Since its launch in July 2013, ten SADC countries have joined the system and the number of participants on SIRESS increased to 62 (Box 11).

Box 11. Development of SIRESS[1]

Background

SIRESS is an electronic payment settlement system to settle regional transactions among banks within SADC countries on a gross basis and in real-time. It is meant to replace current correspondent banking arrangements for settlement of cross-border transactions within the region. SIRESS was introduced in July 2013 and is led by the SARB in collaboration with the SADC Bankers Association. The legal framework for the operation of the system is based on contractual agreements signed among the range of stakeholders in the system. SIRESS is overseen by the SARB in cooperation with all central banks whose domestic banks participate in the system.

The initial SIRESS participants included the four rand Common Monetary Area (CMA) countries within SADC (Lesotho, Namibia, South Africa and Swaziland). This approach was adopted to first address any issues that may arise on a smaller scale before allowing other countries to participate. SIRESS is hosted and operated by the SARB, and all participants, including all central banks, may have accounts in SIRESS as direct participants. The SIRESS currently uses South African rand as the settlement currency. Participant settlement accounts in SIRESS must be pre-funded as the system currently does not provide for loans or overdrafts.

Membership

SIRESS membership is open to any financial institution within SADC participating in its own countries' settlement system as well as meeting the SIRESS access criteria and subject to the approval of its home central bank. As of end-March 2014, 22 financial institutions from within the CMA participated, including four central banks. In September 2013 the CCBG meeting approved that additional non-CMA SADC countries may join the system. Malawi, Tanzania and Zimbabwe opted to join SIRESS during the first half of 2014, while participants from Mauritius, Zambia and Democratic Republic of Congo joined during the second half of 2014 bringing the number of SADC countries in the system up to ten. Including participants from these additional countries, the number of participants on SIRESS increased to 62.

[1] This box is based on information provided by the SARB.

WAMZ

77. In the WAMZ, plans for a monetary union have been complemented by efforts for enhancing supervisory cooperation and harmonizing supervisory processes in the member countries. The progress towards the single currency union is slow and continuously delayed, but financial integration in the member countries has nevertheless advanced, in particular as Nigerian banks actively expand across other WAMZ countries. Against this backdrop, the College of Supervisors of the West African Monetary Zone (CSWAMZ) was formed in 2010 to enhance supervisory cooperation; harmonize processes; help build capacity; deepen information sharing; and strengthen financial stability. The activities of the CSWAMZ focus on joint examinations of banks with cross-border subsidiaries; publication of an annual Financial Stability Report; harmonization of supervision through regular peer reviews; and building cooperation with other central banks through MOUs. Plans for bank resolution are now being developed, with the CBN acting as chair.

IV. AUTHORITIES' VIEWS

78. The authorities saw the initiative as timely, important, and contributing significantly to addressing the issues. The report came at a critical time when the African economy is opening up and becoming more integrated. The authorities noted that the PABs play a useful role in improving competition and are fostering financial innovation, thus supporting market development. They also noted the challenges these new institutions posed and underscored the need for strong banks and strong regulators.

79. In their feedback, the authorities strongly supported the findings of the study and backed its recommendations, although they stressed that significant progress was already being made in a number of areas, in part as a result of recent FSAPs.[28] They outlined the steps they are taking to upgrade their regulatory frameworks at a national level, for instance to close gaps on bank holding companies' regulation, and raise accounting standards, as well as on cross-border issues, for instance to create cross-border supervisory colleges, sign MOUs, and exchange information.[29] The authorities underscored the need to complete the financial infrastructure, and to promote financial inclusion. In particular, deposit insurance, credit rating agencies and credit information systems, dispute resolution mechanisms, efficient payments and settlements systems and consumer protection mechanisms are not in place in all SSA countries. Several drew attention to the risks represented by very uneven supervisory capacity, especially by weak oversight capacity in some jurisdictions, and underscored the importance of the recommendation on the harmonization of standards.

[28] The authorities gave feedback at a high-level seminar during the 2014 IMF Annual Meetings (the participating countries included Kenya, Morocco, Nigeria, South Africa, WAEMU and Ghana and Guinea as host countries for a number of cross-border banks) as well as through written comments.

[29] For example, BAM requested BMCE to develop a strategy for simplifying the structure of BOA. This strategy is being implemented over the medium term and includes a roadmap for gradually removing indirect holdings, for which the first unwinding of indirect holdings has already occurred.

80. On supervisory colleges, the authorities drew attention to the progress being made and lessons being learned peer-to-peer via the new cross-border supervisory colleges and in joint supervision missions. For supervisory colleges, it was critical that the most senior decision making officials participate. PABs are not large globally, and none are classified as G-SIBs, so they are not captured by the specific Basel III requirements for higher loss absorbency requirements or the FSB Key Attributes. Nonetheless, several financial institutions are regionally systemic, and some authorities suggested that consideration could be given to applying the SIFIs framework to them, for instance as regards the leverage ratio. Some also suggested that there is a need for more emphasis on stress testing, in particular on top-down macro models (with a cross-border component) and to look further into the ring-fencing practices introduced by national authorities.

81. The authorities agreed that one of the biggest needs is for further progress on resolution. MOUs on cross-border banks to date discuss only supervisory issues but are silent on crisis management and resolution. It is not advisable to wait until a crisis occurs to get a resolution framework in place. Agreements are needed that clearly delineate home-host responsibilities in crises.

82. Looking forward, the authorities underscored the important role IMF TA will continue to play in securing progress, both in enhancing domestic capacity in supervision and ensuring financial stability, as well as to develop a framework for handling cross-border issues. Capacity development in supervision and financial sector oversight generally was considered as critical, including a framework to facilitate peer review of stress tests. A useful next step could be work on macroprudential and financial stability aspects of pan-African banking and how this could be coordinated including through better data sharing. There was considerable support for the idea of a PABSOC, a coordinating committee of home supervisors, to drive the reform agenda in Africa.

V. CONCLUSIONS AND RECOMMENDATIONS

83. The PABs are playing a key role in driving financial innovation and development in Africa. Reflecting a number of converging push and pull factors, aided by improved political and macroeconomic stability and robust economic growth, the face of African finance is changing rapidly. The PABs are driving financial integration, and inclusion, and spurring innovation and competition. These home-grown institutions are filling a void left by the withdrawal and declining role of more traditional players, and moving to serve large unmet needs for financial services on the continent. Reflecting more advanced practices in Morocco, South Africa, and to a degree Kenya and Nigeria, the PABs based there and their home authorities are also inducing host authorities to upgrade supervisory and accounting norms.

84. PABS are systemically important in a number of countries and pose new regulatory and supervisory challenges that if left unaddressed could raise systemic risks. Among the most urgent gaps to fill is the lack of formal regulatory oversight of bank holding companies in the WEAMU and their supervision on a consolidated basis. Consolidated supervision and cross-border cooperation are key to getting a full picture of the bank. The integration process in the EAC and elsewhere will likely need to create strong and well coordinated regulatory, supervisory, and resolution frameworks and common frameworks of regions introducing currency unions. An effort will be needed to harmonize regulatory norms in effect across Africa, including across the major PABs' home jurisdictions.

85. The spread of PABs likely increases the strength of spillovers across African countries. PABs may be more vulnerable because they operate in countries with which they are less acquainted, and under supervisors that may be weak and/or have limited interaction with home supervisors. For the host authorities, where PABs are systemic, risks also arise when home authorities or parent institutions take unilateral or uncoordinated actions, leading to implications for financial stability of the host jurisdiction. The experience during the GFC of several Central and East European countries with large foreign banks is instructive. The greater the asymmetry in economic size between home and host, other things equal, the greater the likelihood an overall strategy for the institution will not take specific account of the host country, and the more likely that financial stability will be jeopardized in the host country if problems emerge in the home.

86. Cross-border resolution needs to be addressed. So far little attention has been paid to preparing for the eventuality of needing to resolve a PAB, with the recent exception of work in the WAMZ. The GFC demonstrated the high costs of not having a workable cross-border operational framework in place, as well as the difficulty of constructing one. But without a resolution mechanism, supervision alone may have limited effectiveness. Resolving a holding company with operations in many countries would likely be challenging, and would benefit from early agreement on fiscal burden-sharing and backstopping as well as agreements on creditor hierarchies. National fiscal authorities will likely have domestic interests in mind, unless there is a robust pre-commitment to a cost-sharing formula for any public support for a cross-border bank. While some countries have been seeking to address problems of spillover costs through ring-fencing, this does not obviate the need for collaboration. For PABs the issues may well be particularly difficult, because the buffers beyond core capital that can be bailed in, that elsewhere are expected to substantially reduce the need for public sector finance, are for these banks at the moment much lower.

A. Recommendations

- **Licensing:** Country or regional authorities (where there are single licenses across a region), must ensure that banks permitted to operate are sound, have good governance, and have business models that will aid the financial development of the country. A pre-condition should be a bilateral MOU that should encompass, among other matters, the establishment of intensive collaboration and comprehensive information sharing with home country supervisors, and assurance from those supervisors as to the soundness and strength of the bank.

- **Governance and Ownership Structure:** In Africa and worldwide, bank problems have often been associated with governance issues concerning the bank's leadership. This requires a thorough supervisory oversight in particular for PABs with complicated structures ensuring that the ultimate beneficiaries are known. Supervisors should review their fit-and-proper oversight of bank management, and take urgent action if deficiencies in fitness and propriety are uncovered.

They should also look closely at cross-border intra-bank transactions. Close collaboration amongst the supervisors is likely to be critical. If the home supervisor sees that a complicated structure hampers effective supervision of the banking group, they should request a more transparent structure and follow up on its implementation. Similarly, host supervisors have a responsibility in reviewing the structures affecting subsidiaries in their jurisdictions and using their corrective/enforcement powers during licensing and thereafter.

- **Data and transparency:** Data availability in many countries at present are limited, and exchange of data may be constrained by national secrecy laws. In particular, information on cross-border exposures within a PAB is limited, making it hard for the supervisors, and indeed the bank itself, to get a firm understanding of cross-country exposures. National authorities need to identify data requirements, and ensure adequate and timely exchange, both upstream and downstream. If adequate provision of appropriate data cannot be ensured at the licensing stage or reporting is obstructed subsequently home supervisors should take appropriate corrective actions. Also, appropriate sharing of information between supervisors and authorities responsible for macroprudential and financial stability aspects and the central bank at the national level is vital.

- **Consolidated supervision:** Implementation of consolidated supervision for all PABs, in particular for the major PABs, needs to be a high priority and plans for implementing it need to be accelerated. Consolidated supervision by the home authorities should also cover the provision of centralized group services and ensure that these are not used for circumvention of restrictions, for example on capital transfer or dividends.

- **Harmonization:** Cross-border activities bring into focus differences across countries in regulatory and supervisory practices. Lagging countries should intensify their efforts to harmonize their prudential regimes with international standards and prioritize legal reforms enabling effective supervision and crisis management. A phased introduction of Basel II/III standards in lagging countries would be welcome, and should be part of a more comprehensive reform to strengthen their regulatory and supervisory frameworks. Adoption of IFRS accounting standards should be accelerated.

- **Joint inspections:** Information about a PAB can be maximized through joint inspections, with the home country participating in inspections in host locations. In some cases bespoke supervision may be established—i.e., a single supervisory team in multiple supervisory agencies.

- **Supervisory colleges:** Supervisory colleges have become regarded as the optimal way for supervisors to exchange information, notwithstanding a number of notable failures during the GFC. Home authorities should establish supervisory colleges for all systemic PABs, which should meet at a senior level at least once a year. The functioning of supervisory colleges should be organized to ensure a focused discussion of core risks and issues facing PABs and supervisors' representation should be enhanced to warrant a better implementation of college decisions and recommendations. A two tiered structure with core and universal branches should be considered for large and geographically widespread groups.

- **Resolution preparation:** There need to be clear understandings across jurisdictions of respective responsibilities in the event of difficulties, in keeping with the FSB Key Attributes, including convergence on creditor hierarchies and mechanisms for recognizing and enforcing resolution measures across jurisdictions. Authorities should review their legal frameworks to ensure that they have the powers to intervene in a bank and to force its resolution when problems emerge and the bank is no longer viable (i.e., special resolution regimes). They should consider the strategy they would adopt to minimize public sector costs. This may well involve also establishing pre-funded depositor protection. Recovery and resolution plans should be established, at least for systemically important PABs. Each PAB should have a CMG which should meet periodically to exchange information about the bank and how it could be resolved including clarifying financial responsibilities. Each PAB should be required to provide a "living will." Given the likely fiscal implications of a bank failure, finance ministries should be included in discussions.

- **Regional integration:** As shown from the experience of Europe, a common currency together with free movement of capital may be hard to square without a common supervisor and resolution mechanism.[30] Both the EAC and the WAEMU may consider moving in this direction over the coming years (WAEMU has a common supervisor but no special resolution mechanism). Insofar as having a single agency in currency unions may be only feasible in the very long run, there should be enhancement of intra-regional cooperation across the whole range of regulatory and supervisory issues. Finance ministries need to be brought on board to ensure consistency of official action in the event of a PAB failure.

- **Pan-African financial stability:** Consideration should be given to setting up a PABSOC comprising the regulators/supervisors and central banks from Kenya, Morocco, Nigeria, South Africa and WAEMU as initial members, to drive the cooperative and harmonization agenda, with others joining as and when they too acquire a presence of a major PAB or a significant presence of PABs as a home country. Existing supervisory arrangements either are not specifically focused on PAB issues or seem too large for effective consensus-driven decision making. The emergence of PABs has increased potential spillovers across countries and regions. Vulnerabilities from such spillovers should be assessed periodically, including through stress tests. Regional groupings should periodically review such national exercises, to ensure consistency and so that findings in one country can inform exercises in other countries, as well as conduct multi-regional exercises for the PABs. This work could also include macroprudential policies in appropriately advanced jurisdictions to safeguard financial stability. Home supervisors and the PABSOC could also consider subjecting PABs with domestic or regional systemic importance to D-SIB requirements and consider the regional dimension in applying these requirements.[31]

[30] Integration in different regions like EAC, WAMZ, or SADC could also benefit from lessons learned on financial integration in other regions of the world, e.g., Europe or Asia (Appendix VI).
[31] See BCBS (2013) for the G-SIB framework and assessment methodology and BCBS (2012) for the D-SIB framework.

- **Competition/financial inclusion/consumer protection:** Code-of-conduct issues should be on the authorities' agenda. As with prudential issues, it would also be useful to collaborate across borders. These issues can have important implications for financial stability and consultation at the national level between supervisors and authorities responsible for financial stability and the central bank is important. BAM has established a committee in which the three Moroccan PABs discuss best practices for the African expansion.

B. Surveillance and Technical Assistance

87. The emergence of PABs has implications for the financial stability of individual African nations, for regional groups, and for Africa as a whole. Country authorities and national supervisors will need to assess vulnerabilities at the national level, and also those arising through financial sector linkages and the spillovers through those linkages. Policy responses will need to take the regional dimension into account, and any steps to mitigate financial sector vulnerabilities should avoid purely nationally-oriented policies. With PABs operating beyond existing monetary unions and other formal regional integration areas the first best solution of common supervision and a common back-stopping mechanism is unlikely to emerge in the short run. Hence existing regional bodies will need to adapt to better oversee the activities of the PABs in their areas, and improve coordination among other regional and national supervisors. These structures should also be used to assess the need for better coordination of financial back-stopping and resolution of PABs, an area where more clarity will be critical for their long term sustainability.

88. The emergence of the PABs has implications for IMF surveillance. National Article IV consultations will discuss PAB developments in individual home and host countries. In addition, the integrated surveillance decision provides a basis for bilateral surveillance to focus on spillover issues which could cover regional implications of PAB related activities. Similarly, national FSAPs would include focus on specific issues related to PABs. In regional surveillance exercises, such as for the WAEMU, there is likely to be special emphasis on these banks. Finally, consideration should be given to deepen the macro-financial stability analysis through a regional/thematic FSAP focusing on the PABs.

89. Many of the recommendations put forward here are likely to require efforts to strengthen capacity. It is of mutual interest for PAB homes and hosts for oversight capacity to be raised as quickly as possible. In this regard the home authorities of the PABs are likely to take the lead, for instance through including host country supervisors in the training they conduct for their own supervisors (e.g., Kenya, Nigeria), and taking the opportunity of joint inspections and meetings of colleges to share their knowledge with their host country colleagues. In view of the emerging "best practice" in home-host cooperation, staff exchanges and other peer learning initiatives with supervisors from jurisdictions that have been facing similar challenges could also be initiated. Finally, some PABs have shareholders from countries with relatively advanced financial regulation and supervision; they are likely to want their banks to operate in a well regulated and supervised environment, and can provide implicit or explicit support for national supervisors' efforts at upgrading capacity.

90. Beyond this, the IMF, as well as other multilaterals and national providers of technical assistance, can prioritize their activities to provide a comprehensive program to enhance supervisory capacity to handle the PABs. Such a program is urgent, in view of the financial stability and developmental challenges posed by the PABs, and could have substantial payoff. In particular, this would include formulating and prioritizing country specific recommendations for enhancing and upgrading supervisory capacity based on each countries' or regions' individual circumstances. Advice can be given also on developing financial stability monitoring and on governance and institutional implications if regional integration is to be deepened, and if new bodies such as the PABSOC are established.

Table 2. Selected PABs: Main Information, 2013

(Millions of U.S. dollars)

	HQ country	Number of operations in SSA	Number of subs/branches	Number of systemically important opera. in SSA	Latest accounts data	Consoli-dation Code	Total assets	Total deposits	Loans	Cons. assets in percent of home country GDP	Share of assets in SSA excl. HQ country	Share of deposits in SSA excl. HQ country	Share of loans in SSA excl. HQ country	Data availability
Standard Bank	SOUTH AFRICA	20	18	10	12/2013	C2	161,197	81,284	70,527	46	12.8	17.3	11.9	1
FirstRand Bank	SOUTH AFRICA	11	8	4	12/2013	C2	74,601	46,086	53,589	21	6.6	8.6	6.2	1
Nedbank	SOUTH AFRICA	9	7	4	12/2013	C2	71,459	51,992	49,635	20	2.8	2.4	2.5	1
Investec	SOUTH AFRICA	2	2	2	03/2014	C2	41,001	19,533	15,007	12	4.1	4.3	5.9	1
Attijariwafa Bank	MOROCCO	12	12	7	12/2013	C1	47,307	29,152	30,765	46	13.0	16.0	11.5	2
BMCE	MOROCCO	18	17	8	12/2013	C2	29,040	18,112	16,400	28	23.8	30.6	24.3	2
Bank of Africa		15	0	0	12/2013	C	6,629	4,827	3,448					
Group Banque Centrale Populaire	MOROCCO	10	10	1	12/2013	C1	35,617	25,764	24,094	34	7.1	8.5	8.4	3
First Bank of Nigeria	NIGERIA	8	7	1	03/2014	C2	24,942	18,873	11,399	5	1.7	1.6	1.4	2
Zenith Bank	NIGERIA	5	4	1	03/2014	C2	20,252	14,255	8,063	4	4.6	3.7	3.9	2
United Bank for Africa	NIGERIA	19	19	2	03/2014	C2	17,025	13,925	6,041	3	15.0	13.4	13.5	3
Guaranty Trust Bank	NIGERIA	9	9	2	03/2014	C2	13,549	9,198	6,459	3	8.7	9.4	6.6	2
Access Bank	NIGERIA	7	7	0	03/2014	C2	11,826	8,579	5,066	2	6.0	6.3	5.8	2
Diamond Bank	NIGERIA	5	5	1	03/2014	C2	9,786	7,771	4,441	2	6.6	4.5	6.4	3
Skye Bank	NIGERIA	4	4	0	03/2014	C2	7,195	5,305	3,543	1	0.1	0.0	0.0	3
Union Bank of Nigeria	NIGERIA	2	2	0	03/2014	C2	6,461	3,110	1,479	1	1.9	3.1	5.9	3
Keystone Bank	NIGERIA	5	5	0	12/2012	C2	2,501	1,917	564	0	0.0	0.0	0.0	3
Kenya Commercial Bank	KENYA	6	6	2	03/2014	C2	4,528	3,541	2,638	8	19.9	22.4	12.9	2
Equity Bank	KENYA	5	5	0	03/2014	C2	3,218	2,261	1,985	6	9.3	9.3	5.3	3
Diamond Trust Bank	KENYA	4	4	0	03/2014	C2	1,929	1,492	1,285	4	30.4	29.8	27.6	2
Commercial Bank of Africa	KENYA	3	3	0	03/2014	C2	1,692	1,213	795	3	14.7	13.2	16.8	1
Investments and Mortgages Bank	KENYA	4	4	1	12/2013	C2	1,638	1,126	1,065	3	58.9	68.1	56.4	1
NIC Bank	KENYA	3	3	0	03/2014	C2	1,403	1,061	967	3	8.1	7.3	5.6	2
Imperial Bank	KENYA	2	2	0	03/2014	C2	571	459	346	1	14.9	14.0	12.3	1
Libyan Foreign Bank	LIBYA	6	6	0	12/2013	U1	26,042	14,363	1,896		1.3	1.6	10.1	4
BSIC	LIBYA	12	12	0	12/2012	C2	2,574	1,657	731		17.9	18.9	37.5	3
Ecobank	TOGO	35	33	17	03/2014	C2	22,533	16,490	11,422	519	94.5	93.4	90.9	2
Banco Angolano de Investimentos	ANGOLA	4	3	1	12/2013	U1	10,657	9,255	2,518	9	1.0	0.3	1.7	4
Mauritius Commercial Bank	MAURITIUS	4	4	1	03/2014	C2	7,200	5,465	4,921	60	2.7	2.4	2.0	1
Banco Bic	ANGOLA	2	2	1	12/2012	U1	6,808	5,389	2,315	5	0.0	0.0	0.0	3
BGFI Holding	GABON	9	9	3	12/2013	C	6,356	5,127	4,437	33	49.1	58.4	27.4	2
State Bank of Mauritius	MAURITIUS	2	2	1	03/2014	C2	3,701	2,760	2,330	31	1.8	2.2	1.0	2
Capricorn Investment Holdings	NAMIBIA	2	2	1	06/2013	C2	2,396	1,561	1,919	20	15.9	21.2	13.0	1
BancABC	BOTSWANA	5	5	0	12/2013	C1	1,810	1,400	1,210	12	69.1	52.2	63.7	2
Afriland First Bank	CAMEROON	10	9	2	12/2013	U1	1,480	1,010	776	5	63.3	92.8	92.6	4
Oragroup SA	TOGO	11	11	2	12/2012	C2	1,475	1,027	914	34	93.4	99.9	93.6	2
Commercial Bank	CAMEROON	5	5	1	12/2013	U1	399	298	260	1	34	44	36	4

Sources: Annual reports, Bankscope, and bank websites.

Notes:

Nedbank has a cooperation agreement with ETI and acquired a 20 percent shareholder stake in ETI. It is a subsidiary of a British financial entity, Old Mutual.

Keystone Bank belongs to the Asset Management Corporation of Nigeria.

Banque Sahelo-Saharienne pour l'investissement et Commerce (BSIC) is owned by Lybia and SSA governments.

Lybian Foreign Bank belongs to the Central Bank of Lybia.

Oragroup SA belongs to emerging capital partners (ECP), a private equity firm specialized in investing in Africa.

Subsidiaries/branches are defined as systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP.

Data availability is based on data that is available for 2012 or 2013 and is categorized in the following groups:

Group 1: Consolidated data and data for all subsidiaries available in Bankscope.

Group 2: Consolidated data and data for the majority of subsidiaries available in Bankscope or annual report.

Group 3: Consolidated data and data for some subsidiaries available in Bankscope or annual report.

Group 4: No consolidated data and data for some subsidiaries available in Bankscope or annual report.

Consolidation code definitions:

C1 - From Bankscope: statement of a mother bank integrating the statements of its controlled subsidiaries or branches with no unconsolidated companion.

C2 - From Bankscope: statement of a mother bank integrating the statements of its controlled subsidiaries or branches with an unconsolidated companion.

U1 - From Bankscope: statement not integrating the statements of the possible controlled subsidiaries or branches of the concerned bank with no consolidated companion.

C - From the Annual Report: consolidated statements integrating its controlled subsidiaries and/or branches.

U - From the Annual Report: unconsolidated statements excluding any subsidiaries or branches.

Table 3. Selected PABs, Share of Deposits by Country, 2013

(Percent)

	South Africa				Morocco	BMCE		GBCP	
	Standard Bank	FirstRand Bank	Nedbank	Investec	Attijariwafa Bank	BMCE	Bank of Africa	Banque Centrale Populaire	Atlantic Business International
Rand area									
South Africa	25	22	20	8					
Lesotho	52	8	20						
Namibia	19	23	6						
Swaziland	32	16	15						
Flexible exchange rates									
Angola	1	RO	RO						
Botswana	16	24							
Burundi							35		
Democratic Republic of Congo	4						1		
Ethiopia	RO						RO		
Gambia									
Ghana	6						2		
Guinea								x	
Kenya	5	RO	RO				3		
Liberia									
Madagascar							28		
Malawi	22		2						
Mauritius	16			7					
Mozambique	18	3	4						
Nigeria	3	IB							
Rwanda									
Seychelles									
Sierra Leone									
United Republic of Tanzania	5	0					2		
Uganda	17						3		
Zambia	13	4							
CEMAC									
Cameroon					15				
Central African Republic								x	
Chad									
Congo					18	x			
Equatorial Guinea									
Gabon					16				
WAEMU									
Benin					x		31		7
Burkina Faso					x		16		*3*
Cote d'Ivoire	RO				10		6		11
Guinea Bissau					x				
Mali					*17*	24	14		*3*
Niger					x		22		*4*
Senegal					24		4		3
Togo					6		x		*4*
Other fixed ER regimes									
Cape Verde									
Comoros									
Eritrea									
Sao Tome and Principe									
South Sudan	x								
Zimbabwe	10		3						
North Africa									
Morocco					23	14		7	
Total number of operations	20	11	9	2	12	18		10	
Total number of subsidiaries/branches	18	8	7	2	12	17		10	
Number of systemically important oper.	10	4	4	2	7	8		1	

	Nigeria									Kenya						
	United Bank for Africa	Guaranty Trust Bank	First Bank of Nigeria	Access Bank	Diamond Bank	Zenith Bank	Keystone Bank	Skye Bank	Union Bank of Nigeria	Kenya Commercial Bank	Equity Bank	Diamond Trust Bank	Investments and Mortgages Bank	NIC Bank	Commercial Bank of Africa	Imperial Bank
Rand area																
South Africa			RO			RO										
Lesotho																
Namibia																
Swaziland																
Flexible exchange rates																
Angola																
Botswana																
Burundi										3		x				
Democratic Republic of Congo	0		8	2												
Ethiopia																
Gambia		14	*0*	4		4	x	*0*								
Ghana	2	3	*1*	3		4										
Guinea	5		*0*					x								
Kenya	0	1								13	9	5	4	5	5	2
Liberia	9	8					x									
Madagascar																
Malawi																
Mauritius													5			
Mozambique	0															
Nigeria	12	8	17	8	7	13	2	5	3							
Rwanda		2		5						8	x		12			
Seychelles																
Sierra Leone	7	14	*1*	4		4	x	x								
United Republic of Tanzania	0									1	x	2	1	1	2	
Uganda	2	3					x			3	3	6		0	x	2
Zambia	0			1												
CEMAC																
Cameroon	5															
Central African Republic																
Chad	8															
Congo	1															
Equatorial Guinea																
Gabon	2															
WAEMU																
Benin	8				*11*				*3*							
Burkina Faso	12															
Cote d'Ivoire	1	0			x											
Guinea Bissau																
Mali																
Niger																
Senegal	3		x		x											
Togo					x											
Other fixed ER regimes																
Cape Verde																
Comoros																
Eritrea																
Sao Tome and Principe																
South Sudan										31	8					
Zimbabwe																
North Africa																
Morocco																
Total number of operations	19	9	8	7	5	5	5	4	2	6	5	4	4	3	3	2
Total number of subsidiaries/branches	19	9	7	7	5	4	5	4	2	6	5	4	4	3	3	2
Number of systemically important oper.	2	2	1	0	1	1	0	0	0	2	0	0	1	0	0	0

	Libya		Other sub-Saharan Africa										
	BSIC	Libyan Foreign Bank	Ecobank	Oragroup SA	BGFI Holding	Afriland First Bank	Commercial Bank	BancABC	Mauritius Commercial Bank	Banco Angolano de Investimentos	Capricorn Investment Holdings	State Bank of Mauritius	Banco Bic
Rand area													
South Africa			RO							RO			
Lesotho													
Namibia											16		
Swaziland													
Flexible exchange rates													
Angola			x							22			13
Botswana								9			5		
Burundi			7										
Democratic Republic of Congo			4		4	*1*							
Ethiopia			RO										
Gambia	x		7										
Ghana	0		12										
Guinea	x		21	8		x							
Kenya			1										
Liberia			29			x							
Madagascar					0				4			*3*	
Malawi			3										
Mauritius									45			24	
Mozambique								3	1				
Nigeria			7										
Rwanda			12										
Seychelles									x				
Sierra Leone			11										
United Republic of Tanzania			1					1					
Uganda		*1*	2										
Zambia			2			x		2					
CEMAC													
Cameroon			13		2	20	*6*						
Central African Republic	*7*		72				*29*						
Chad	*0*	x	37	28			*9*						
Congo			10		56	RO							
Equatorial Guinea			0		27	*30*	x						
Gabon			7	6	60								
WAEMU													
Benin	*0*		19	8	3								
Burkina Faso	3	*4*	22	x									
Cote d'Ivoire	1		11	3	1	x							
Guinea Bissau			26	x									
Mali	*0*	*1*	13	x									
Niger	*0*	*1*	19	x									
Senegal	0		13	x									
Togo	x	x	24	14									
Other fixed ER regimes													
Cape Verde			0							2			x
Comoros													
Eritrea													
Sao Tome and Principe			4		3	*5*	*5*			*3*			
South Sudan			x			x							
Zimbabwe			2					8					
North Africa													
Morocco													
Total number of operations	12	6	35	11	9	10	5	5	4	4	2	2	2
Total number of subsidiaries/branches	12	6	33	11	9	9	5	5	4	3	2	2	2
Number of systemically important oper.	0	0	17	2	3	2	1	0	1	1	1	1	1

Sources: Annual reports, Bankscope, and bank websites.

Notes:

Deposits data is as of 2013 if available or of 2012.

RO = Representative Office, IB = Investment Bank Branch

Italicized numbers indicate data is from Spring 2012 REO or from Bankscope for 2011 or older.

Subsidiaries/branches are defined as systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP.

Legend:
- x Deposits share of total is greater than or equal to 10%.
- x Deposits share of total is greater than or equal to 5 and less than 10%.
- x Deposits share of total is less than 5%.
- x Deposits data is not available.
- x Representative Office or Investment Bank Branch

Table 4. Selected PABs: Assets in Percent of GDP by Country, 2013

(Percent)

	South Africa				Morocco	BMCE		GBCP	
	Standard Bank	FirstRand Bank	Nedbank	Investec	Attijariwafa Bank	BMCE	Bank of Africa	Banque Centrale Populaire	Atlantic Business International
Rand area									
South Africa	28	24	19	8					
Lesotho	29	5	13						
Namibia	16	18	8						
Swaziland	13	7	7						
Flexible exchange rates									
Angola	1	RO	RO						
Botswana	8	12							
Burundi							7		
Democratic Republic of Congo	1						0		
Ethiopia	RO						RO		
Gambia									
Ghana	3						1		
Guinea								x	
Kenya	4	RO	RO				1		
Liberia									
Madagascar							6		
Malawi	10		1						
Mauritius	20			14					
Mozambique	10	2	2						
Nigeria	1	IB							
Rwanda									
Seychelles									
Sierra Leone									
United Republic of Tanzania	2	0					1		
Uganda	6						1		
Zambia	3	1							
CEMAC									
Cameroon					3				
Central African Republic								x	
Chad									
Congo					4	x			
Equatorial Guinea									
Gabon					4				
WAEMU									
Benin					x		17		5
Burkina Faso					x		7		1
Cote d'Ivoire	RO				2		2		4
Guinea Bissau					x				
Mali					4	9	6		1
Niger					x		5		1
Senegal					11		3		2
Togo					x		x		2
Other fixed ER regimes									
Cape Verde									
Comoros									
Eritrea									
Sao Tome and Principe									
South Sudan	x								
Zimbabwe	4		1						
North Africa									
Morocco					30	19		21	
Total number of operations	20	11	9	2	12	18		10	
Total number of subsidiaries/branches	18	8	7	2	12	17		10	
Number of systemically important oper.	10	4	4	2	7	8		1	

	Nigeria								
	United Bank for Africa	Guaranty Trust Bank	First Bank of Nigeria	Access Bank	Diamond Bank	Zenith Bank	Keystone Bank	Skye Bank	Union Bank of Nigeria
Rand area									
South Africa			RO			RO			
Lesotho									
Namibia									
Swaziland									
Flexible exchange rates									
Angola									
Botswana									
Burundi									
Democratic Republic of Congo	0		1	0					
Ethiopia									
Gambia		9	1	3		3	x	1	
Ghana	1	1	0	1		2			
Guinea	2		0					x	
Kenya	0	1							
Liberia	4	4					x		
Madagascar									
Malawi									
Mauritius									
Mozambique	0								
Nigeria	3	2	4	2	2	4	0	1	1
Rwanda		1		1					
Seychelles									
Sierra Leone	1	2	0	1		1	x	x	
United Republic of Tanzania	0								
Uganda	0	1					x		
Zambia	0			0					
CEMAC									
Cameroon	1								
Central African Republic									
Chad	1								
Congo	0								
Equatorial Guinea									
Gabon	0								
WAEMU									
Benin	5				8				1
Burkina Faso	4								
Cote d'Ivoire	0	0			x				
Guinea Bissau									
Mali									
Niger									
Senegal	1				x				
Togo					x				
Other fixed ER regimes									
Cape Verde									
Comoros									
Eritrea									
Sao Tome and Principe									
South Sudan									
Zimbabwe									
North Africa									
Morocco									
Total number of operations	19	9	8	7	5	5	5	4	2
Total number of subsidiaries/branches	19	9	7	7	5	4	5	4	2
Number of systemically important oper.	2	2	1	0	1	1	0	0	0

	Kenya							Libya	
	Kenya Commercial Bank	Equity Bank	Diamond Trust Bank	Investments and Mortgages Bank	NIC Bank	Commercial Bank of Africa	Imperial Bank	BSIC	Libyan Foreign Bank
Rand area									
South Africa									
Lesotho									
Namibia									
Swaziland									
Flexible exchange rates									
Angola									
Botswana									
Burundi	1		1						
Democratic Republic of Congo									
Ethiopia									
Gambia								x	
Ghana								0	
Guinea								x	
Kenya	7	5	2	2	2	3	1		
Liberia									
Madagascar									
Malawi									
Mauritius				5					
Mozambique									
Nigeria									
Rwanda	2	x		2					
Seychelles									
Sierra Leone									
United Republic of Tanzania	0	0	1	1	0	1			
Uganda	1	1	1		x	x	0		0
Zambia									
CEMAC									
Cameroon									
Central African Republic								x	
Chad								0	0
Congo									
Equatorial Guinea									
Gabon									
WAEMU									
Benin								0	
Burkina Faso								1	1
Cote d'Ivoire								1	
Guinea Bissau									
Mali								0	1
Niger								0	0
Senegal								0	
Togo								x	0
Other fixed ER regimes									
Cape Verde									
Comoros									
Eritrea									
Sao Tome and Principe									
South Sudan	3	1							
Zimbabwe									
North Africa									
Morocco									
Total number of operations	6	5	4	4	3	3	2	12	6
Total number of subsidiaries/branches	6	5	4	4	3	3	2	12	6
Number of systemically important oper.	2	0	0	1	0	0	0	0	0

	Other sub-Saharan Africa										
	Ecobank	Oragroup SA	BGFI Holding	Afriland First Bank	Commercial Bank	BancABC	Mauritius Commercial Bank	Banco Angolano de Investimentos	Capricorn Investment Holdings	State Bank of Mauritius	Banco Bic
Rand area											
South Africa	RO							RO			
Lesotho											
Namibia									16		
Swaziland											
Flexible exchange rates											
Angola	RO							9			5
Botswana						4			3		
Burundi	2										
Democratic Republic of Congo	1		1	x							
Ethiopia	RO										
Gambia	5										
Ghana	4										
Guinea	5	2		x							
Kenya	1										
Liberia	13			x							
Madagascar			0				1			1	
Malawi	1										
Mauritius							55			29	
Mozambique						2	0				
Nigeria	2										
Rwanda	2										
Seychelles							x				
Sierra Leone	2										
United Republic of Tanzania	0					1					
Uganda	0										
Zambia	1			x		1					
CEMAC											
Cameroon	3		0	3	1						
Central African Republic	14				3						
Chad	3	2			1						
Congo	3		13	RO							
Equatorial Guinea	0		5	6	x						
Gabon	2	2	11								
WAEMU											
Benin	10	5	1								
Burkina Faso	9	x									
Cote d'Ivoire	4	1	0	x							
Guinea Bissau	9	x									
Mali	7	x									
Niger	5	x									
Senegal	7	x									
Togo	14	12									
Other fixed ER regimes											
Cape Verde	1							5			x
Comoros											
Eritrea											
Sao Tome and Principe	5		5	x	3			1			
South Sudan				x							
Zimbabwe	1					4					
North Africa											
Morocco											
Total number of operations	35	11	9	10	5	5	4	4	2	2	2
Total number of subsidiaries/branches	33	11	9	9	5	5	4	3	2	2	2
Number of systemically important oper.	17	2	3	2	1	0	1	1	1	1	1

Sources: Annual reports, Bankscope, and bank websites.

Notes:

GDP data is as of 2013. Bankscope data may be outdated in some cases.

RO = Representative Office, IB = Investment Bank Branch

Subsidiaries/branches are defined as systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP.

Legend:
- x Assets in percent of GDP is greater than or equal to 7%.
- x Assets in percent of GDP is greater than or equal to 3 and less than 7%.
- x Assets in percent of GDP is less than 3%.
- x Assets data is not available.
- x Representative Office or Investment Bank Branch

Table 5. Selected Foreign Banks with SSA Presence: Share of Deposits by Country, 2013

(Percent)

	United Kingdom			France				Portugal						Germany		US	IN
	Standard Chartered	Barclays	HSBC	Societe Generale	BNP Paribas	BPCE	Credit Agricole	Caixa Geral de Deposits	Banco Comercial Portugues	Banco BPI	Banco Espirito Santo	Banif Financial Group	Finibanco Portugal	Procredit Holdings	Deutsche Bank	Citigroup	Bank of Baroda
Rand area																	
South Africa	x	23	x	x				x							x	x	
Lesotho																	
Namibia		RO															
Swaziland																	
Flexible exchange rates																	
Angola	x							3	3	19	8		0				
Botswana	16	19															*2*
Burundi																	
Democratic Republic of Congo														5		3	
Ethiopia																	
Gambia	*23*																
Ghana	8	7		5										1			x
Guinea				*5*	*9*												
Kenya	9	9														*2*	2
Liberia																	
Madagascar				*10*		19	22										
Malawi																	
Mauritius	10	28	28			3									*4*		*3*
Mozambique		6						31	34					1			
Nigeria	2	RO									x				x	2	
Rwanda																	
Seychelles		57															*9*
Sierra Leone	10																
United Republic of Tanzania	7	13														4	1
Uganda	16	9														4	6
Zambia	15	14														4	5
CEMAC																	
Cameroon	7			17		21										*3*	
Central African Republic																	
Chad				*9*													
Congo						*3*											
Equatorial Guinea				*16*													
Gabon					19											*2*	
WAEMU																	
Benin				10													
Burkina Faso				*7*	7												
Cote d'Ivoire	*2*			19	9											*2*	
Guinea Bissau																	
Mali					*3*												
Niger																	
Senegal				16	9											x	
Togo																	
Other fixed ER regimes																	
Cape Verde								58			x	8					
Comoros					x												
Eritrea																	
Sao Tome and Principe								*6*									
South Sudan																	
Zimbabwe	8	6															
Total number of operations	15	11	2	11	7	4	1	5	2	1	3	1	1	3	3	11	8
Total number of subsidiaries/branches	15	9	2	11	7	4	1	5	2	1	3	1	1	3	3	11	8
Number of systemically important oper.	6	6	1	5	1	2	1	2	1	1	1	1	0	0	0	0	0

Sources: Annual Reports, Bankscope, and bank websites.

Notes: Deposits data is as of 2013 if available or of 2012.

RO = Representative Office, IB = Investment Bank Branch

Italicized numbers indicate data is from Spring 2012 REO or from Bankscope for 2011 or older.

US: United States; IN: India

Subsidiaries/branches are defined as systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP.

Legend:
- x Deposits share of total is greater than or equal to 10%.
- x Deposits share of total is greater than or equal to 5 and less than 10%.
- x Deposits share of total is less than 5%.
- x Deposits data is not available.
- x Representative Office or Investment Bank Branch

Table 6. Selected Foreign Banks with SSA Presence: Assets in Percent of GDP by Country, 2013

(Percent)

	United Kingdom			France				Portugal						Germany		US	IN
	Standard Chartered	Barclays	HSBC	Societe Generale	BNP Paribas	BPCE	Credit Agricole	Caixa Geral de Deposits	Banco Comercial Portugues	Banco BPI	Banco Espirito Santo	Banif Financial Group	Finibanco Portugal	Procredit Holdings	Deutsche Bank	Citigroup	Bank of Baroda
Rand area																	
South Africa	x	21	0	x				x							x	0	
Lesotho																	
Namibia		RO															
Swaziland																	
Flexible exchange rates																	
Angola	x							1	1	7	9		0				
Botswana	8	9															1
Burundi																	
Democratic Republic of Congo														1		0	
Ethiopia																	
Gambia	13																
Ghana	3	2		1										0			x
Guinea				1	3												
Kenya	5	4														1	1
Liberia																	
Madagascar				2		4	5										
Malawi																	
Mauritius	28	32	37			5									x		x
Mozambique		4						18	19					0			
Nigeria	1	RO									x				x	0	
Rwanda																	
Seychelles		35															x
Sierra Leone	2																
United Republic of Tanzania	3	4														1	0
Uganda	4	2														1	2
Zambia	4	4														1	1
CEMAC																	
Cameroon	1			4		5										1	
Central African Republic																	
Chad				1													
Congo						1											
Equatorial Guinea				4													
Gabon					4											1	
WAEMU																	
Benin				x													
Burkina Faso				3	3												
Cote d'Ivoire	1			6	3											1	
Guinea Bissau																	
Mali					x												
Niger																	
Senegal				9	4											x	
Togo																	
Other fixed ER regimes																	
Cape Verde								61			x	9					
Comoros					x												
Eritrea																	
Sao Tome and Principe								3									
South Sudan																	
Zimbabwe	3	2															
Total number of operations	15	11	2	11	7	4	1	5	2	1	3	1	1	3	3	11	8
Total number of subsidiaries/branches	15	9	2	11	7	4	1	5	2	1	3	1	1	3	3	11	8
Number of systemically important oper.	6	6	1	5	1	2	1	2	1	1	1	1	0	0	0	0	0

Sources: Annual Reports, Bankscope, and IMF staff calculations.

GDP data is as of 2013. Bankscope data may be outdated in some cases.

RO = Representative Office, IB = Investment Bank Branch

US: United States

IN: India

Legend:

- x Assets in percent of GDP is greater than or equal to 7%.
- x Assets in percent of GDP is greater than or equal to 3 and less than 7%.
- x Assets in percent of GDP is less than 3%.
- x Assets data is not available.
- x Representative Office or Investment Bank Branch

Subsidiaries/branches are defined as systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP

Table 7. Selected PABs and Foreign Banks: Asset and Loan Growth, 2007–2012/13

	Asset Growth (in percent)								Loan growth (in percent)									
	Pan African banks				Foreign banks				Pan African banks				Foreign banks					
	Ecobank	Standard Bank	BMCE	Attijariwafa Bank	Standard Chartered	Barclays / ABSA	Societe Generale	BNP Paribas	Ecobank	Standard Bank	BMCE	Attijariwafa Bank	Standard Chartered	Barclays / ABSA	Societe Generale	BNP Paribas	average credit growth	
Consolidated Group	244	-7	111	72	104	-12	8	0	203	2	95	90	81	-3	0	27		**Consolidated Group**
Aggregated Assets for SSA subsidiaries			108	30	77	29	89	2			72	38	49	-14	98	-6		**Aggregated Loans for SSA subsidiaries**
Rand area																		**Rand area**
South Africa	RO	-6			x	-14	x		RO	13			x	-10	x		9	South Africa
Lesotho		x								x							25	Lesotho
Namibia		18				RO				35							12	Namibia
Swaziland		27								0							12	Swaziland
Flexible exchange rates																		**Flexible exchange rates**
Angola	x	x			x				x	x							42	Angola
Botswana		21			-12	-25				123			25	25			19	Botswana
Burundi	x		73						260		212						20	Burundi
Democratic Republic of Congo	x	178	x						x	35	x							Democratic Republic of Congo
Ethiopia	RO		RO						RO		RO						25	Ethiopia
Gambia	x				x				x				-52					Gambia
Ghana	210	267	85		63	-14	x		150	75	125		72	-43	x		34	Ghana
Guinea	237						x	x	92						x	x	27	Guinea
Kenya	184	260	531		76	-5			105	145	498		75	-30			21	Kenya
Liberia	205								179								32	Liberia
Madagascar			27				x				32				x		13	Madagascar
Malawi	x	81							x	80							32	Malawi
Mauritius		236			47	2				224			-8	-31			15	Mauritius
Mozambique		106				80				223				242			27	Mozambique
Nigeria	x	x			x	RO			x	x			x				27	Nigeria
Rwanda	132								532								26	Rwanda
Seychelles						x								x			17	Seychelles
Sierra Leone	x				48				x				138				29	Sierra Leone
United Republic of Tanzania	x	31	241		63	18			x	175	491		-6	2				United Republic of Tanzania
Uganda	x	65	182		51	23			x	71	178		15	-27			27	Uganda
Zambia	x	140			100	31			x	185			124	35			26	Zambia
CEMAC																		**CEMAC**
Cameroon	188			8	x		23		178			53	x		44		13	Cameroon
Central African Republic	x								165								14	Central African Republic
Chad	243						x		292						x		25	Chad
Congo	x			105					x			114						Congo
Equatorial Guinea	x						x		x						123		35	Equatorial Guinea
Gabon	x			47				3	x			37				23	15	Gabon
WAEMU																		**WAEMU**
Benin	94		59	x			x		71		15	x			x		14	Benin
Burkina Faso	273		234	x			x	7	272		161	x			36	4	16	Burkina Faso
Cote d'Ivoire	137	RO	36	106	x		54	21	110		26	104	x		13	11		Cote d'Ivoire
Guinea Bissau	x			x					x			x						Guinea Bissau
Mali	166		53	x				x	93		67	x					12	Mali
Niger	213		156	x					178		177	x					19	Niger
Senegal	182		198	-8			x	-3	130		127	14			x	5	12	Senegal
Togo	133		x	x					101		x	x					20	Togo
Other fixed ER regimes																		**Other fixed ER regimes**
Cape Verde	x								x									Cape Verde
Comoros								x								x	22	Comoros
Eritrea																	3	Eritrea
Sao Tome and Principe	x								x									Sao Tome and Principe
Zimbabwe	x	x			x	x			x	x			x	x			86	Zimbabwe
South Sudan	x	x							x	x							44	South Sudan
North Africa																		**Other fixed ER regimes**
Morocco			x	x							x	x						Morocco
Total number of operations	33	18	15	12	15	11	11	7	33	18	15	12	14	11	11	6		Total number of operations
Number of systemically important subs.	17	10	6	6	5	6	4	1	17	10	6	6	5	6	4	1		Number of systemically important subs.

Sources: Annual Reports, Bankscope, and IMF staff calculations.

Notes: Table shows asset and loan growth between 2007 and 2013. If 2013 data is not yet available, 2012 data is used.

Aggregated assets/loans for SSA subsidiaries shows the growth of the sum of assets/loans for SSA operations, where data is available, except for BMCE and Barclays.

For BMCE sonsolidated assets of Bank of Africa are used and for Barclays consolidated assets of Barclays Africa Group Limited.

Colored cells denote systemically important subsidiaries, using both the deposit and asset share criteria.

X denotes an existing operation where data is not available for the period 2007-2013.

Table 8. Selected PABs and Foreign Banks: Consolidated Financial Soundness Indicators, 2007–13

(Percent)

Loan-Deposit Ratio

	2007	2008	2009	2010	2011	2012	2013
Pan-African Banking Groups							
Ecobank	66.1	64.8	73.6	66.4	60.9	64.6	69.3
Standard Bank	93.8	92.1	92.1	85.6	88.4	88.1	86.8
BMCE	72.0	75.5	79.8	85.4	89.5	88.0	90.5
Attijariwafa	78.5	90.6	97.0	102.9	106.5	109.1	105.5
Foreign Banking Groups							
Standard Chartered	85.8	73.0	77.2	75.9	75.2	72.6	74.4
Barclays	117.1	137.6	130.3	123.8	118.0	110.0	100.6
Societe Generale	131.4	143.6	131.3	124.9	132.3	116.8	106.9
BNP Paribas	128.4	119.4	120.5	120.7	127.0	118.1	111.5

ROA

	2007	2008	2009	2010	2011	2012	2013
Pan-African Banking Groups							
Ecobank	2.8	1.5	0.7	1.4	1.5	1.5	0.7
Standard Bank	1.5	1.2	0.9	1.0	1.1	1.3	1.2
BMCE	0.8	0.9	0.5	0.8	0.8	0.7	0.8
Attijariwafa	1.4	1.5	1.7	1.6	1.6	1.5	1.3
Foreign Banking Groups							
Standard Chartered	1.0	0.9	0.8	0.9	0.9	0.8	0.6
Barclays	0.5	0.3	0.6	0.3	0.3	0.0	0.1
Societe Generale	0.2	0.3	0.1	0.4	0.2	0.1	0.2
BNP Paribas	0.5	0.2	0.3	0.5	0.3	0.4	0.3

Total Capital Ratio

	2007	2008	2009	2010	2011	2012	2013
Pan-African Banking Groups							
Ecobank	15.7	24.5	21.4	20.8	18.6	19.3	16.3
Standard Bank	11.6	13.3	15.1	15.3	14.3	12.8	15.1
BMCE	8.7	12.1	10.1	12.6	12.3	13.1	12.7
Attijariwafa	9.1	11.0	11.1	11.7	11.3	11.9	12.7
Foreign Banking Groups							
Standard Chartered	15.2	15.6	16.5	18.4	17.6	17.4	18.0
Barclays	12.1	13.6	16.6	16.9	16.4	17.1	19.9
Societe Generale	8.9	11.2	13.0	12.1	11.9	12.7	14.7
BNP Paribas	10.0	11.1	14.2	14.7	14.0	15.5	14.3

NPL Ratio

	2007	2008	2009	2010	2011	2012	2013
Pan-African Banking Groups							
Ecobank	5.7	17.0	16.0	15.2	5.5	5.6	6.2
Standard Bank	1.8	4.1	7.9	7.1	5.0	4.6	4.0
BMCE	5.0	4.9	5.9	5.7	6.1	6.5	7.2
Attijariwafa	6.5	5.5	5.3	5.3	4.9	5.1	6.3
Foreign Banking Groups							
Standard Chartered	1.4	1.7	1.7	1.7	1.6	2.0	2.3
Barclays	2.8	3.4	5.2	9.1	6.7	5.7	5.8
Societe Generale	3.5	3.8	6.3	6.6	6.9	7.2	7.7
BNP Paribas	4.0	3.7	5.7	6.1	6.3	6.5	7.1

Sources: Annual Reports, Bankscope, and IMF staff calculations.

Table 9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13

(Percent)

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Attijariwafa																												
Consolidated	78.5	90.6	97.0	102.9	106.5	109.1	105.5	1.4	1.5	1.7	1.6	1.6	1.5	1.3	9.1	11.0	11.1	11.7	11.3	11.9	12.7	6.5	5.5	5.3	5.3	4.9	5.1	6.3
SENEGAL (CBAO Groupe)	66.1	77.8	71.2	69.2	69.4	77.6	82.9	2.3	1.4	1.8	1.2	0.7	1.4	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.4	6.2	9.9	9.5	24.0	19.8	n.a.
CAMEROON	44.9	43.5	50.2	54.8	56.3	66.2	n.a.	1.4	0.8	1.4	1.1	1.1	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.0	9.0	9.6	n.a.
GABON	67.5	55.6	62.5	n.a.	71.5	77.4	n.a.	2.7	3.1	1.7	n.a.	1.6	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	n.a.
COTE D'IVOIRE	80.6	88.7	93.0	100.1	73.0	76.3	n.a.	2.6	3.5	2.3	2.4	2.0	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CONGO	30.0	29.8	33.3	27.3	34.3	30.8	n.a.	3.6	4.0	1.8	2.3	2.1	2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MALI	n.a.	75.1	71.9	63.0	n.a.	n.a.	n.a.	n.a.	0.5	0.7	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.9	6.7	n.a.	n.a.	n.a.	n.a.
SENEGAL (Credit du Senegal)	92.5	114.0	86.6	88.2	100.5	86.8	n.a.	0.2	n.a.	n.a.	1.6	2.2	2.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.3	10.3	n.a.
Togo	n.a.	n.a.	45.1	56.3	68.3	84.4	77.9	n.a.	n.a.	0.0	2.9	2.6	2.4	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Subsidiaries without data:																												
Benin, Burkina Faso, Guinea Bissau, Niger																												

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
BMCE																												
Consolidated	72.0	75.5	79.8	85.4	89.5	88.0	90.5	0.8	0.9	0.5	0.8	0.8	0.7	0.8	8.7	12.1	10.1	12.6	12.3	13.1	12.7	n.a.	n.a.	n.a.	n.a.	9.4	9.3	9.5
Bank of Africa Group																												
Consolidated	n.a.	72.2	70.3	62.2	64.5	69.4	73.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
BENIN	59.8	62.4	68.5	59.1	58.0	55.9	n.a.	1.1	1.5	1.4	1.3	1.5	1.3	n.a.	10.6	11.7	10.5	16.0	16.7	16.2	n.a.	9.7	9.3	10.8	12.2	15.0	17.9	n.a.
KENYA	82.9	74.1	73.0	71.1	89.4	84.1	81.0	1.5	1.7	1.3	1.5	1.3	1.2	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.3	1.8	1.4	1.6	1.4	2.0	5.0
MADAGASCAR	43.6	45.5	47.4	48.1	46.6	47.0	58.7	3.6	2.4	0.5	0.7	1.9	1.6	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.0	5.3	12.4	12.1	12.0	11.9	10.3
BURKINA FASO	67.0	66.7	62.9	60.3	62.4	73.2	95.2	1.4	1.4	1.4	1.5	1.9	2.5	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.6	3.4
COTE D'IVOIRE	105.5	118.3	97.5	90.7	72.2	74.0	n.a.	1.4	1.2	0.9	0.9	-0.2	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MALI	74.9	93.4	84.2	66.9	76.5	86.7	n.a.	0.8	1.0	0.9	0.6	1.0	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.7	12.2	7.7	9.9	7.4	7.2	n.a.
NIGER	78.1	101.5	103.1	104.5	107.5	105.1	100.4	1.8	1.6	1.6	1.8	1.9	1.8	2.0	10.9	9.6	12.9	12.0	15.1	12.9	n.a.	3.4	2.1	3.0	2.5	4.3	3.0	2.3
SENEGAL	76.9	61.7	66.0	62.1	66.1	77.9	112.8	1.9	2.1	1.3	1.5	1.6	1.6	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.4	7.4	n.a.
GHANA	55.6	45.8	54.1	50.7	66.4	83.8	83.3	1.1	3.0	2.0	-4.4	-3.4	0.4	-0.5	n.a.	n.a.	n.a.	n.a.	10.5	10.7	15.8	n.a.	n.a.	1.7	n.a.	14.8	29.8	n.a.
TANZANIA	33.3	39.0	47.7	52.7	66.8	74.7	78.4	1.2	1.0	0.7	0.9	0.4	0.8	1.0	25.0	19.0	16.0	14.0	18.0	15.0	14.3	n.a.	6.4	2.7	2.9	2.6	3.0	2.6
BURUNDI	42.9	46.0	42.2	48.3	64.7	65.8	n.a.	3.2	2.6	3.3	2.5	3.7	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.0	11.0	n.a.
UGANDA	69.7	66.2	72.1	70.4	87.3	80.2	67.8	2.2	2.7	1.7	1.4	1.7	2.2	-1.6	16.0	21.0	19.0	18.1	14.7	17.1	18.0	0.9	1.3	1.0	1.1	0.5	0.7	n.a.
Subsidiaries without data:																												
Democratic Republic of Congo, Togo																												

Table 9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13 (continued)

(Percent)

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Ecobank																												
Consolidated	66.1	64.8	73.6	66.4	60.9	64.6	69.3	2.8	1.5	0.7	1.4	1.5	1.5	0.7	15.7	24.5	21.4	20.8	18.6	19.3	16.3	5.7	17.0	16.0	15.2	5.5	5.6	6.2
NIGERIA	n.a.	n.a.	n.a.	n.a.	46.1	52.4	56.0	n.a.	n.a.	n.a.	n.a.	1.8	0.6	0.8	n.a.	n.a.	n.a.	n.a.	12.0	18.0	17.0	n.a.	n.a.	n.a.	n.a.	5.8	4.6	5.9
GHANA	65.9	58.8	49.5	44.4	52.8	59.3	69.9	3.3	4.2	4.7	4.1	4.0	4.8	4.7	18.6	16.5	22.3	22.7	13.6	14.8	13.7	3.1	3.1	3.2	4.5	4.9	5.1	5.9
COTE D'IVOIRE	88.3	95.5	96.5	90.1	93.1	92.5	98.0	2.3	2.5	2.6	2.1	1.8	1.8	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.1	5.3	3.1	2.9	0.9	1.1	2.2
BURKINA FASO	71.1	88.0	80.1	80.7	84.6	88.8	85.7	2.2	1.7	1.7	1.6	1.9	2.3	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.6	15.5	11.7	5.8	2.3	3.1
BENIN	77.6	70.3	89.8	82.0	85.5	80.3	85.8	1.3	2.1	1.9	1.8	1.8	1.5	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.0	5.9	5.9	6.8	3.5	2.5	2.6
SENEGAL	84.5	87.3	90.5	68.3	72.8	77.9	80.4	2.9	1.9	2.2	1.7	1.6	0.6	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.9	5.8	5.0	9.3	10.6	9.9	8.0
MALI	80.9	79.1	73.8	59.9	75.3	89.9	97.7	3.4	2.8	2.1	2.2	2.8	1.6	1.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.7	13.3	11.2	10.2	3.9	3.8	3.4
CAMEROON	67.3	67.1	53.0	53.0	76.9	84.2	83.4	1.0	1.3	0.4	0.4	0.3	0.5	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.1	4.9
TOGO	78.9	83.6	67.1	65.2	65.0	68.1	n.a.	3.7	3.7	2.1	1.9	2.2	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.3	1.9	1.9	3.0	3.2	3.1	n.a.
GUINEA	58.4	33.1	27.7	13.6	49.7	37.4	63.9	3.6	2.3	1.7	2.0	2.6	1.3	2.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.1	10.9	10.0	11.7	1.8	7.0	4.1
KENYA	65.7	61.5	59.6	58.8	68.7	65.0	72.8	1.3	0.7	-6.5	0.6	0.7	-3.6	-2.6	18.2	15.5	15.7	33.5	19.5	32.5	22.5	48.1	49.5	25.0	19.4	8.4	4.8	8.4
CHAD	54.3	77.2	72.4	n.a.	73.6	80.1	77.4	2.3	3.9	3.6	n.a.	3.1	1.4	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.5	2.7	2.4
LIBERIA	48.0	47.8	n.a.	n.a.	44.9	44.2	n.a.	3.4	3.2	n.a.	n.a.	0.8	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.9	2.3	n.a.	n.a.	27.3	26.2	n.a.
NIGER	73.1	78.1	91.8	79.1	69.5	94.2	82.4	1.3	1.9	2.0	1.7	2.2	1.9	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.8	4.8	4.4	8.9	4.9	4.0	5.1
CENTRAL AFRICAN REP.	62.2	84.9	74.4	87.5	93.0	n.a.	n.a.	3.5	5.6	4.5	3.2	3.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.4	5.1	6.8	n.a.	n.a.
RWANDA	24.5	52.3	64.1	48.1	59.4	66.9	n.a.	-6.7	1.5	0.6	0.3	-0.9	0.3	n.a.	n.a.	n.a.	n.a.	21.1	n.a.	n.a.	n.a.	46.6	14.6	8.8	6.7	10.7	4.2	n.a.
GABON	n.a.	n.a.	n.a.	44.1	54.5	58.2	89.1	n.a.	n.a.	n.a.	-0.8	1.1	1.6	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1	3.8	3.7
CONGO, DRC	n.a.	30.5	47.7	68.8	86.9	76.8	68.7	n.a.	-17.8	-22.5	2.0	2.0	1.7	3.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.5	0.7	0.2	0.4	0.8
GUINEA BISSAU	n.a.	42.6	135.3	94.6	111.6	94.9	n.a.	n.a.	0.8	-4.6	0.4	2.8	-1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.8	0.5	4.9	n.a.
ZAMBIA	n.a.	n.a.	39.0	86.9	83.8	44.7	40.8	n.a.	n.a.	-27.8	-4.2	-7.7	-16.4	-0.8	n.a.	n.a.	83.0	16.0	10.0	37.0	25.0	n.a.	n.a.	n.a.	2.7	17.4	19.9	15.9
MALAWI	n.a.	45.4	52.2	68.5	53.4	83.0	46.8	n.a.	0.6	1.6	2.0	1.4	0.1	3.4	n.a.	n.a.	n.a.	n.a.	18.3	8.7	28.0	n.a.	n.a.	n.a.	12.6	66.4	19.9	15.8
SIERRA LEONE	n.a.	n.a.	n.a.	n.a.	37.6	32.2	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	3.4	n.a.	n.a.	n.a.	n.a.	n.a.	15.0	24.0	n.a.	n.a.	n.a.	n.a.	n.a.	11.8	29.8	n.a.
ZIMBABWE	n.a.	n.a.	n.a.	61.2	101.5	146.3	138.9	n.a.	n.a.	n.a.	-12.5	-10.4	0.4	1.2	n.a.	n.a.	n.a.	28.3	15.3	28.3	34.6	n.a.	n.a.	n.a.	26.2	25.8	13.8	6.0
BURUNDI	72.9	66.9	66.5	73.0	92.4	n.a.	n.a.	-8.2	-0.4	-2.3	1.0	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
UGANDA	n.a.	n.a.	51.6	68.0	63.4	73.5	51.1	n.a.	n.a.	-13.3	-8.3	-0.6	-8.3	-8.6	n.a.	n.a.	14.5	17.7	18.2	13.3	35.8	n.a.	n.a.	0.2	3.9	2.5	19.2	n.a.
TANZANIA	n.a.	n.a.	n.a.	42.4	75.0	106.7	98.8	n.a.	n.a.	-34.8	-25.2	-19.4	-7.7	-2.0	n.a.	n.a.	180.2	34.2	13.7	20.6	25.0	n.a.	n.a.	n.a.	n.a.	1.1	6.2	7.8
GAMBIA	n.a.	n.a.	n.a.	27.4	65.2	61.0	n.a.	n.a.	n.a.	n.a.	-3.7	-0.4	0.7	n.a.	n.a.	n.a.	n.a.	12.9	12.3	13.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CAPE VERDE	n.a.	n.a.	n.a.	n.a.	n.a.	52.8	59.0	n.a.	n.a.	n.a.	n.a.	-9.9	-7.9	-3.3	n.a.	n.a.	n.a.	n.a.	n.a.	109.2	59.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.0

Subsidiaries without data:

Angola, Congo, Equatorial Guinea, Sao Tome & Principe, South Sudan

Table 9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13 (continued)

(Percent)

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	
Standard Bank																												
Consolidated	93.8	92.1	92.1	85.6	88.4	88.1	86.8	1.5	1.2	0.9	1.0	1.1	1.3	1.2	11.6	13.3	15.1	15.3	14.3	12.8	15.1	1.8	4.1	7.9	7.1	5.0	4.6	4.0
SOUTH AFRICA	91.8	87.8	89.7	85.1	88.2	93.0	95.5	1.5	1.1	1.0	1.0	1.1	1.3	1.1	11.7	12.2	14.1	14.9	13.5	14.8	15.5	1.9	4.4	7.5	7.2	4.5	3.7	3.8
NIGERIA	n.a.	133.2	100.9	96.2	88.3	74.1	69.1	n.a.	4.3	3.1	4.2	0.7	0.9	1.5	n.a.	41.5	36.8	32.6	17.7	17.3	18.3	n.a.	n.a.	n.a.	n.a.	6.2	5.1	4.4
NAMIBIA	84.4	88.3	75.4	71.7	73.8	87.1	83.2	2.3	2.7	2.0	1.7	2.0	1.6	1.4	13.4	14.6	n.a.	13.9	12.1	11.8	11.9	3.2	3.6	3.1	2.0	1.7	1.7	2.0
KENYA	86.7	71.3	72.9	81.0	86.4	87.5	72.2	2.7	1.5	0.9	1.4	1.6	2.3	3.3	14.0	14.7	16.0	16.2	19.0	25.5	20.5	1.4	6.5	3.4	2.9	1.3	1.6	2.6
MAURITIUS	20.6	26.9	11.7	11.8	52.6	26.5	19.1	0.4	1.0	0.3	0.2	0.6	-0.7	-0.2	15.7	27.0	18.0	17.9	15.9	10.8	16.5	n.a.	0.8	12.3	n.a.	n.a.	n.a.	n.a.
MOZAMBIQUE	25.7	30.0	32.3	42.0	46.4	42.5	53.0	4.1	3.7	3.1	2.7	3.6	3.2	2.9	12.8	11.0	14.7	10.8	19.0	17.7	13.3	1.6	1.4	1.9	0.8	0.9	2.8	2.6
BOTSWANA	60.3	50.9	42.5	39.8	55.7	68.6	73.2	2.2	1.7	0.7	1.3	1.9	2.6	2.2	15.1	16.9	16.0	17.2	18.6	17.6	16.2	1.6	0.6	1.4	2.0	1.0	1.9	n.a.
UGANDA	n.a.	56.7	63.5	65.4	80.5	69.6	79.2	4.1	5.4	5.5	3.4	4.8	4.5	3.2	13.0	14.2	16.3	14.2	15.0	20.3	20.7	0.5	0.7	1.6	1.8	2.9	6.0	5.0
ZAMBIA	57.8	65.1	47.8	52.6	56.2	68.6	n.a.	0.0	1.2	n.a.	-2.6	2.4	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.7	21.8	n.a.	n.a.	n.a.	7.2	4.5	6.1	n.a.
GHANA	80.8	81.5	52.3	55.0	59.0	51.5	62.6	3.1	3.6	0.2	2.4	2.9	4.0	4.6	11.0	19.0	27.0	19.0	21.1	18.6	19.2	n.a.	13.2	29.2	18.5	9.0	8.5	9.1
LESOTHO	n.a.	32.4	36.9	40.8	48.9	64.2	62.7	n.a.	5.6	3.9	3.7	3.9	4.1	4.8	n.a.	n.a.	n.a.	n.a.	n.a.	10.3	9.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TANZANIA	40.9	67.5	47.1	71.9	78.4	71.3	58.8	1.9	2.1	2.4	1.6	2.2	2.4	-2.1	12.6	14.9	19.0	15.7	16.1	17.0	16.8	18.7	21.9	12.5	0.1	0.0	3.1	10.9
SWAZILAND	74.0	75.7	43.0	51.0	66.7	63.2	67.5	2.2	3.9	1.9	1.9	1.8	2.2	1.8	12.5	17.5	17.8	19.4	13.4	14.4	14.2	2.9	2.9	3.1	5.5	1.8	2.3	3.2
MALAWI	50.0	55.0	57.7	59.2	68.3	60.1	40.9	5.0	5.9	6.3	4.6	5.4	8.2	8.5	n.a.	25.5	28.2	n.a.	n.a.	21.9	16.0	n.a.	1.5	1.3	n.a.	n.a.	2.2	3.2
ZIMBABWE	n.a.	n.a.	32.0	32.5	49.3	65.1	62.0	n.a.	n.a.	3.3	2.9	3.2	4.5	4.2	n.a.	n.a.	20.2	17.8	17.2	17.6	21.0	n.a.	n.a.	n.a.	n.a.	4.4	5.1	6.9
ANGOLA	n.a.	n.a.	n.a.	n.a.	2.1	20.8	25.4	n.a.	n.a.	n.a.	-54.7	-4.0	-2.1	-1.0	n.a.	n.a.	n.a.	146.0	47.4	21.0	14.9	n.a.	n.a.	n.a.	n.a.	0.0	0.1	0.1
CONGO, DRC	38.9	49.5	33.8	20.8	19.9	15.4	22.3	2.0	-0.7	0.7	-0.7	1.2	1.3	-0.4	n.a.	n.a.	n.a.	n.a.	n.a.	30.7	37.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Subsidiaries without data:																												
South Sudan																												

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Standard Chartered																												
Consolidated	85.8	73.0	77.2	75.9	75.2	72.6	74.4	1.0	0.9	0.8	0.9	0.9	0.8	0.6	15.2	15.6	16.5	18.4	17.6	17.4	18.0	1.4	1.7	1.7	1.7	1.6	2.0	2.3
MAURITIUS	302.0	245.0	114.7	122.2	129.7	172.0	105.6	0.9	1.0	0.8	1.0	1.4	0.8	0.8	n.a.	17.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NIGERIA	n.a.	n.a.	n.a.	n.a.	82.3	72.4	n.a.	n.a.	n.a.	n.a.	n.a.	3.9	4.3	n.a.	n.a.	n.a.	n.a.	n.a.	24.0	24.0	n.a.	n.a.	n.a.	n.a.	n.a.	8.9	4.8	n.a.
KENYA	63.7	56.3	65.3	60.0	78.6	80.2	83.8	4.0	3.4	4.2	4.0	3.8	4.5	4.5	17.0	16.2	14.5	n.a.	n.a.	n.a.	n.a.	4.4	3.9	2.5	2.0	1.1	1.9	2.9
BOTSWANA	45.7	39.1	48.0	37.9	50.7	68.6	79.7	3.1	3.5	2.7	2.4	2.8	2.9	3.3	19.8	18.1	16.8	n.a.	n.a.	22.4	19.8	3.5	4.9	8.2	1.5	3.5	10.2	6.9
GHANA	53.7	62.0	49.0	42.8	40.3	56.3	63.5	4.3	3.7	4.8	4.7	4.3	6.3	7.7	16.0	12.0	22.0	16.0	17.0	17.5	23.5	1.0	4.9	11.2	15.0	12.4	12.2	12.6
ZAMBIA	46.7	47.6	40.4	36.4	50.3	60.7	65.1	3.9	1.2	2.5	3.5	2.9	4.5	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.3	6.4	10.0	4.7	1.9	1.3	1.6
TANZANIA	68.7	73.2	53.6	n.a.	63.1	48.9	59.1	5.4	2.4	2.5	n.a.	3.4	2.7	2.8	15.0	12.9	16.0	n.a.	16.8	22.2	21.0	7.2	1.4	2.1	n.a.	n.a.	2.5	1.5
UGANDA	n.a.	91.0	87.6	94.9	101.3	74.8	70.2	4.6	5.5	6.4	4.8	5.2	6.0	4.0	13.9	15.9	17.8	15.2	17.0	14.1	18.1	0.6	0.8	0.3	0.3	0.3	0.8	7.1
CAMEROON	n.a.	34.6	35.7	34.3	29.3	47.7	n.a.	n.a.	1.0	0.1	0.3	1.3	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16.0	13.6	n.a.	n.a.	n.a.	n.a.
ZIMBABWE	n.a.	n.a.	20.8	49.0	46.2	66.1	57.6	n.a.	n.a.	-1.4	3.0	7.3	4.9	2.4	n.a.	n.a.	20.6	22.2	23.5	20.0	22.1	n.a.	n.a.	n.a.	n.a.	n.a.	2.2	6.4
COTE D'IVOIRE	n.a.	n.a.	n.a.	n.a.	59.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GAMBIA	29.0	17.0	19.6	17.2	14.8	n.a.	n.a.	3.9	3.1	1.5	3.5	2.9	n.a.	n.a.	24.7	25.9	22.0	19.3	23.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SIERRA LEONE	11.4	22.8	n.a.	n.a.	n.a.	21.0	19.9	4.2	3.2	n.a.	n.a.	n.a.	4.4	2.0	44.9	40.0	n.a.	n.a.	n.a.	46.9	46.9	n.a.	12.2	n.a.	n.a.	n.a.	9.3	11.4
Subsidiaries without data:																												
Angola, South Africa																												

Table 9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13 (continued)

(Percent)

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Barclays																												
Consolidated	117.1	137.6	130.3	123.8	118.0	110.0	100.6	0.5	0.3	0.6	0.3	0.3	0.0	0.1	12.1	13.6	16.6	16.9	16.4	17.1	19.9	2.8	3.4	5.2	9.1	6.7	5.7	5.8
BAGL																												
Consolidated	146.8	139.2	142.0	131.3	116.4	103.7	102.5	1.8	1.6	1.0	1.2	1.3	1.3	1.4	13.1	14.1	15.6	15.5	16.7	17.4	15.6	1.7	4.1	7.0	7.6	6.9	5.3	4.4
SOUTH AFRICA	150.4	142.5	145.0	132.5	114.4	110.8	112.8	1.5	1.3	0.8	1.0	1.2	1.0	1.1	12.5	14.0	14.7	14.8	16.2	17.5	15.6	1.5	3.3	6.8	7.5	6.8	5.5	4.3
MAURITIUS	56.1	77.1	67.4	55.0	66.8	48.6	35.5	1.7	1.4	1.1	2.7	1.3	1.1	0.4	17.4	19.6	n.a.	n.a.	26.0	42.2	n.a.	n.a.	3.6	n.a.	n.a.	6.0	5.8	n.a.
KENYA	99.7	85.5	74.3	70.4	79.8	75.6	78.3	3.6	3.4	3.7	6.3	4.8	5.0	3.9	14.0	16.6	23.8	31.2	24.7	25.0	17.3	4.9	5.0	6.0	6.4	4.5	3.3	2.8
BOTSWANA	44.6	44.5	60.8	59.6	67.0	68.7	79.0	2.2	3.4	3.5	4.9	4.7	3.9	2.5	15.6	15.8	20.6	24.3	19.8	21.2	19.2	n.a.	3.7	6.9	9.1	6.4	6.4	4.8
GHANA	89.0	77.8	55.0	39.9	44.2	48.7	55.7	3.9	-0.6	-1.3	3.8	4.7	5.4	6.7	n.a.	13.8	24.2	n.a.	22.9	23.6	22.5	n.a.	13.2	23.9	n.a.	22.7	15.1	14.9
TANZANIA (Nat. Bank of Commerce)	58.8	73.7	64.6	56.4	52.9	50.7	52.5	3.7	3.8	3.4	-1.0	0.0	0.1	0.6	18.3	16.8	16.2	12.0	10.1	7.7	15.0	4.2	4.3	7.1	17.5	7.9	11.8	13.1
ZAMBIA	96.3	121.8	87.7	54.2	51.2	79.6	72.1	5.2	1.4	-1.1	1.9	1.4	1.9	1.4	14.3	14.0	14.3	19.7	21.8	16.3	16.7	9.9	8.1	22.7	26.2	10.1	11.5	6.1
MOZAMBIQUE	39.1	45.0	66.9	69.2	69.4	59.4	n.a.	1.9	1.7	1.9	0.5	-2.5	-4.9	n.a.	17.8	16.8	15.8	n.a.	16.8	30.5	n.a.	0.9	3.0	3.7	5.0	6.6	8.4	n.a.
UGANDA	77.8	75.0	66.9	57.2	53.9	57.4	46.0	1.1	-2.1	-0.5	0.9	1.8	3.0	3.1	12.9	15.7	17.5	18.7	19.4	26.9	24.5	8.3	5.5	8.4	22.0	14.9	20.1	19.4
SEYCHELLES	n.a.	n.a.	n.a.	n.a.	20.4	22.4	n.a.	n.a.	n.a.	n.a.	n.a.	2.4	3.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TANZANIA (Barclays)	88.5	73.0	70.7	55.5	59.4	67.2	75.2	2.6	0.0	-0.9	-0.7	0.0	-0.7	0.2	18.0	14.0	14.9	17.7	17.1	15.9	14.4	14.5	10.0	7.2	20.3	11.9	9.7	7.7
ZIMBABWE	n.a.	n.a.	16.7	23.8	27.4	40.8	n.a.	n.a.	n.a.	0.9	-0.7	0.6	0.8	n.a.	n.a.	n.a.	39.0	24.0	18.0	17.0	n.a.	n.a.	n.a.	1.0	0.5	0.3	1.2	n.a.

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Societe Generale																												
Consolidated	131.4	143.6	131.3	124.9	132.3	116.8	106.9	0.2	0.3	0.1	0.4	0.2	0.1	0.2	8.9	11.2	13.0	12.1	11.9	12.7	14.7	3.5	3.8	6.3	6.6	6.9	7.2	7.7
COTE D'IVOIRE	91.8	82.7	81.6	85.3	70.2	65.5	59.1	2.7	3.0	3.3	2.4	2.2	3.0	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CAMEROON	71.2	77.5	79.9	79.2	80.8	89.1	n.a.	1.8	2.5	2.2	2.2	2.2	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.6	4.7	5.2	5.6	8.0	7.2	n.a.
SENEGAL	n.a.	n.a.	83.2	88.9	96.7	104.8	n.a.	n.a.	n.a.	3.1	2.9	2.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.1	7.0	6.4	5.4	n.a.
EQUATORIAL GUINEA	15.0	17.4	13.1	12.4	26.0	n.a.	n.a.	0.8	1.5	1.5	0.7	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.2	20.5	15.7	10.3	n.a.	n.a.
GHANA	n.a.	96.1	76.2	60.8	55.0	60.5	n.a.	n.a.	3.5	3.8	3.1	3.0	3.1	n.a.	n.a.	n.a.	24.0	24.5	26.9	19.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BURKINA FASO	85.4	100.6	94.5	85.6	90.1	n.a.	n.a.	1.0	2.0	2.4	2.3	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MADAGASCAR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CHAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GUINEA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Subsidiaries without data:																												
Benin																												

Table 9. Selected PABs and Foreign Banks: Subsidiaries' Financial Indicators, 2007–13 (concluded)

(Percent)

	Loan-Deposit Ratio							ROA							Total Capital Ratio							NPLs						
	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
BNP Paribas																												
Consolidated	128.4	119.4	120.5	121	127	118.06	112	0.5	0.2	0.3	0.5	0.3	0.4	0.3	10.0	11.1	14.2	14.7	14.0	15.5	14.3	4.0	3.7	5.7	6.1	6.3	6.5	7.1
GABON	44.6	42.1	37.6	45.4	30.1	52.3	n.a.	1.6	1.8	1.3	0.3	0.7	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
COTE D'IVOIRE	76.7	81.8	78.6	75.7	68.7	65.7	n.a.	1.6	2.6	3.0	0.2	0.6	1.3	n.a.	13	12	12	23.5	14.1	15	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SENEGAL	72.7	88.2	80.8	67.6	74.8	75.9	n.a.	2.0	2.4	1.3	0.9	1.1	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BURKINA FASO	69.2	n.a.	n.a.	n.a.	68.7	66.2	n.a.	1.4	n.a.	n.a.	n.a.	1.3	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	12	13	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GUINEA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
COMOROS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Annual Reports, Bankscope, and IMF staff calculations.

Note: Highlighted subsidiaries are systemically important subsidiaries, using both the deposit and the asset share criteria.

Figure 10. Selected PABs: Maps of Share of Deposits by Country, 2013

(Share of deposits, 2013, where data available)

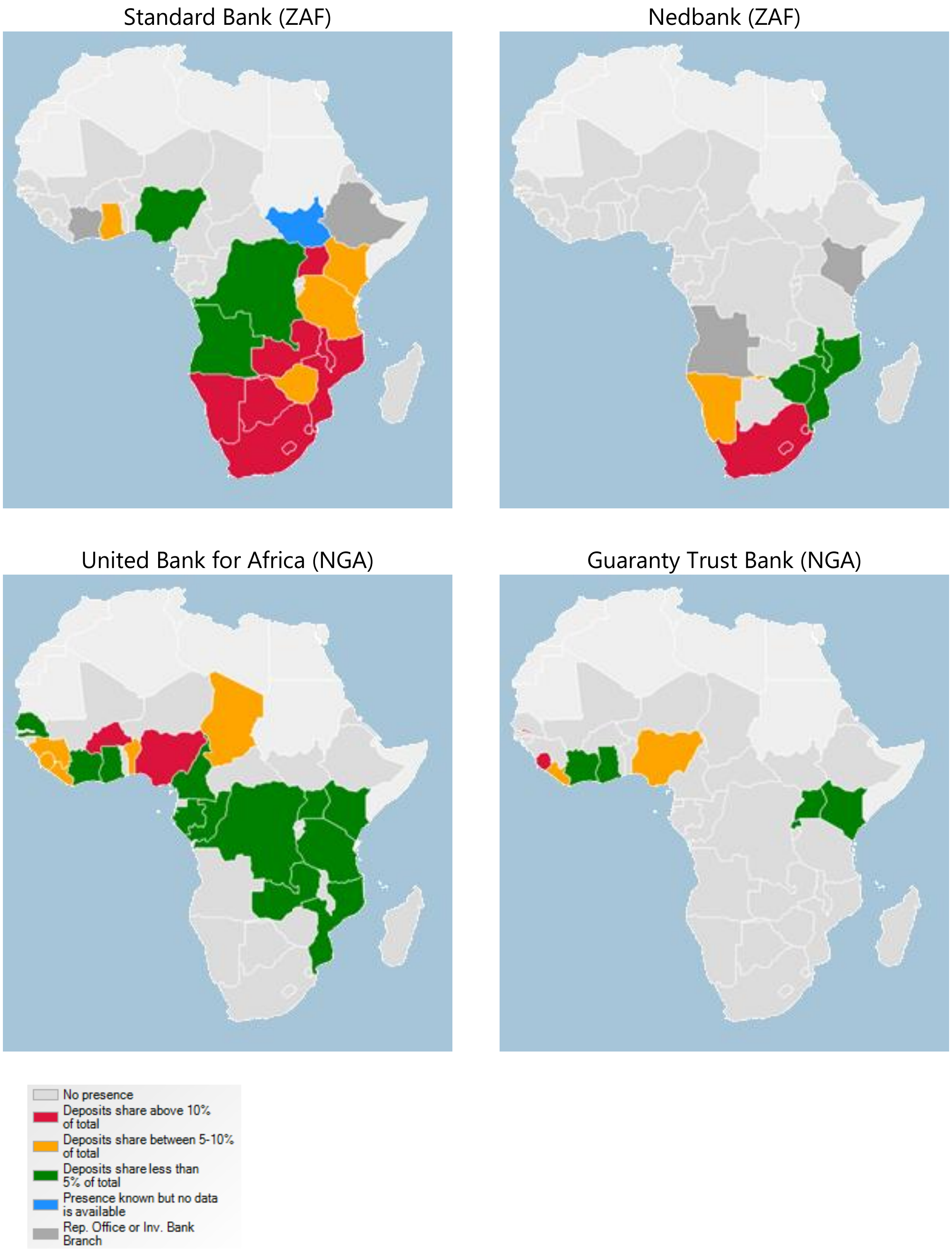


Figure 10. Selected PABs: Maps of Share of Deposits by Country, 2013 (continued)

(Share of deposits, 2013, where data available)

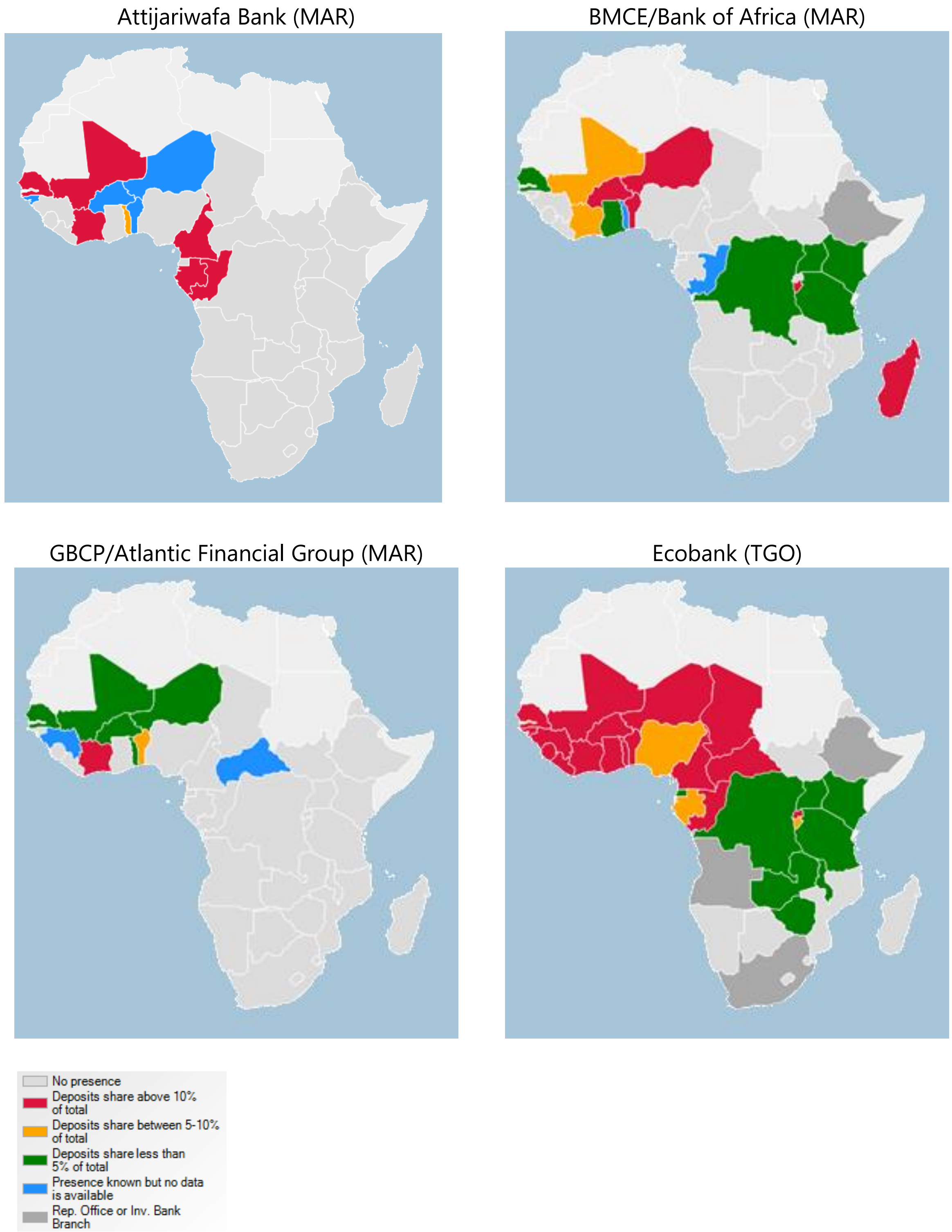
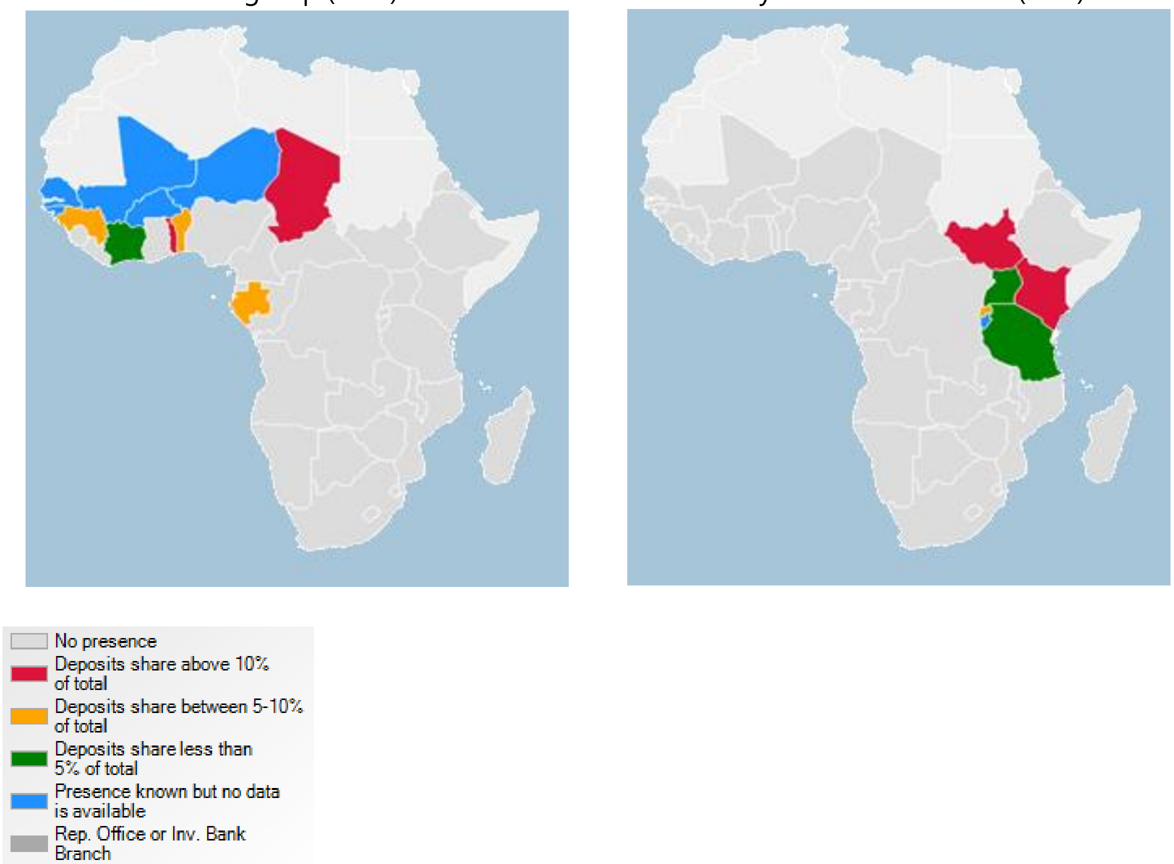


Figure 10. Selected PABs: Maps of Share of Deposits by Country, 2013 (concluded)

(Share of deposits, 2013, where data available)

Oragroup (TGO)

Kenya Commercial Bank (KEN)



Sources: Annual Reports, Bankscope, Bankers Almanac, and IMF staff calculations.

Note: Deposits data is as of 2013 if available or of 2012. Bankscope data may be outdated in some cases.

Figure 11. Selected PABs: Maps of Assets in Percent of GDP by Country, 2013

(Assets in percent of GDP, 2013, where data available)

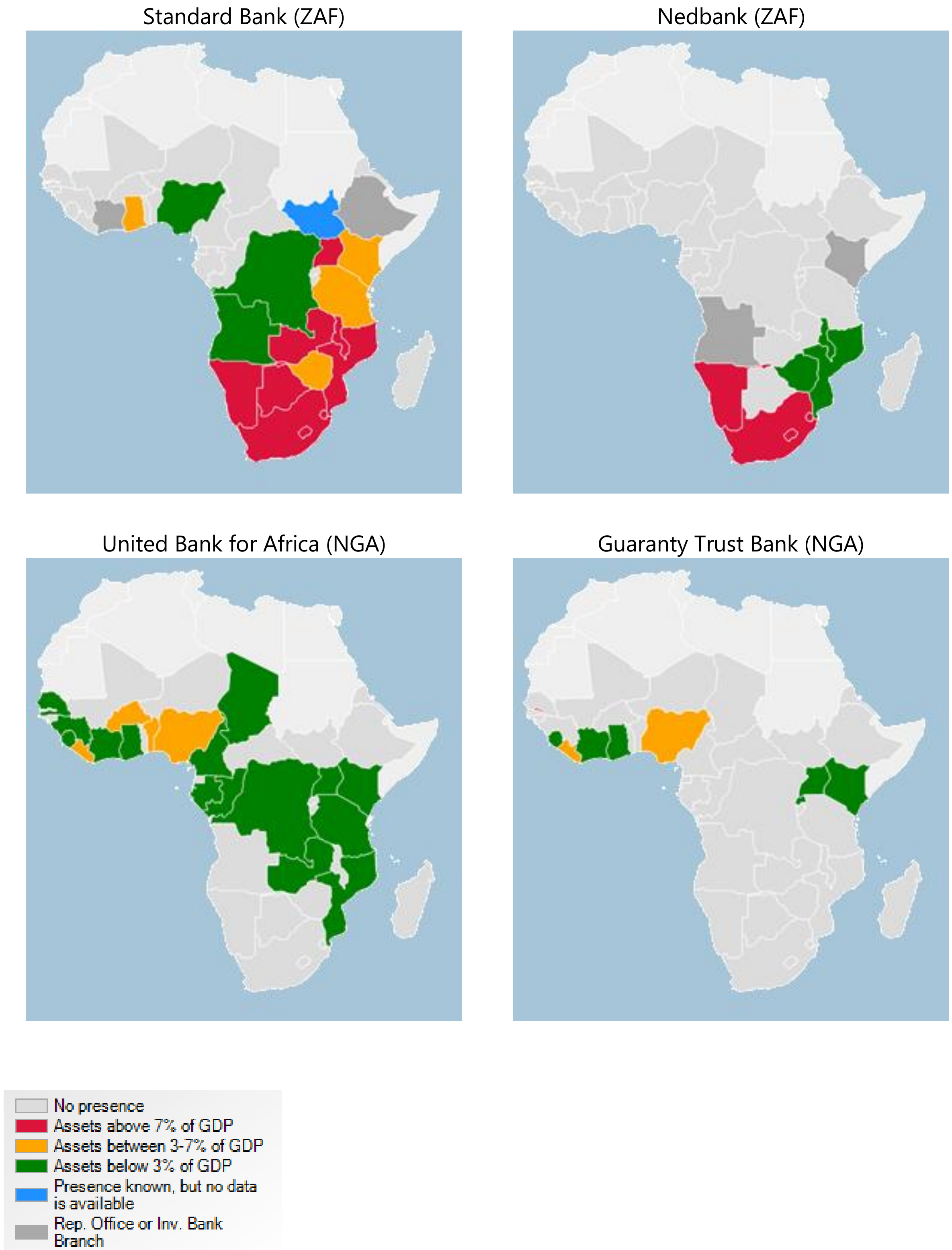


Figure 11. Selected PABs: Maps of Assets in Percent of GDP by Country, 2013 (continued)

(Assets in percent of GDP, 2013, where data available)

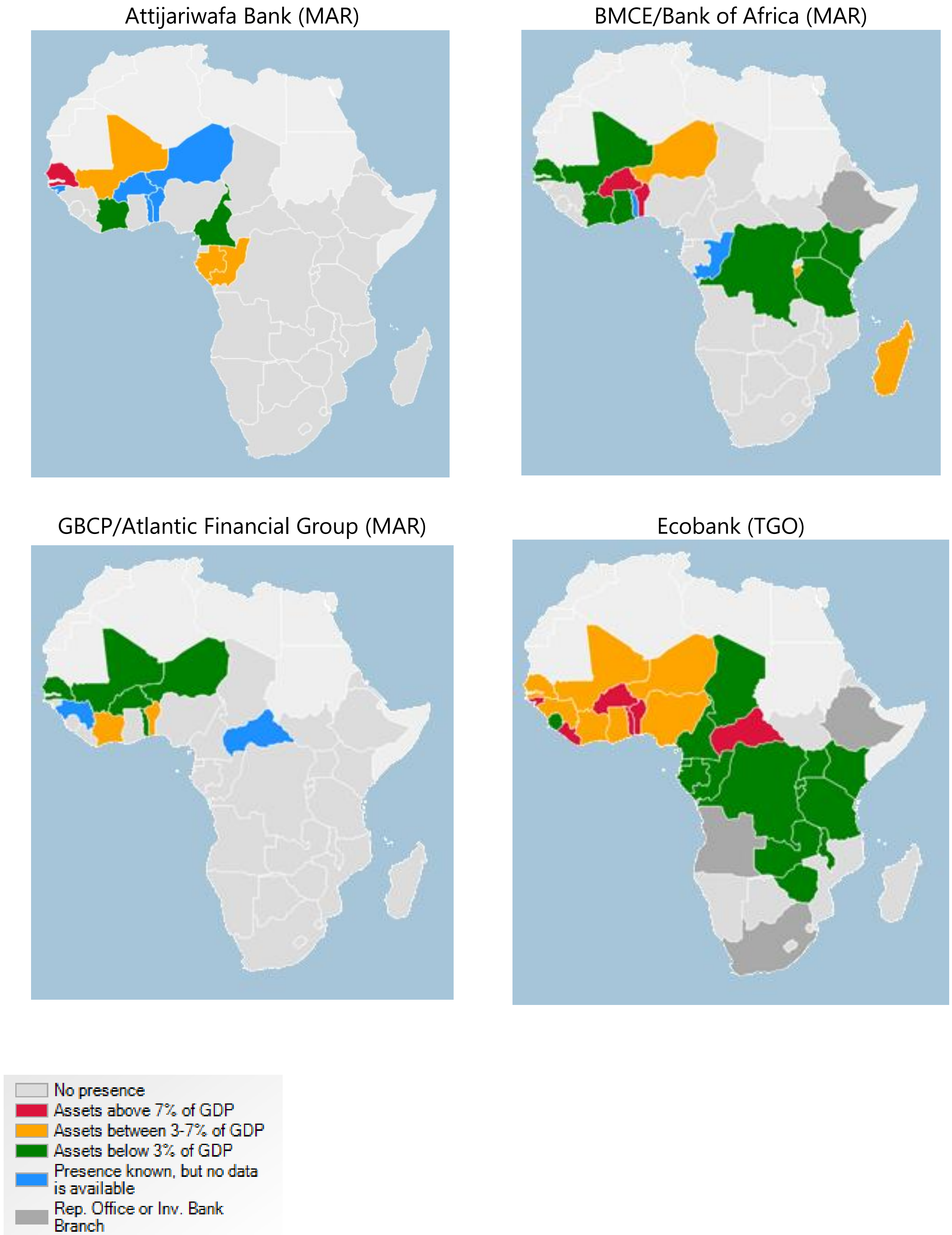
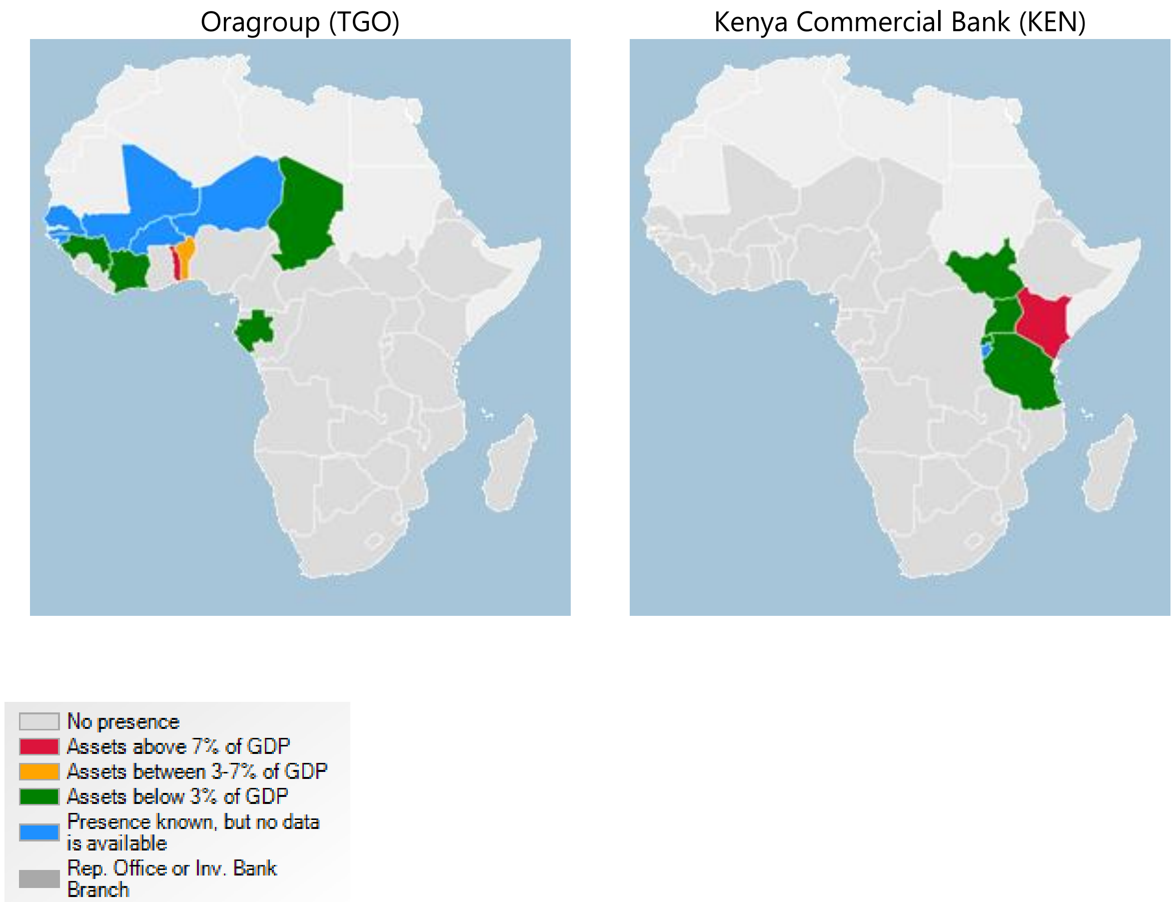


Figure 11. Selected PABs: Maps of Assets in Percent of GDP by Country, 2013 (concluded)

(Assets in percent of GDP, 2013, where data available)



Sources: Annual Reports, Bankscope, Bankers Almanac, and IMF staff calculations.
Note: GDP data is as of 2013. Bankscope data may be outdated in some cases.

Appendix I. Pan-African Banks' Home Countries

Kenya

The Kenyan banking sector is more developed and capitalized than in other EAC countries. This has created a competitive advantage for Kenyan banks to aggressively expand regionally and to leverage their success, experience, and technology to service these markets, especially in markets where returns are higher, or at least at the same level as the Kenyan banking sector. Although most banks' expansion is driven by following clients abroad, some EAC banks (Equity Bank or Kenya Commercial Bank (KCB)) have successfully introduced innovative business models from their home market to neighboring countries, such as agency banking, which also allowed them to break even faster than their competitors.

Kenyan banks' cross-border subsidiaries have increased in recent years. There are currently eleven Kenyan banks operating in the EAC Member States and South Sudan, operating through 288 branches, with banks continuing to expand their cross-border subsidiaries. The first expansion of Kenyan banks within the EAC started in the late 1990's when KCB began operations in Tanzania.

The expansion of Kenyan banks had positive effects on efficiency and competition in the EAC. A recent FSAP in the EAC (World Bank, 2013) showed that EAC banks expanding in the region have lower spreads and are more efficient than other private domestic banks. Additionally, subsidiaries of these banks have lower spreads and overheads compared to subsidiaries of foreign banks from outside the EAC. At the same time these banks are highly profitable in their home markets, providing a comfortable buffer against losses and low profits in the first years of their subsidiaries' operations.

Currently, the CBK has hosted three supervisory colleges for KCB, Equity Bank, and Diamond Trust Bank, and plans to host three additional supervisory colleges by the end of 2014. The CBK has also entered into MOUs with other banking regulators where Kenyan banks are present to define and guide the working relationships between regulators, and ensure smooth exchange of supervisory information.

Morocco

The Moroccan banking sector is among the most developed and stable on the continent, being home of some major African cross-border banks. The international and African expansion of its three largest banks is a relatively recent process. As part of their expansion strategy, Moroccan banks export their business model characterized among others on development of SMEs as well as the high supervision standards imposed by the Moroccan central bank—BAM. BAM also provide technical assistance to some host supervisors.

Morocco benefits from its privileged geo-strategic position at the cross-roads of Europe, Africa, and the Arab world, which favored international links and helped its economic and financial development. The first stages of the international expansion of the Moroccan banking sector responded mainly to geo-strategic consideration and it was centered in Guinea, Mali and the Central African Republic. The recent expansion was driven by the small impact from the GFC, challenging situations in neighboring Arab countries leading to fewer opportunities there and limited domestic growth opportunities. In a relatively competitive and well-developed domestic context, limited domestic opportunities for further growth and declining profit margins, combined with a positive engagement by the BAM have pushed Moroccan banks to expand internationally, mainly into francophone West and Central African countries which combine attractive business prospects and a high level of cultural proximity.

The process of expansion of the Moroccan banks had two phases: the expansion and the consolidation phase. During the expansion phase, the Moroccan banks were mainly acquiring existing banks to increase their presence in the continent. At the present consolidation phase, banks are trying to digest their expansion to consolidate their positions and align their system and procedures with the expansion while minimizing risks.

BAM played a major role in guiding and supervising the international expansion of the Moroccan banks with the aim to make of Morocco an international hub while ensuring an appropriate risk control. Banks are requested to share their three-year expansion strategies with BAM. In addition, any new international expansion requires BAM's prior authorization. BAM approves banks expansions based on the respect of two main criteria: risk-control-oriented culture and good governance. Before approving a bank request for expansion, BAM takes into consideration a set of country risks and individual banking group performance risks. In addition, BAM is constructing a risk matrix, which includes among others indicators on the size of the parent/subsidiary, contribution to the parent bank, profitability, asset quality, and market share in the host country. This matrix helps in the risk assessment of subsidiaries as well as to identify and prioritize supervision needs. BAM favors a rather steadier than rapid expansion. BAM incentivizes acquiring a majority stake in foreign banks which allows the parent banks to have more control of the subsidiary and nominate personal for the key functions.

Although BAM does not require the existence of a bilateral MOU as a precondition to opening up a new subsidiary, it tries to have a MOU signed once the subsidiary has been opened. Such a MOU contains provisions on prudential supervision, sharing of information, conduct of inspections, and training and capacity building. However, the MOU does not include provisions on banking resolution, since this will require the involvement of the MOFs. Morocco is in the process of enacting a new central bank statute and new banking legislation that aims to strengthen the supervision powers of BAM.

Morocco has set up an African Committee, consisting of BAM and the three largest banks to coordinate the expansion and prevent fierce international competition among domestic banks. This Committee meets twice a year at the highest level and it undertakes quarterly meetings at the technical level. A code of conduct has been signed by the three banks to prevent over competition and avoid presence in countries deemed too risky.

BAM is implementing and further strengthening high supervisory standards. BAM undertakes consolidated supervision of banking groups. It has set up a first meeting of a supervisory college for Attijariwafa and plans to organize similar meetings for the other two large banks. BAM has regular conference calls with other supervisors and conducts joint inspection of subsidiaries.

Nigeria

Over the last fifteen years, Nigerian banks expanded significantly across their borders. Cross-border expansion started in 2002, but increased after the 2004 banking sector consolidation in Nigeria following the increase in minimum capital requirements from N2 billion (US$17 million) to N25 billion (US$210 million). By the end of 2008, more than half of the 20 domestically owned Nigerian banks remaining had subsidiaries in at least one other African country, compared to only two in 2002. UBA led the way, with subsidiaries in 18 African countries. Although cross-border expansion of Nigerian banks was temporarily halted by the global financial crisis in 2008–09, it picked up after conditions stabilized following intervention in the banking sector and the strengthening of risk management and supervisory frameworks by the CBN. However the poor risk framework at the beginning of the expansion and the effect of the financial crisis put a strain on some Nigerian banks, resulting in the failure of some, including Oceanic Bank, which had expanded to seven countries before the crisis.

The cross-border expansion of Nigerian banks was motivated by several factors. The increased availability of capital motivated the need to look for better opportunities across the border. Nigerian banks also leveraged on significant opportunities in financing trade between Nigeria and other countries and their success, experience and technology platform. The banks' expansion concentrated first on neighboring countries and members of the WAMZ (for example Ghana, Sierra Leone, or Liberia), before venturing into East Africa and francophone countries like Côte d'Ivoire, Burkina Faso and the Democratic Republic of Congo. Successful economic and institutional reforms in the host countries and a conducive macroeconomic environment in Nigeria also played a role in the expansion.

Nigerian banks play a significant role in the development of the regional financial market. Nigerian banks ranked 1–15 in the African Business Survey (African Business magazine, December 2008) in the category of the most capitalized businesses in Africa. Therefore, many of the banks were in a capacity to raise capital in Nigeria, contributing to foreign direct investment in the host countries, contributing to the host countries' banking systems by raising capital outside, and thereby adding to the financial base in the host countries.

Nigerian banks contributed to the increase of bank branches in several of the host countries and account for a significant share of these banking sector's assets. For example, Nigerian banks contributed 20 percent to the increase of branches in Ghana (from 595 to 640 during 2007 and 2008). Similarly, Nigerian banks were responsible for 26 percent and 35 percent of branch growth in Sierra Leone and The Gambia. In addition, branches of Nigerian banks are increasingly outside of the home countries' capital cities contributing to financial access in the entire countries. With the development of their banking network in the WAMZ countries and Nigerian banks becoming systemic for most of these countries (Table 3), Nigeria and the host countries need to deepen their cooperation to ensure financial stability and sustain financial sector development. While some cooperation currently exists, such as MOUs as well as regular meetings within the WAMZ supervisory college, further collaboration on information-sharing and on dealing with resolution needs to be accelerated.

To address the impact of cross-border banking on financial stability, the Nigerian authorities are implementing consolidated supervision and strengthening cooperation with host authorities. Following the banking crisis, the CBN strengthened the regulatory framework, started the implementation of consolidated supervision and a framework for cross-border supervision (Appendix IV). The framework includes as a precondition for the expansion of Nigerian banks into a country the existence of a MOU with the host country, of which 38 MOUs have been initiated and 15 signed so far. In addition, a supervisory college for UBA has been recently established. The WAMZ college of supervisors is used to strengthen information sharing between supervisors within the zone and the CBN provides capacity building for host supervisors through it. Also, joint home-host on-site bank examinations of Nigerian banks' subsidiaries have provided an avenue for practical experience sharing the CBN and host supervisors in the WAMZ.

South Africa

The South African banking sector is well-developed and the biggest banks are sound and well-capitalized. It is one of the most sophisticated banking sectors on the continent with a diverse array of products and instruments. Furthermore, a combination of push and pull factors motivated some SABGs to expand beyond their pre-financial crisis Rand-area footprint. Push factors include diminished prospects due to market saturation and sluggish growth at home. Higher growth prospects in the rest of Africa presented good opportunities for both South African corporations and banks to expand. SABGs were simultaneously pulled abroad by increased pan-African trade between South Africa and the rest of Africa with a concentration in the Southern African region and in the manufactured goods sector (Box 4). Following the GCF, with advanced economies and other emerging markets facing mounting challenges, SABGs refocused their expansion strategies to the African subcontinent, particularly in the case of Standard Bank.

The banking system is dominated by four universal banks and an investment bank which have pursued a variety of expansion strategies and timing. The big four universal banks are Standard Bank, First Rand, Nedbank and Absa (now part of BAGL) and the investment bank is Investec. The four largest banks account for approximately 75 percent of deposits in 2013. After operating subsidiaries in a few neighboring countries for a number of years, Standard Bank began steadily expanding its operations starting with its acquisition of ANZ Grindlays Bank in 1993, primarily through acquisitions. Alternatively, Nedbank did not turn its attention to expanding its operations until after the GFC when the retrenchment of European banks opened up opportunities. Since Nedbank did not begin expanding until well after the other SABGs, it is leveraging its relationship with Ecobank to support its customers within the Ecobank footprint. While Standard Bank and Nedbank have historically had operations in SADC countries, FirstRand is now the most active SABG expanding in the region. Presently, South African banks have operations in 17 other sub-Saharan African countries with a Representative Office or Investment Bank Branch in another six countries. Although these operations only comprise about six percent of assets of the group total on average, this figure is expected to grow due to the banks' continued expansion.

Similar to the Moroccan banking groups and the BAM, South African banking groups seem to have a good working relationship with the SARB. In the last five years, the SARB has required banks to submit several new reports and plans, including their pan-African expansion strategies, recovery and resolution plans, and to conduct stress-tests (capital adequacy and common scenario stress-tests). The SARB asked banks to make recovery plans on a group basis but to also include specific plans for significant subsidiaries and to indicate (i) which subsidiaries are material to the group; and (ii) which subsidiaries are systemically important in the host country. While the SARB requested all South African banks to perform this self-assessment, there is scope for further strengthening the SARBs' crisis management and bank resolution framework. The SARB has begun cross-border cooperation and information sharing, especially in countries where South African banks have a significant presence. However, the maturity and depth of these relationships differ among counterparts, e.g., the relationship with the U.K. is strong versus other African countries with which relationships are relatively new and still limited.

The SARB recognizes the difficulties their banking groups face in operating in a multitude of regions and under a myriad of regulatory and legislative frameworks, as well as the limited capacity of some of the host supervisors. For example, South Africa is the only African country in the BCBS and requires its banks including all subsidiaries to comply with Basel III, whereas other jurisdictions use a different Basel Standard. While this means additional work for the cross-border banks, it is part of their normal cost of doing business across different countries. The SARB tries to address the issue of limited capacity of host supervisors by holding training workshops. Furthermore, the SARB has conducted or is planning to conduct joint onsite inspections with some host supervisors, on issues related to anti-money laundering supervision for the operations of Standard Bank in Nigeria and Kenya.

In 2013 the SARB formed a supervisory college for Standard Bank and plans to form colleges for the other big banking groups. The 2013 Standard Bank meeting was held over two days. On the first day, Standard Bank presented its strategy and risks. The remaining time allowed regulators to present and discuss amongst themselves. While this is a step in the right direction, the process is still not sufficiently mature and needs careful consideration and enhancements. The SARB acknowledged that it enhanced dialogue among supervisors; allows the supervisors to know each other better; and provides good background on the risk assessment of the bank from the perspective of the host supervisor. However, they also noted it was a cumbersome process to organize. The SARBs next steps include adding crisis management on the agenda of supervisory colleges in 2015 and to form a second college for BAGL.

WAEMU

In the WAEMU banking is still mainly conducted within national borders. Cross-border flows to households or corporations within the region are largely in the form of syndicated loans involving a sister bank located in the country of the client; in the recent period, Côte d'Ivoire and Senegal were net recipients of these flows, whereas most other countries were net exporters. The flows are still relatively small, at about 1.6 percent of total lending in 2012 (IMF, 2013a). Limited banking integration reflects a number of factors, such as the still-limited economic integration, but also the importance of local knowledge for lending activities. The main cross-border financial flows in the WAEMU involve bank purchases of government paper.

An important recent development, however, has been the emergence of pan-African banking groups. The WAEMU region is both host as well as home to some of the PABs. In particular, Moroccan banks have expanded into the WAEMU region in recent years. On the other hand, Togo is home to two major pan-African banking groups. European banks have remained engaged in the region, whereas pan-African banking groups have taken the opportunity to expand.

Appendix II. Selected Pan-African Banks

Kenya

Equity Bank. Equity Bank was founded in 1984 as Equity Building Society, before transforming into microfinance and finally becoming a commercial bank in the 1990's. It mostly focuses on SMEs and innovative delivery channels such as mobile banking. It first started its cross-border operations in Uganda through the acquisition of Uganda Microfinance Limited, and then moved to South Sudan, Rwanda and lastly Tanzania by establishing subsidiaries. Equity Bank expansion to these markets was due to a number of factors such as trade, EAC integration, and diversification, and primarily focuses on SME's. Assets of Equity Bank's cross-border subsidiaries account for around ten percent of group assets, while profits account for 4.4 percent of group profits.

Kenya Commercial Bank. KCB is considered the largest and oldest East African bank, and is the only Kenyan bank that has subsidiaries in all EAC countries and South Sudan, and is listed in the Dar es Salaam Stock Exchange (Tanzania), Uganda Securities Exchange, and Rwanda Over the Counter Market. KCB started its cross-border operations in 1997 by setting up a subsidiary in Tanzania, and currently operates through 11 branches. In 2012, KCB completed its east African regional presence by setting up a subsidiary in Burundi. The primary driver for expanding is trade finance, as Kenyan businesses are expanding and operating in more than 15 countries, therefore it is only normal that financial institutions follow them. The cross-border expansion of KCB has been always through establishing new subsidiaries (rather than through acquisitions), and the head quarters in Kenya runs the main primary functions: risk management, IT, HR, etc. KCBs cross-border operations are through 59 branches in EAC and South Sudan, with assets reaching US$970 million (20 percent of group assets), loans were US$361 million (14 percent of group loans), and deposits reached US$795 million (22 percent of group deposits). Cross-border subsidiaries contributed around US$27 million in profit (16 percent of group profits). Loans to deposits ratio for KCBs cross-border subsidiaries is 45 percent, compared to 84 percent for Kenyan operations.

Morocco

Attijariwafa Bank. The Attijariwafa bank was established in 2004 by a merger between two banks and is headquartered in Morocco. Since 2005, it has expanded in northern and western Africa, where it is only present in French-speaking African countries. International subsidiaries account for 24 percent of the bank's total branch network, with overseas operations representing 24 percent of revenues and 17.6 percent of loans. Subsidiaries operate in North and West Africa and in Europe and subsidiaries in Morocco span a number of specialized finance companies (including leasing, factoring money transfer services, real estate, asset management, and securities brokerage) as well as insurance activities, which have recently expanded abroad as well. The major shareholders are: the SNI Group (47 percent), MAMDA-MCMA Group (eight percent) and Wafa Assurance (seven percent), and the Santander group (five percent).[32]

BMCE and BOA. BMCE Bank is Morocco's second largest bank and the main shareholder in BOA Group with a stake of 73 percent. Major shareholders of BMCE Bank are FinanceCom Group (38.76 percent), a multi business Moroccan Group, BFCM-Holding of CIC Group (26.21 percent), a banking group in France, CDG Group (8.46 percent), an institutional investor in Morocco, and MAMDA/MCMA (5.14 percent). Besides Bank of Africa, BMCE Bank has also stakes in La Congolaise de Banque (25 percent) and in Banque de Developpement du Mali (27.38 percent). The first Bank of Africa operation was established in 1982 through private investors in Mali. Some years after its establishment, the African Financial Holding (now known as Bank of Africa Group and incorporated in Luxembourg) was created. Its aim was to promote setting up private banks and being the principal shareholder in every BOA to be created giving technical and management support, while requiring national capital to be strongly represented. International institutions also participated, including the West African Development Bank, the International Finance Corporation, and the Netherlands Development Finance Company. BOA's activities besides banking include leasing and real estate financing, brokerage and investment companies as well as insurance activities. With few exceptions (Madagascar, Niger, Tanzania, and Burundi), the BOA Group, Bank of Africa sub-holdings (e.g., BOA West Africa or AFH Ocean Indien) or in some cases other BoA banks together are the majority shareholders in individual Bank of Africa banks, with national shareholders or international institutions constituting the remainder.

Groupe Banque Centrale Populaire. The Popular Credit of Morocco is a grouping of banks which integrates since 2010 the Popular Central Bank and ten Regional People's banks. It is placed under the supervision of a committee called Management Committee of the Popular Credit of Morocco. GBCP is a credit institution, in the form of limited company with Board of directors. It is quoted on the stock exchange since 2004. The GBCP ensures a central role within the Group. It has two principal missions: (i) it is a credit institution entitled to carry out all the banking operations; and (ii) it is the central banking institution of the Regional People's banks. The GBCP coordinates the financial policy of the Group, ensures the refinancing of the Regional People's banks and the management of their cash surpluses as well as the services of common interest for its organizations. The government holds stakes totaling 11 percent. The Regional People's banks (BPR) are credit institutions entitled to carry out all the operations of bank in their respective territorial districts. They are organized as a co-operative with variable capital. The GBCP signed in 2012 an agreement of strategic partnership with the Atlantic Financial Group (AFG) to develop banking activities in seven countries of the WAEMU. The GBCP acquire the strategic, financial and operational management of all the subsidiaries under the name Atlantic Bank. These are run by

[32] SNI Group is controlled by Morocco's royal family with major stakes in firms operating in various sectors of the Moroccan economy. MAMDA is a mutual that helps meet the needs of Moroccan farmers and has become a major player in agriculture in Morocco. MCMA (The Mutual Insurance Central of Morocco) was established handle non-agricultural insurance risks of the farmers and promote the mutual sector. WAFA Assurance is a subsidiary of Attijariwafa bank and provides life and non-life insurance and reinsurance products and services.

the financial holding Atlantic Business International (ABI), whose shareholders are GBCP and AFG. The Atlantic Bank network was established progressively at the end of the 80s and speed in the 2000s with the creation in 2005 of the AFG holding which controls the Atlantic Bank Group.

Nigeria

Guaranty Trust Bank. GTBank was incorporated in 1990 as a limited liability company licensed to provide commercial and other banking services to the Nigerian public. GTBank began expanding beyond Nigeria in 2002 through a combination of acquisitions and greenfield start-ups. Currently, GTBank is present in nine countries including subsidiaries in both Anglo- and Francophone West Africa and East Africa. GTBank's foreign operations are small relative to its Nigerian operations: its share of assets in sub-Saharan Africa equals 8.7 percent. GTBank primarily engages in the provision of commercial banking services to its customers including retail banking, granting of loans and advances, equipment leasing, corporate finance, money market activities and related services, as well as foreign exchange operations. In addition to its foreign subsidiaries, which are wholly or majority owned, GTBank also wholly owns Staff Investment Trust of Nigeria and Guaranty Trust Bank Finance BV of the Netherlands, a special purpose entity used to raise funds from international financial markets. The largest shareholder in GTBank is Stanbic Nominees Nigeria Limited with a 22.33 percent stake, followed by GTBank Global Depositary Receipts (GDRs) with an 11.50 percent stake.

United Bank for Africa. UBA began operating in Nigeria as British French Bank Limited (BFB) in 1948 as a subsidiary of Banque Nationale de Credit, a major French bank headquartered in Paris. After Nigeria gained independence from Britain, UBA was incorporated in 1961 to take over the business of BFB. UBA listed its shares on the Nigerian Stock Exchange in 1970 and was thus the first Nigerian bank to undertake an Initial Public Offering. In 2005, UBA merged with Continental Trust Bank and Standard Trust Bank, which had a subsidiary in Ghana. The following year, UBA acquired Trade Bank which was being liquidated by the Central Bank of Nigeria. Starting in 2007, UBA began expanding its operations outside of Nigeria with the formation of UBA Cameroon in 2007. The following three years marked rapid expansion to 19 new countries: Cote d'Ivoire, Liberia, Sierra Leone, Uganda, Burkina Faso, and Benin in 2008; Kenya, Chad, Senegal, Zambia, Tanzania, Gabon, and Guinea in 2010; the Democratic Republic of Congo, the Republic of Congo, and Mozambique in 2011. Currently, UBA operates in 19 African countries, which account for about 20 percent of the group's balance sheet. Following changes in the Nigerian banking law, UBA restructured itself from a universal bank model to a "Monoline Commercial Banking Model" to provide customers with corporate, commercial, consumer, and international banking, trade services, cash management, and treasury services. In addition to being the majority owner of the aforementioned subsidiaries, UBA is also whole owner of UBA Retail Financial Services Limited, a bank services subsidiary, as well as various non-bank subsidiaries including UBA Pensions Custodian Limited, UBA FX Mart Limited, UBA Capital Europe Limited, and UBA Capital Holding Mauritius. The shareholding structure of UBA is very diverse with the largest shareholder having 7.53 percent (UBA Staff Investment Trust Scheme). Other shareholders include Stanbic Nominees

Nigeria Limited/C002 at (6.68 percent); Consolidated Trust Funds (4.70 percent); Stanbic Nominees Nigeria Limited/C001 (4.23 percent); Hiers Holdings Limited (4.10 percent).

South Africa

Nedbank. Nedbank was originally founded in 1888 in Amsterdam as the Nederlandsche Bank en Credietvereeniging voor Zuid-Afrika. In 1951, the Nederlandsche Bank voor Zuid-Afrika was established as a South African banking company and changed its name to the Netherlands Bank of South Africa. Following a series of mergers during 1992 to 2002, the holding company changed its name from Nedcor Limited to Nedbank Group Limited in 2005. The group began expanding beyond South Africa in 1997 and 1998 with acquisitions of operations in Lesotho, Swaziland (Standard Chartered Limited), and Malawi (Finance Corporation Malawi). In 2002 and 2009 Nedbank increased its stakes to majority shareholder in the Commercial Bank of Namibia (Namibia) and MBCA Bank Limited (Zimbabwe). Its latest expansion was the acquisition of 36.4 percent in Banco Unico. Since 2008, Nedbank has an alliance with Togo-based ETI and since October 2014 is the largest shareholder of ETI with a 20 percent stake, including the presence of Nedbank in the board of directors of ETI. Relative to Nedbank's South African operations, its operations abroad are relatively small at less than 3 percent share of assets, deposits, and loans. Nedbank outlined a "strategic portfolio tilt" in its 2013 Integrated Results Report highlighting the desire to "grow faster in certain businesses or products such as transactional banking, deposits, investment banking, insurance and asset management, while taking a selective origination approach with others." Nedbank wholly owns most of its subsidiaries under four main entities: Nedbank Limited (which owns two of Nedbank's foreign subsidiaries, Lesotho and Swaziland), BOE Investment Holdings Limited, Nedgroup Investments Holdings 101 Limited, and Foreign Nedbank Group Subsidiaries (which owns the remaining foreign subsidiaries). The largest shareholder in Nedbank is Old Mutual Life Assurance Company (SA) Ltd with a 52.13 percent stake. Other shareholders with a stake greater than 5 percent include (i) Nedbank Group Treasury Shares (9.90 percent); and (ii) Public Investment Corporation of South Africa (7.27 percent).

Standard Bank. Standard Bank Group (SBG), established in 1862, is the largest African banking group by assets and earnings and the holding company is based in Johannesburg (South Africa). Major subsidiaries include (i) the Standard Bank of South Africa; (ii) Stanbic Africa Holdings, U.K. (under which most of the African banking subsidiaries are concentrated, although some African subsidiaries are direct subsidiaries of the holding company); (iii) Liberty Holdings, which is the insurance and capital investment arm of the group; and (iv) the international segment of SBG, which is comprised of Standard International Holdings based in Luxembourg, Standard Bank Group International based in Isle of Man and Standard Bank Offshore Group based in Jersey. The major shareholders of SBG are: the Industrial and Commercial Bank of China (25 percent), the Public Investment Corporation (15 percent) (which is one of the largest investment managers in Africa today, and is owned by the South African Government), and Tutuwa participants (six percent).[33] Regarding ownership by regions, shareholders in Africa hold 54 percent of shares, and China and the U.S. hold 20 percent and 14 percent of shares, respectively.

Togo

Ecobank. Ecobank was set up in 1985 with the financial help of the Economic Community of West African States and technical skills of Citibank in New York (it ran Ecobank for the first four years, training Africans to take over). ETI is the parent company of the Ecobank group incorporated in Togo and having the status and privileges of a non-residential regional financial institution. The group has been expanding its presence in at least one new SSA country every year since 1997, being particular active in the second half of the 2000s. Besides banking, Ecobank has several specialized subsidiaries. These include microfinance activities (through its own operations or joint ventures) securities firms, and leasing. As of October 2014 major shareholders include: South-African based Nedbank (20 percent), Qatar National Bank (QNB), the Gulf's largest bank, (16.9 percent), the South African Government Employees Pension Fund (13.9 percent), the International Finance Corporation (14.5 percent, direct (5.2 percent) and indirect (9.3 percent) ownership), and the Ghanaian Social Security and National Insurance Trust (4 percent). [34] Since 2008, Ecobank has an alliance with Nedbank, which has been strengthened by Nedbank becoming the largest shareholder of ETI in October 2014.

Oragroup. Oragroup's predecessor was the Financial Group, Financial BC Genève, which was created in Geneva in 1985. Then in 1988, they opened the first operation in Benin as Financial Bank Benin. In its early days, the Financial Group participated in a variety of activities including banking, microfinance, and leasing. Simultaneously, the group began expanding to other countries, including Chad (1992), Gabon (2002), Guinea (2002), and Togo (2003). In 2008, Emerging Capital Partners (ECP) became a minority shareholder in the group. The following year, ECP became the sole owner and restructured Oragroup into its present form which included the divesture of its microfinance business. In 2009 Oragroup expanded to Mauritania through the minority shareholding stake taken in BACIM Bank. Most recently, Oragroup became the majority shareholder in the Banque Togolaise de Developpement (BTD) in 2012. The merger of BTD and Orabank Togo took place in 2013. Oragroup's major subsidiaries entail its foreign operations which are either majority or wholly owned. An exception is Orabank Mauritania in which Oragroup has a 34.39 percent stake. ECP has a further 62.61 percent stake in that subsidiary. Following approval by the Banking Commission, Oragroup is majority owner of the Banque Regionale de Solidarite (BRS) Group, which operates in all 8 WAEMU countries. All BRS operations are

[33] The public investment corporation is one of the largest investment managers in Africa and is owned by the South African Government. Tutuwa is part of the bank's black-empowerment initiative. This initiative was put together as part of an agreement among Standard Bank, the Safika and Shanduka (black empowerment groups) and black management and staff.

[34] The Ghanaian insurance trust is a Statutory Public Trust charged with the administration of Ghana's National Pension Scheme. The Trust is currently the biggest non-bank financial institution in Ghana.

rebranded as Orabank and operated as branches through Orabank Cote d'Ivoire with the exceptions of operations in Benin and Togo, which are in the process of being merged with existing subsidiaries in these countries. ECP continues to be the majority shareholder with 61.43 percent. Other shareholders include Proparco with 10.17 percent, BIO with 5.56 percent, Deutsche Investitions- und Entwicklungsgesellschaft mbG (DEG) with 3.27 percent, Banque Ouest Africaine de Developpement (BOAD) with 2.81 percent, Fonds Gabonais d'Investissements Strategiques with 2.58 percent, with the remainder held by other corporations and private shareholders.[35]

[35] Data as of November 2013. PROPARCO is a Development Financial Institution (DFI) partly owned by Agence Française de Développement and private shareholders from the developed countries and developing nations. BIO is a DFI established in 2001 in the framework of the Belgian Development Cooperation to support private sector growth in developing and emerging countries.

Appendix III. Ecobank Transnational Incorporated

ETI is the parent company of the Ecobank group incorporated in Togo and has the status and privileges of a non-residential regional financial institution. ETI was set up in 1985 with the financial help of the Economic Community of West African States and technical skills of Citibank in New York (it ran Ecobank for the first four years, training Africans to take over). Besides banking, Ecobank has several specialized subsidiaries. These include microfinance activities (through its own operations or joint ventures) securities firms, and leasing. As of October 2014 major shareholders include: South-African based Nedbank (20 percent), Qatar National Bank (QNB), the Gulf's largest bank, (16.9 percent), the South African Government Employees Pension Fund (13.9 percent), the International Finance Corporation (14.5 percent, direct (5.2 percent) and indirect (9.3 percent) ownership), and the Ghanaian Social Security and National Insurance Trust (4 percent).[36] Since 2008, Ecobank has an alliance with Nedbank, which has been strengthened by Nedbank becoming the largest shareholder of ETI in October 2014

Ecobank group (ETI) is one of the most rapidly expanding PABs and this rushed growth with poor governance poses serious concerns. For the past year, Ecobank group was rocked by a series of accusations on fraudulent governance and questionable transactions on bad debt and bonus awards. This led to a turbulent transition in the top management, and potentially undesired consequences to the group's finances. While investigations on these allegations were ongoing, total lending continued its fast growth raising concerns.

As a bank holding company registered in Togo, Ecobank group is not formally regulated, but is supervised by the BC on the basis of a WAEMU council minister's decision of 1991. In many jurisdictions with Ecobank's presence, legal and regulatory framework for consolidated supervision is not yet in place and supervisory entities are not empowered to enforce their decisions or to obtain information to make a proper assessment to identify the risks. With the rapid scope of expansion, Ecobank is gaining systemic importance in many cross- border operations and the deficient supervision system is a major source of peril to financial stability.

Financial performances vary between regions and Ecobank group's cross-border risk transfer mechanism is not clear. Ecobank's operations in Africa are grouped into six geographical clusters according to size and shared attributes: francophone West Africa, Nigeria, rest of West Africa, Central Africa, East Africa and Southern Africa. The Nigerian subsidiary represents 40–45 percent of group operations and poses major concerns to the group with poor governance, questionable transactions, and an unsustainable operation model. According to the 2014 June quarterly report, the Ecobank subsidiary in Kenya could not meet the minimum capital requirement and nonperforming loans are increasing and currently stand at 8.4 percent. ETI decided to inject KSH8.8 billion (US$100 million) in its Kenyan business over the next two years to

[36] The Ghanaian insurance trust is a Statutory Public Trust charged with the administration of Ghana's National Pension Scheme. The Trust is currently the biggest non-bank financial institution in Ghana.

meet the capital requirement and cope with competition, however the funding source of this capital injection is not decided. There are concerning reports on growing nonperforming loans and anemic net profits in Eastern and Southern Africa and strategic decisions about these issues would be required from the top management.

The Nigerian subsidiary reported decent improvement in capital position and profitability in the first half of 2014 (Appendix Table 1). It appears to have recovered from poor management issues in 2013 and made some progress in the latest financial performance. The total equity increased by two percent compared to June 2013 and the Nigerian subsidiary successfully raised capital by issuing a US$200 million note on August 7, 2014. It has reported a profit-after-tax of US$91 million, up 68 percent from the prior year, and US$458 million of net revenue, up 15 percent compared to 2013. It demonstrated efforts in reducing costs by closing ten branches and shedding staff as part of the rationalization program. The profitability has been negatively impacted by increased impairment provisions, which led to a decrease in profit and total equity at the end of 2013, but both have started to show some growth in 2014.

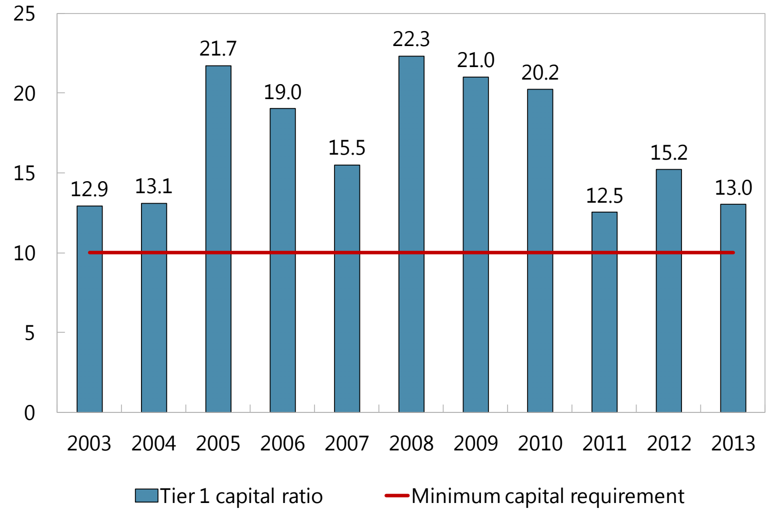
Appendix Table 1. Ecobank Nigeria: Financial Performance, as of June 2014

	2014	2013	YoY
	30-Jun	30-Jun	
	(Millions of U.S. dollars)		(Percent)
Net revenue	458.3	399.4	15%
Operating expenses	-321.6	-312.1	3%
Impairment losses on financial assets	-51.0	-30.0	70%
Profit before tax	85.6	57.2	50%
Profit after tax	90.9	54.1	68%
Loans (net)	4,514.0	3,367.0	34%
Total assets	9,593.0	8,603.0	12%
Deposits	7,057.0	6,347.0	11%
Total Equity	2,282.0	2,243.0	2%
	(Percent)		
Cost-income ratio	70.2%	78.2%	
NPL ratio	2.2%	3.0%	
Coverage ratio	78.2%	94.1%	

Source: ETI Quarterly Report, June 2014

The Nigerian subsidiary showed robust growth in its balance sheet and an improved NPL ratio. Total assets increased by 12 percent, and net customer loans increased by 34 percent in the first half of 2014. The decrease in NPLs was due to write-offs of approximately US$250 million during the second quarter, as per CBN guidelines. As a result the NPL ratio improved significantly to 2.2 percent from 3.0 percent a year ago. The loss of deposits in the Nigerian sub, feared as a result of bad press, has not materialized and deposits showed an 11 percent growth in 2014 so far.

Appendix Figure 1. Ecobank Nigeria: Tier 1 Capital Ratio, 2003–13

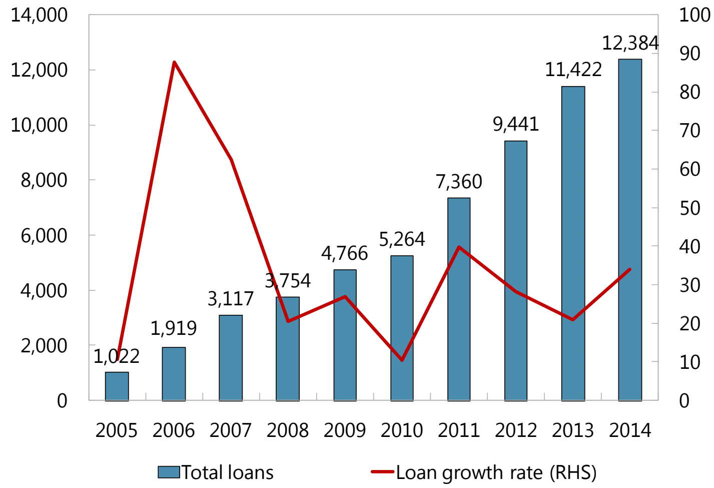


Source: ETI Annual Report, 2013.

Despite optimistic signs in 2014, the Nigerian subsidiary's true position may be less positive based on several risk factors. Despite the improvement in the capital position in 2014, a relatively weak capital position remains a concern. The tier 1 capital ratio at the end of 2013 was at 13 percent, above the minimum requirement (10 percent) of the CBN (Appendix Figure 1). However, long-term prospects are unclear as the newly established Basel II capital requirements might pose problems and Ecobank Nigeria will be subject to a one percent capital surcharge starting in 2015 as they were designated as a systemically important bank by the CBN. Rapid loan growth poses a concern, raising suspicion on reckless lending practice. The latest auditor's report documented a number of questionable transactions (e.g., margin lending) in the Nigerian subsidiary that were not properly approved by ETI. High operating cost, short-term based funding and large deposit dependence on oil sector, lack of confidence in management are perceived as potential risks for the Nigerian subsidiaries. Nevertheless, Ecobank Nigeria has been largely compliant with the CBN and SEC's Codes of Corporate Governance and efforts are being made to ensure the sound and safe manner of operations of Ecobank Nigeria.

- **Weak capital position.** The CBN requires a minimum capital ratio of 10 percent for domestic banks and 15 percent for internationally active banks in Nigeria. Ecobank Nigeria is licensed as a domestic bank and its capital ratio stood at 13 percent in 2013. However, their capital position may be less secure as it appears based on Basel II requirements that were implemented in September 2014. Basel II aims to complement minimum capital requirement with supervisory views factoring into systemic risk, concentration risk, and strategic risk in the risk-assessing framework. In addition, Ecobank Nigeria is designated as a systemically important bank by the CBN which requires a 1 percent capital surcharge starting in 2015 and several rating agencies expressed their concerns over concentration risk and strategic risk.

Appendix Figure 2. Ecobank Nigeria: Loan Growth 2005–14
(Millions of U.S. dollars; percent, RHS)



Source: ETI Annual Report, 2013; Quarterly Report, June 2014.

- **Reckless lending practice.** Nigeria recently experienced rapid credit expansion, as banks broadened their activities and moved to the untapped retail sector, and borrowers speculated in the equity market (margin lending collateralized by shares) before the banking sector collapse in 2008 (Appendix Figure 2). The Nigerian subsidiary's accelerating credit expansion should be carefully monitored and evaluated to avoid any reckless bubble lending.

- **High operating cost:** Wholesale lending-oriented model drives up the cost. Despite having strong liability generation models both in local and in foreign currencies, net interest margins still remain very low. This is driven by asset pricing factors, primarily because of the significant exposure to wholesale lending. Wholesale clients tend to have pricing power when it comes to both local and foreign currencies. The Nigerian subsidiary should explore combination of the mid-market and retail banking segment to be more efficient in managing the cost.

- **Unstable deposit base.** Short-term funding is dominant and long term borrowing seems negligible. The largest depositor holds 11 percent of total deposits and large portion of deposits seem to rely on the oil and petroleum sector. This poses concerns in case of a sharp drop of the oil price. Sudden withdrawals by the oil industry sector may cause serious liquidity problems.

- **Lack of confidence in management.** The media has been persistently reporting Ecobank's poor governance and uncertain succession to the current CEO, who will retire in 18 months. So far Ecobank has only experienced a three percent loss of deposits in 2013 due to poor governance press, but if the current situation continues or aggravates, it may lead to the withdrawal of large depositors, which would cause liquidity shortages.

Appendix IV. Key BCP Findings

These findings reflect the level of supervision regulation at the time the standard assessments were conducted. In some cases, further improvements have taken place since then.

Nigeria—September 2012 FSAP

Summary

Despite significant progress in recent years, the regulatory and supervisory framework has gaps and weaknesses: (i) Nigerian financial institutions operate under a framework of laws, regulations, circulars, and guidelines that are not all well-understood, and do not seem to provide a coherent overall framework; (ii) further enhancements are still needed in bank supervision and resolution, particularly with regards to at least one weak bank, and to cross-border supervisory practices; and (iii) the extensive agenda ahead for supervisors and regulators will pose serious capacity challenges.

Introduction

The BCP assessment was performed according to the previous version of the BCP issued in October 2006. The assessment found that Nigeria has recorded significant improvements in its level of compliance with the BCPs since the last assessment by the IMF and the World Bank in 2002. The 2002 assessment concluded that Nigeria was compliant with three, largely compliant with 11, materially noncompliant with nine, and noncompliant with two core principles. Considered against the essential criteria in 2012, Nigeria was found compliant with one, largely compliant with 17, and materially non-compliant with seven Core Principles (CPs).

The improvement in the assessment ratings is attributed to: (i) the enactment of new laws and amendment of laws; (ii) issuance of various regulations, circulars, and guidelines to address the weaknesses observed during the 2002 assessment; and (iii) reform initiatives embarked upon in the aftermath of the 2009 banking crisis.

Consolidated supervision

- The legal and regulatory framework for consolidated supervision is not yet in place. Consolidated supervision is a new area for CBN supervisors, who have only limited capability to supervise banks on a consolidated basis.
- The Framework for Consolidated Supervision of Financial Institutions in Nigeria is in draft form. It contains a formal process for evaluating the overall structure of banks and related parties as well as identifying the risks arising from non-banking activities and should provide largely the necessary regulatory platform for an effective supervisory function on a consolidated basis, though a legal foundation is also required.
- The CBN is not (explicitly, directly and unambiguously) empowered to obtain information from or supervise a financial holding company's related entities.

- The Banks and Other Financial Institutions (BOFI) Act does not empower the CBN to require a bank to close a foreign office or impose limitations on their activities under specified circumstances, namely if the CBN determines that the oversight by the bank and/or supervision by the host supervisor is not adequate relative to the risks the office presents, and/or if it cannot gain access to the information required for the exercise of supervision on a continuous basis.

Cross-border supervision

- The CBN has in place a Framework for the Supervision of Cross-Border Institutions and this document forms the basis of its cross-border supervisory activities. However, this framework does not emphasize the need for CBN to share information with its counterparts, although it stresses the importance of obtaining supervisory information from foreign supervisory authorities.
- CBN has a unit within Bank Supervision Department (BSD), dedicated to the supervision of cross-border institutions. Nevertheless, CBN has yet to carry out formal comprehensive assessments on the home and host regulators of Nigerian banks, to determine the level of reliance that the CBN can place on these regulators.
- There are MOUs in place with other foreign regulatory agencies in jurisdictions where Nigerian banks have presence.
- In the case of other jurisdictions which have not signed formal information sharing arrangements with the CBN, there are informal arrangements for information sharing, for instance, in the case of the OCC and U.K. FSA. In certain circumstances, the information sharing via informal arrangements is more active than those via the formal arrangements.
- Foreign banks operating in Nigeria are subjected to the same regulatory and supervisory regimes as applied to domestic banks.

Corrective and remedial powers of supervisors

- Supervisors have at their disposal an adequate range of supervisory tools to bring about timely corrective actions. This includes the ability, where appropriate, to revoke the banking license or to recommend its revocation. However, the Supervisory Intervention Framework may not be fully aligned with and grounded in the BOFI Act.
- Although these powers were promptly deployed during the 2009 banking crisis, there is a concern that, in the past, the authorities may not have consistently acted promptly, resolutely and forcefully in applying corrective, enforcement and sanctioning actions, or in resolving problem banks, especially in instances which may potentially imperil financial stability.

South Africa—May 2014 FSAP Update

Summary

South Africa has a high level of compliance with the BCPs. The current supervisory regime is based on strong relationships with bank boards and senior management, as well as with banks' internal and external auditors, supported by intensive qualitative and quantitative analysis. The Registrar of Banks (the head of banking supervision) and his staff in the Bank Supervision Department (BSD) of the SARB hold banks to a very high standard of corporate governance and risk management.

Introduction

The BCP assessment was performed according to the current version of the Basel Core Principles issued in September 2012. The SARB, as a member of the BCBS, is committed to the adoption of international standards and sound practices promulgated by the BCBS, as well as other relevant standard-setting bodies. The implementation of the Basel III capital standard has started and its liquidity standards will be implemented according to the internationally agreed timetable. Several significant improvements to the supervisory framework have been made since the previous assessment in 2010, including substantial increase in the supervisory resources and added intensity of on-site supervisory works.

The assessment found a few areas in relation to the legal and regulatory frameworks as well as powers that still warrant improvement. These include, among others, legal provisions related to objectives of the supervisory institution and appointment and dismissal of its head, the power to suspend or limit a bank's registration expeditiously, and supervisory techniques to address risks stemming from the non-banking activities of a financial group. While the BSD has been able, for the most part, to work around these weaknesses, amendments to the appropriate laws and regulations should be made as soon as possible. In addition, supervisory techniques to monitor the risk of an entire financial group should be further improved.

Consolidated supervision

- Most of the prudential regulations, reporting requirements and supervisory processes apply also to a bank or a bank controlling company on a consolidated basis, which covers both non banking activities and foreign operations of South African banks. Prudential requirements that apply on a consolidated basis include capital adequacy, liquidity, large exposures and exposures to related parties. Reporting requirements on a consolidated basis are comprehensive, including both financial statements as well as prudential and risk data.

- Given the prevalence of conglomerate-type financial groups in South Africa, however, the assessment encourages authorities to make further effort to monitor and manage risks arising from non-banking activities or parent entities. In this regard, the authorities are recommended to strengthen its technique, such as group-wide stress testing, to monitor and assess those risks and improve the recovery and resolution planning of large banking groups.

Cross-border supervision

- South Africa has a comprehensive approval process for its banks to establish foreign operations that assesses managerial structures of the operation, nature of supervisory functions performed by the host country, and the ability to submit the returns required by South African regulations. The establishment of a MOU with the host supervisor is also required.

- In addition to reporting requirements on a consolidated basis, regulations also require banks to submit detailed reports on individual foreign operations to the BSD, which includes, for example, financial statements as well as regulatory risk weighted exposures on credit, market, operational and other risks. External auditors are also required to issue a report on each foreign banking operation of a South African bank.

- The BSD pays close supervisory attention to foreign operations of South African banks through a number of means, including analysis of the abovementioned reports as well as discussions with group CEOs and CEOs of local operations. A dedicated analyst is assigned for supervision of foreign operations of each major bank.

- The BSD has recently organized a supervisory college meeting for one of its largest banks, which will be held periodically going forward. One for another bank is also scheduled in the near future. There is close cooperation with supervisory authorities in the UK, where South African banks have strong ties. In addition, the BSD staff visits host supervisors in Africa to discuss matters related to foreign operations of South African banks, although it is still relatively limited. Joint onsite visits with African host supervisors have not yet been conducted.

- The assessment recommends the SARB to continue their efforts to support the capacity building of host supervisors in Africa as well as to finalize their policies and processes on conduct of on-site reviews/inspections of South African banks cross-border operations in these countries.

Corrective and remedial powers of supervisors

- Laws and regulations provide a range of tools to the supervisor, but most supervisory concerns are addressed without resorting to particular powers given by the laws. Also, the strong framework for licensing and corporate governance enables the supervisor to address issues in a cooperative manner using less formal and stringent measures in most of the cases.

- The need for 30 days prior notice in suspending registration or restricting activities, which has not been changed since the last assessment, however poses a major problem.

WAEMU—November 2007 FSAP

Summary

The BCP assessment was performed according to the previous version of the BCP issued in October 2006. Banking supervision is still broadly based on compliance with regulations and seems to lag behind developments in the international prudential approach based on risks, transparency, and market discipline. There has been little development in the prudential framework, certain regulations are excessively flexible or inappropriate, and most ratios are unevenly observed, including the solvency ratio. The BC, which operates in a supranational framework, does not have appropriate powers to enforce them, and it seems that it has insufficient authority to manage crises in the banking system. The institutional reform in progress is expected to strengthen the community aspect of financial system surveillance, and therefore to strengthen the central role of the BC in supervising banks in the union.

Consolidated supervision

The current system does not meet the essential conditions of this principle, which had no practical scope until recently.

- According to legal and regulatory provisions, banking groups operating in WAEMU must consolidate their accounts for their annual financial statements and must submit to the BC an annual statement established on a consolidated basis. Moreover, holding companies that control the banks and financial institutions established in WAEMU are required to produce combined annual accounts for their operations.
- All prudential rules are currently applied on an individual corporate basis. The BCEAO is giving consideration to a prudential mechanism that would be applicable on a consolidated basis to holding companies and banking groups present in WAEMU

Cross-border supervision

- The BC has signed information exchange agreements with the home supervisory authorities of the parent banks of some subsidiaries, in particular the French supervisor and the Banking Commission of the Central African Monetary Union.
- The provisions of the Banking Law governing licensing conditions do not require consultation of the home country authorities on licensing applications submitted by foreign banks. The BC is not required, in processing a license application, to satisfy itself that the home supervisor conducts all its supervision on a consolidated basis.

Corrective and remedial powers of supervisors

- The bank crisis resolution system, particularly for systemic crises, at the level of member states, or at the regional level should be strengthened and completed;
- The BC does not have full control of the process of addressing difficulties, as decisions to liquidate banks or to place them under provisional administration are made by the national authorities;

- The BC has no power to enforce decisions in member states. This power is held by the national authorities, which can be hesitant to apply the BC's decisions, particularly when they involve provisional administration, liquidation, or license revocation;

There are no deposit guarantee systems that could be used to indemnify depositors in the event of bank failures.

WAEMU—Updates from Pilot Financial Sector Surveillance 2013[37]

Consolidated supervision

The BC currently has limited capacity to conduct prudential oversight of complex and rapidly expanding pan-African banking groups. Consolidated supervision is also hampered by the BC's lacking powers to supervise financial holding companies. These shortcomings must be addressed forcefully. The authorities are aware of these issues and are preparing a study on how to move towards consolidated supervision.

Cross-border supervision

Adequate supervision of cross-border groups also requires a strengthening of collaboration with other supervisors. There are currently a few cross-border cooperation agreements (e.g., with France, Guinea, and Morocco), with several ones being worked out. However, the effectiveness of such agreements is not assured in a crisis context, as illustrated in other regions during the international financial crisis. Improved collaboration with foreign supervisors would require: (i) signing cooperation protocols with the full range of foreign supervisors of parent banks and subsidiaries of lending institutions located in the union (at present only half a dozen protocols have been drawn up and signed); (ii) setting up a schedule of regular meetings with foreign supervisors structured according to types of risks; (iii) instituting a regular sharing of information between supervisors, in particular regarding the assessment and monitoring of risks and internal auditing within corporate entities; (iv) in collaboration with foreign supervisors, clarifying the actual responsibilities of parent companies in recapitalizing their branches and subsidiaries, especially when problems arise. At the WAEMU level, the existing college of supervisors is essentially a working group that can share information and promote harmonization, but not a supervisory college with the mandate, power, organization and capacity to monitor and inspect the activities of each banking group headquartered in the region.

[37] Discussed in the context of the 2013 Article IV consultation for WAEMU (IMF country report 14/84; March 2014).

Appendix V. Summary of FSAP Stress Test Results

Ghana: 2011 FSAP Update

The results of updated stress tests indicate that stability risks in Ghana's banking system have been substantially reduced, but underlying vulnerabilities remain. The results indicate a significant improvement compared to the stress-tests performed by the mission in August 2010, reflecting the repayment of government related NPLs, an intensification of debt recovery efforts by banks, and an increase in capital as part of banks' efforts to comply with the new minimum capital requirements. The improvements, however, seem tenuous as the tests show that modest increases in lending that shifts assets from low to higher risk weighted assets could result in several banks failing to comply with capital requirements.

Credit risk and concentrations in loan portfolios continue to present a major risk to banking system stability. At least ten banks with an asset share of 41 percent continue to have concentrations where the default of a single obligor would result in them breaching the capital adequacy ratio and two of them, with a market share of 16 percent, would become insolvent. Similarly, eight banks with a market share of 27 percent would breach the capital adequacy requirements, if loans that are currently classified as substandard and doubtful migrate across the transition matrix, and 11 percent of current loans become nonperforming.

Cross-border contagion is considered by the industry to be an important risk, but the mission was unable to quantify its potential impact. Data on the banks' intra-group exposures was not available. In addition, the recent turbulence in Nigerian banks could not provide a historical perspective on the potential cross-border contagion, since the parents of banks currently in Ghana were not directly affected. Tests undertaken by the mission indicated that one bank had significant direct exposures to the parent bank. However, discussions with the banks suggested that the collapse of a parent bank could easily undermine confidence in the subsidiary and trigger a deposit run on banks considered to be of the same asset class.

Macroeconomic risks pose a greater threat because of the potential simultaneous impact on asset quality, the exchange rate, interest rates, and liquidity. The two possible scenarios (a fiscal deterioration and a shock to cocoa prices) yield results that were similar in magnitude. Both have direct implications for interest rates, exchange rates and NPLs, but the greatest threat comes from a fiscal deterioration given the higher probability of occurrence.

Liquidity risk is less of a systemic threat but there are some pockets of vulnerability. Updated stress tests indicate that two banks remain highly vulnerable to liquidity risk. These two banks depend heavily on public sector deposits to finance their asset growth, and if the central government and public institutions were to withdraw their deposits from commercial banks, they could see their liquid asset ratio falling below ten percent. More generally, small banks are more exposed to liquidity risk than big banks. This is because big banks have a network of branches through which they are able to tap low-cost deposits, while smaller banks rely heavily on public sector and other wholesale deposits. Some of the smaller banks also use their t-bills as security for corporate deposits and the encumbered assets would not be available to meet deposit withdrawals.

Nigeria: 2012 FSAP

The FSAP analysis found that even though the financial system has recovered since the peak of the recent crisis, it is still vulnerable to global and domestic shocks. Vulnerabilities stem from the high dependence of the economy on oil and terrorist activity in northern Nigeria. A deterioration in the global environment resulting in a sharp drop in oil prices or disruptions in oil supplies (including from theft), would impact Nigeria's current account and fiscal positions, thereby limiting the buildup of international reserves and increasing public debt. The recent upswing in terrorist activity in northern Nigeria is harming the non-oil sector (particularly agriculture and commerce) there. A further deterioration in the security situation would raise business costs in an already high-cost environment, and dampen activity.

The stress tests suggest that most Nigerian banks could withstand extreme shocks reflecting banks high capitalization and current low NPLs. A severe increase in overall NPLs would result in undercapitalization of just a few banks. The general resilience reflects banks' high capitalization and currently low NPLs, which in turn reflects the banking system restructuring and recapitalization after the 2009 banking crisis. However, some individual banking institutions appear vulnerable, and one is insolvent even before any stress test. The credit risks analysis suggests that the highest risk comes from credit concentration to single names and group borrowers. The stress tests also took into account how an economic deterioration in African countries, where Nigerian banks' subsidiaries operate would impact the Nigerian banking sector. Such a scenario is put as resulting in an increase of NPLs and a sharp decline of the local stock market index.

Similarly, Nigerian banks appear resilient to liquidity pressures and contagion in the interbank market. Liquidity stress tests suggest that the system could withstand liquidity pressure and absorb moderate potential losses, although some banks appear more vulnerable. Contagion risk through interbank exposures is generally small and in general, the interbank market is capable of withstanding significant adverse liquidity and funding shocks.

South Africa: 2014 FSAP Update

Stress tests confirm the capital resiliency of banks to severe shocks, but illustrate a vulnerability to liquidity shortfalls. Banks are likely to withstand large losses even in the severely adverse scenario because of a high initial capital buffer. However, household debt may be a source of vulnerability. While capital positions appear adequate, banks face liquidity shortfalls. Some banks have difficulty meeting Basel's liquidity coverage ratio without support from the SARB in form of a committed liquidity facility, and face bigger challenges meeting the net stable funding ratio.

WAEMU: 2007 FSAP

The FSAP analysis found that banks remain highly vulnerable to sectoral shocks and the large exposure to the public sector and compliance with prudential norms is uneven and low. The large exposure of banks to the public sector, with about one third of bank credit extended to public enterprises of central governments, weaknesses in fiscal management and high reliance of countries on external aid leave banks vulnerable to fluctuations in fiscal outcomes. The dwindling of external aid flows, when it has occurred, has spurned public sector arrears, which, in turn, increased existing difficulties experienced by the private sector in repaying bank loans.

The lack of diversification of the economies is also a key risk and the vulnerability to external shocks is high. Most economies are dominated by cash crops leading to the concentration of lending on a small number of borrowers or sectors. In addition, crop loans pose major risks when bank lending is not well structured, or when the enterprises are not allowed to pass on to producers all or part of changes in international prices and no explicit and sustainable mechanism is in place to help absorb exogenous shocks that cannot be appropriately hedged through market mechanisms.

Stress tests suggest low resilience of the banking sector to shocks. They show the predominance of credit risk and vulnerability to sectoral shocks, reflecting the poor quality of assets, the difficult business environment, and the lack of diversification of the economies. A downturn in the energy sector in response to higher oil prices and the deteriorating financial position of key enterprises would have a direct, albeit contained effect. Because of their larger CARs, foreign banks appear to be in a stronger position to withstand shocks, whereas public banks are particularly vulnerable.

The banking systems are vulnerable to large exposures, but the direct effect of an erosion of central government finances on bank solvency would be relatively small. Even in the case of a generalized default by governments, the decline in average CAR would be modest, with a more pronounced impact in the subgroups of local (i.e., not foreign-owned) and public banks. This is mostly explained by the low level of provisioning required on sovereign risks. However, noncompliance with the limits on large exposures is a source of vulnerability and some banking systems would be severely affected by the default of the largest borrower.

Banking sectors in the WAEMU appear to be resilient to liquidity pressures as the immediate effect of a run on deposits would be mitigated by the abundance of liquidity. The withdrawal of all central government demand deposits and half of its time deposits would have a modest overall effect, but significant on certain banks that are highly dependent on such deposits. Overall, local and public banks are the most vulnerable.

WAEMU: 2013 Update from Pilot Financial Sector Surveillance[38]

On average, the banking system is liquid and well capitalized, although the situation varies substantially across banks and countries and stress tests showed that banks are very vulnerable to sectoral concentration. The lack of economic diversification and the large informal sector lead banks to concentrate lending on only a few sectors and corporations. In the WAEMU, the 50 largest companies account for 1/3 of total bank credit. This is a major vulnerability for banks, and the risk can be systemic if banks are substantially exposed to the same large borrower. While varying across banks, the generally weak quality of assets is reflected in large NPL ratios (even after accounting for provisioning). Local accounting rules take longer to write-off NPLs compared to most jurisdictions, with some of these NPLs likely to be old and potentially reflecting difficulties in exercising guarantees through the judicial system. Data on NPL flows were not available to assess recent trends. On the other hand, interest rate risk and liquidity risk are limited due to mostly short term assets and large liquidity buffers.

The lack of recent and comprehensive data is an important limitation to the use of stress tests for crisis prevention purposes. In particular, the lack of data did not allow assessing risks related to the exposure of banks to WAEMU sovereigns, but this exposure is clearly increasing, raising new (possibly systemic) risks. The broader exposure of banks to the public sectors (e.g., through public enterprises) is even more substantial. WAEMU banks hold over 70 percent of public debt issued by WAEMU sovereigns, and cross-border holdings are sometimes large. In the case of Côte d'Ivoire in late 2010 (when the crisis started), more than half of the debt was held by residents of other WAEMU countries, generally banks. A default on this debt could have created a systemic bank crisis in the region.

[38] Discussed in the context of the 2013 Article IV consultation for WAEMU (IMF country report 14/84; March 2014)

Appendix VI. Banking Integration in ASEAN[39]

In order to bring financial stability and economic benefits to the region, ASEAN member states aim to create the ASEAN Banking Integration Framework (ABIF). Like Africa's banking sectors, the ASEAN banking sector is deeply interconnected not only regionally but also globally. This region's financial integration would, therefore, need to be coupled with financial regulatory and supervisory harmonization and ASEAN central bank governors have endorsed the ABIF in April 2011, which they plan to implement in 2020. Given that Africa and the ASEAN region share the cross-border nature of banks' operations and their efforts toward establishing a harmonized financial supervisory system in the region, this ASEAN initiative may provide useful guidance or lessons on how to create a consolidated financial regulatory and supervisory system in Africa. However, at the current junction it would be still too early to draw lessons from a finalized integration as the process is ongoing.

To ensure a successful implementation of ABIF, four pre-conditions have been agreed. First, harmonization of principles of prudential regulations is needed to create a level playing field; second, financial stability infrastructure such as macro-prudential surveillance mechanism, regional crisis management protocol, is required to prevent or manage the crisis; third, technical capacity building is essential to enhance transparency and strengthen accounting and audit practices; and fourth, setting up criteria for ASEAN Qualified Banks to operate in any ASEAN states with a single passport is desired to increase the efficiency of banking sector. Working groups have been set up for each of the four pillars and ABIF is co-chaired by Malaysia and Indonesia for the period 2011–13.

Given the different level of financial market developments in the region, ABIF allows flexibilities by adopting a double- track implementation. Wide gaps were identified in all areas of ABIF among ASEAN countries, including domestic banking regulation, financial stability infrastructure, size and depth of markets, systemic risks, and technical capacity. The double-track approach is considered at the moment, broadly for ASEAN5 (Singapore, Malaysia, Thailand, Philippines, and Indonesia) and BCLMV (Brunei Darussalam, Cambodia, Laos, Myanmar, and Vietnam) and allows the latter to implement at a slower pace, but serious gaps are found among ASEAN5 as well. This flexible approach invites many critical debates and may drag the full implementation of ABIF.

In order to achieve sustainable financial integration in the region, centralized cross- border banking regulation and supervision is critical. As regional financial sector is more and more integrated, ASEAN member states are aware of potential risks and discussing all the components of centralized cross-border banking regulation and supervision. Their suggestions include 1) introducing a single cross-border banking supervisory agency in the region to enforce the

[39] ASEAN member states are Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Lao PDR, Myanmar, and Cambodia (ten countries).

harmonized prudential regulations, 2) improving framework for cross-border banking resolution and recapitalization, 3) introducing cross-border deposit guarantee system, 4) standardizing accounting and auditing practices 5) enhancing transparency and others. This will require substantial degree of national financial regulatory reforms which will depend on economic and political interest of individual countries.

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