



ROLE OF PENSION FUNDS IN MORTGAGE FINANCE

AUHF Presentation | September 2016



GHANA HOME LOANS (GHL) – Overview

**Commenced in 2006.
Currently the only specialised
residential mortgage finance
institution**

**Supervised by Bank of Ghana as
an NBFi**

**Promoted by 3 Ghanaians with
experience in Private Equity,
Mortgages and Investment
Banking**

**Founding funders
include FMO,
Standard Bank (SA),
Broad Cove Partners,
later joined by IFC**

**Commenced
operations in Sept.
2006 to focus on low
to middle income
earners**

**Currently owned by
Harborough
(70% - Abraaj and 30%
- Ghanaian
management team)**

**Operates from Accra
& Kumasi with total
staff of 105**

Overview of Products

Ghana Home Loans product offerings include:

I. Purchase Mortgage

- First time buyers
- Buy to let

II. Home Owners Loan

- Equity release
- Refinance and Improvement

III. Construction Mortgage

- Home completion
- Home construction

IV. Land Purchase Mortgage

V. Remittance Services, Property Service & Insurance



Refinance MORTGAGE



Property SERVICES



Land Purchase MORTGAGE



Insurance



Home Purchase MORTGAGE



Quick CASH



MoneyGram MONEY TRANSFER



100% MORTGAGE



Home Owners MORTGAGE



Home Construction MORTGAGE

Strong Growth Opportunities

Relatively low mortgage loan outstanding as % of GDP ratio

Housing deficit of over 1.7million units

Growing urban population and emerging middle class

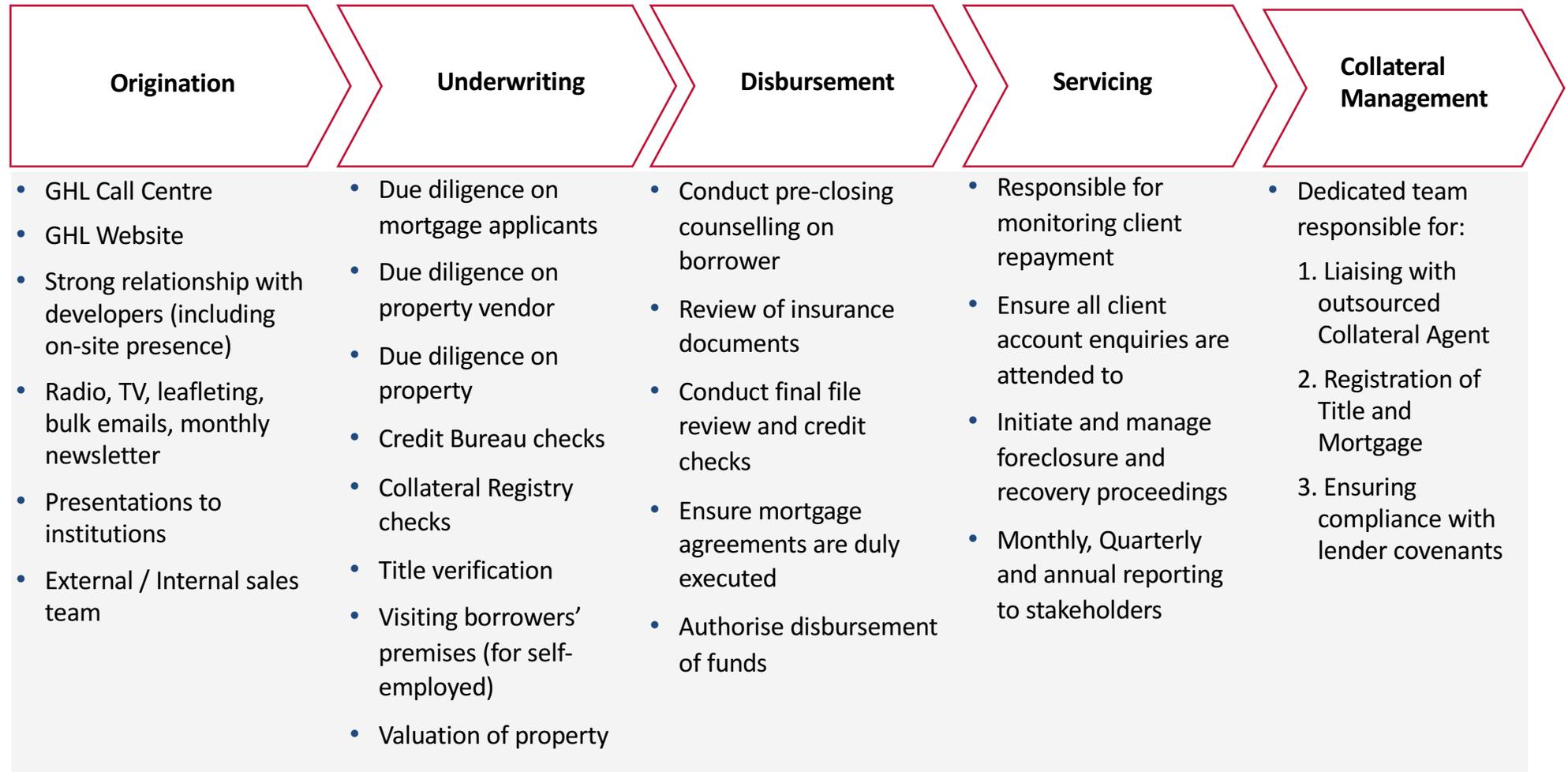
Low penetration of financial products

Long-term financing is key to addressing housing deficit

Immense opportunity for expansion in low to middle income housing

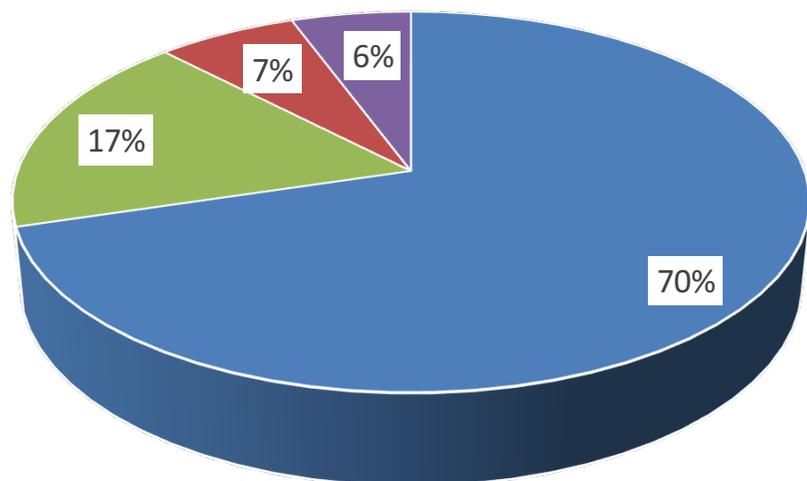
Our Operational Process

GHL has an integrated and coordinated team responsible for the day to day activities of the Company



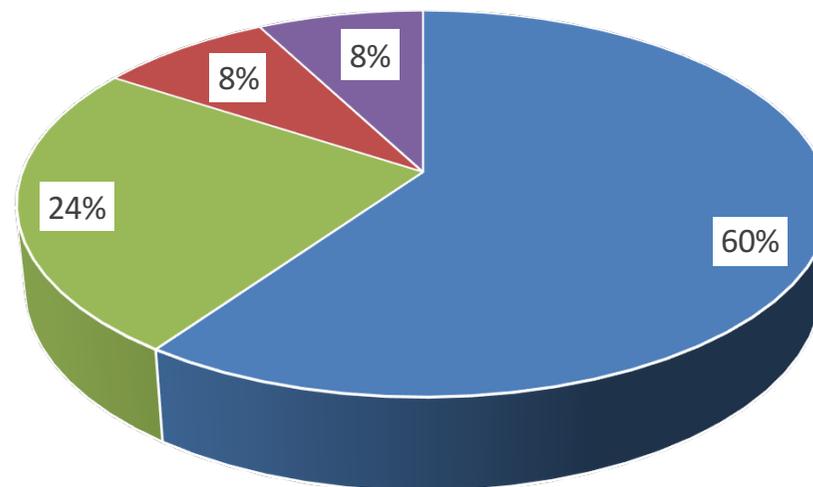
Portfolio By Currency Of Income

By Number



■ GHS ■ USD ■ GBP ■ OTHER

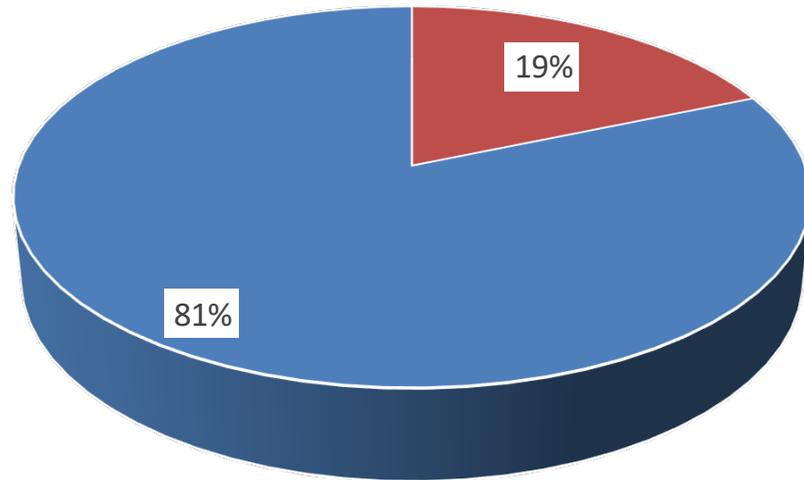
By Value



■ GHS ■ USD ■ GBP ■ OTHER

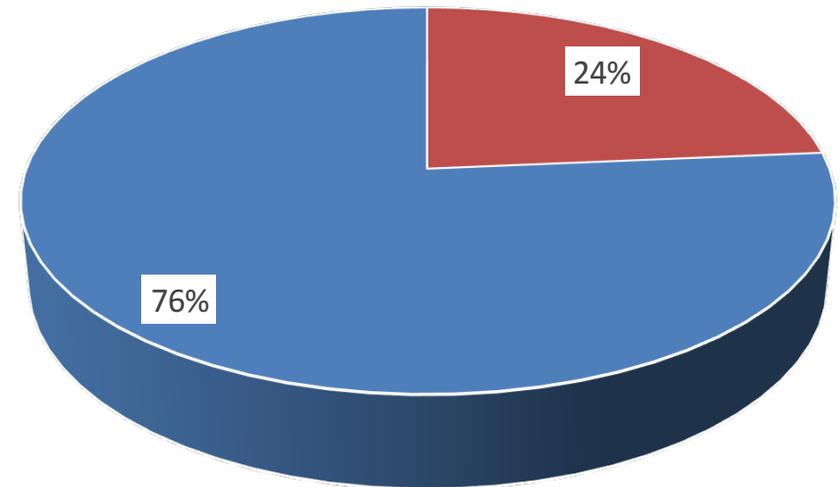
Portfolio by Residence of Borrowers

By Number



■ Non-Resident ■ Resident

By Value



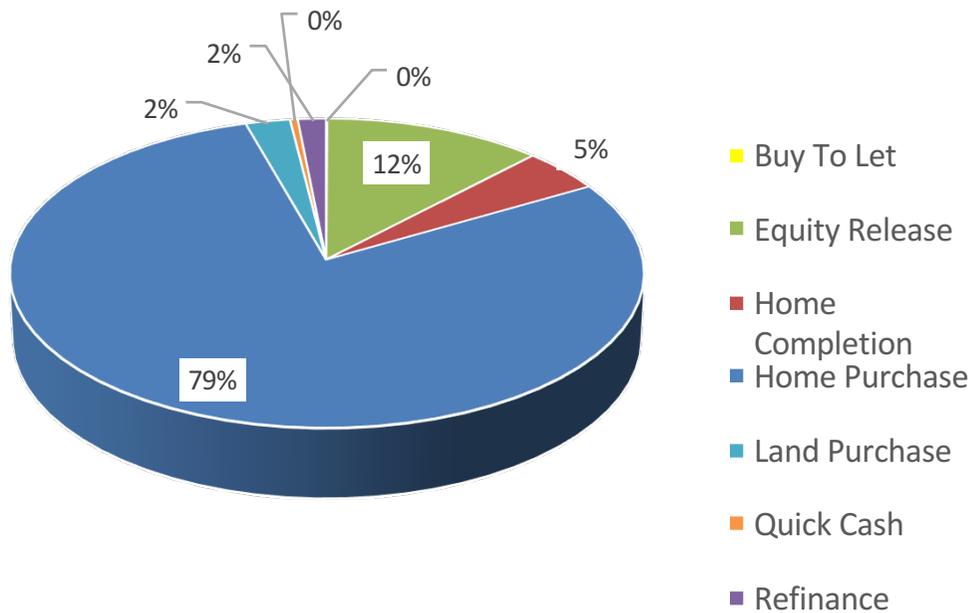
■ Non-Resident ■ Resident

Average value of Non-Resident loans-
Average value of Resident loans-

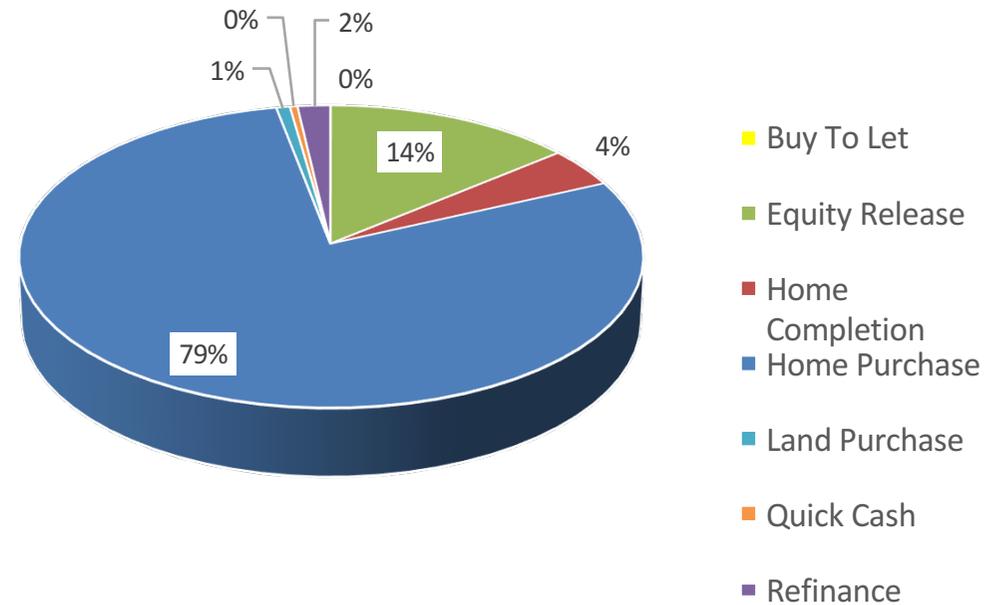
\$74,134.34
\$55,071.33

Portfolio By Product Type

By Number



By Value



Ghana Home Loans has strong track record in raising long term funds

- Over the years, GHL has successfully raised long term funds from reputable international institutions to create home owners in Ghana



- In addition to the above, the Company has also raised GBP 5mm from Ghana International Bank, a leading financial institution based in London

GHL has however sought to blend DFI funding with other sources

- Even though GHL has developed a strong track record with DFIs, we have resolved to introduce other sources of funding such as capital markets instruments
 - DFIs offer competitively priced, appropriately structured credit facilities and promote the developmental agenda. Lenders such as OPIC have made it possible for us to offer 20 year fixed rate mortgages in a market that is otherwise dominated by short term instruments
 - However sometimes, other factors can lead to the ‘taps’ being turned off
 - Capital markets often seek higher pricing but are sometimes more flexible in their approach
 - We see participation of local institutions as a further validation of our business model

Reforms in pensions industry offers an excellent opportunity

- The Ghanaian pension industry has recently undergone reforms:
 - In the past, individual pension deductions were passed through to SSNIT, the state owned pension fund manager
 - Since 2013, a three tier pension scheme has been created – Tier 1 goes to SSNIT, while Tiers 2 & 3 are given to private pension managers, regulated by the NPRA
 - These private pension funds therefore have access to c.22% of employee's monthly income to manage

Regulatory limits however constrain the use of pension funds

	Regulatory Limits
GoG Securities	75%
Local Govt. Securities	30%
Corporate Bonds/Debt	30%
Fixed Deposit	35%
Listed Equities	10%
Open and Close-end Funds	5%

- Corporate bonds have to be listed on a recognized exchange to be eligible as an NPRA asset class
- It is still early days - even though the guidelines talks about the use of pension fund contributions towards the acquisition of homes, the operational guidelines are yet to be fully spelt out

In 2016, GHL launched a USD100mm Note programme to test the market

- Notwithstanding all the constraints, in July 2016 GHL launched a medium term note programme to fund our mortgage portfolio
- The key features are as follows
 - Tenor – 5 years
 - Interest rate – first tranche c.8% p.a.
 - Currency – USD
 - Coupon – paid semi-annually
 - Listing – GAX, Ghana

Market response to GHL Tranche 1

- Generally, the initial USD5mm offer was well received by a market that otherwise receives between 0% to 1% for USD bank deposits
- Participation by private pension funds was not as aggressive as their earlier expressions of interest had suggested
 - Most pension funds are benchmarked to the 182 government T-bill which currently offers c.24% p.a., therefore a 8%p.a. USD instrument in a stable local currency environment does not look that attractive
 - Some potential investors, concerned about ease of liquidation of positions, would like to see how the instruments trades before participating in the next tranche
- We remain cautiously optimistic about prospects for future tranches and will take our programme to international investors that have appetite for this kind of risk
- A GHS tranche would work but difficult to write mortgages with

GHL – lessons from 10 years of mortgage delivery

- Market education has been a key challenge – getting borrowers to appreciate the mortgage product and what it is for
- Affordable housing has been hard to define and remains a challenge that has not been resolved by vertical construction, new technology, PPP etc
- Construction finance for local developers remains a key challenge – it has therefore attracted better funded foreign competition
- Aggressive rate of prepayment reflects a culture averse to being in debt. Flexibility in lending is key
- Ability to credit score the self employed and informal sector has been limited and constrained the growth of the portfolio
- Targeted and well thought through government intervention is really required – in the case of pensions, a percentage of the portfolio could be dedicated to eligible mortgages