Banking reforms so far: topmost issues on the minds of bank CEOs

August 2019

www.pwc.com/gh

Table of contents

CSP's message

Vish Ashiagbor

Country Senior Partner

Background to this year's survey

Last year, we obtained and shared with you insights from bank executives on how banks intended to deploy increased capital obtained in compliance with the new capital requirement directive issued by Bank of Ghana (BoG). This year's survey, a build-up on last year's survey, is premised on the wider banking sector reforms being driven by BoG with an overarching objective of modernising and strengthening the banking sector to adequately support economic growth and transformation. In this regard, our 2019 Ghana Banking Survey (GBS 2019) has been themed **"Banking reforms so far: topmost issues on the minds of bank CEOs"**.

The banking sector reforms date back to 2017, when BoG embarked on a comprehensive reform agenda, with the objective of cleaning up the banking industry and strengthening the regulatory and supervisory framework for a more resilient banking sector. Our survey sought to obtain insights from bank CEOs and other top executives on the impact the reforms have had on their banks thus far, as well as the challenges and opportunities that they foresee.

Highlights of the banking sector reforms

Perhaps, one of the most significant components of the banking sector reforms is the new minimum capital directive issued on 11 September 2017. The directive required universal banks operating in Ghana to increase their minimum stated capital to GHS400 million by the end of 2018.

Following the deadline for compliance, the changes in the banking sector have largely gone in the direction expected – decrease in number of banks – although the impact may not have been as significant as first thought. The total number of banks currently operating as universal banks in Ghana stands at twenty-three (23). In effect, the number of banks has shrunk by eleven (11), representing a 32% decline from the 34 banks that operated as universal banks prior to the coming into effect of the new minimum capital directive.

Out of the eleven (11) banks that exited the market following the issuance of the new minimum capital directive, three were assessed as insolvent by BoG and had their licenses revoked even before the deadline for compliance. These are: UniBank Ghana Limited (UGL), The Beige Bank (TBB) and The Royal Bank Limited (TRB). Sovereign Bank Limited (SBL) and The Construction Bank Limited (TCB) had their banking licences revoked for obtaining them by false pretences through the use of suspicious and non-existent capital, according to the Bank of Ghana.

The remaining six have had to either exit the market or merge with other banks for various reasons, including those related to the new minimum capital requirement:

- Heritage Bank Limited (HBL) and Premium Bank Ghana Limited (PBG) had their licences revoked. The reasons provided by BoG for the revocation of their licences were insolvency in the case of Premium bank and questionable source of capital for Heritage bank.
- Bank of Baroda (BoB) "closed shop" and exited the market on their own volition also for reasons related to the new minimum capital requirement.
- BoG approved three mergers involving six banks, effectively accounting for three more exits. The approved mergers are: 1. First National Bank & GHL Bank Limited, 2. Energy Bank & First Atlantic Bank and 3. Sahel - Sahara Bank & Omni Bank.

Subsequent to the new minimum capital directive, BoG and the Government have undertaken some complementary actions aimed at consolidating the expected gains from the bank recapitalisation exercise and supporting a wider financial sector clean-up and transformation. Whilst some of these were covered in our GBS 2018, we have noted some additional ones that were initiated after the publication of our GBS 2018 report. These include:

- Directive for Voluntary Winding up of Banks and Specialised Deposit taking Institutions- issued in September 2018.
- Cyber and Information Security Directive- issued in October 2018.
- Directives for Forex Bureaux in Ghana- issued in October 2018.
- Finalisation of Corporate Governance Directive 2018- issued in December 2018.
- Creation of Ghana Amalgamated Trust (GAT) Plc as a Special

Purpose Vehicle (SPV) to support the capital requirement of selected banks- January 2019.

Impact of reforms so far: Views from CEOs and other top bank executives

Broadly, the outcome of our survey suggests that, out of the several reforms and emerging trends seen in the banking sector over the last couple of years, the capital requirement directive; the full implementation of the minimum capital directive; and issues relating to digitisation have had the most impact on the banking business in Ghana.

Indeed, our survey results indicates that about 82% of respondents surveyed included the capital requirement directive in their top three most impactful reforms. *The full implementation of the minimum capital directive* also attracted same level of priority from about 73% of respondents, whilst about 45% of respondents ranked issues related to digitisation as part of their three most impactful reforms thus far. This observation, as noted from our discussions with the bank executives, was underpinned by a number of factors, key amongst which include:

- The need to undertake significant processes and systems changes to achieve upgrades in the areas of stress testing, counterparty risk and capital management infrastructure, all in a bid to meet the capital requirement directive.
- The expanded capital base of banks achieved through the implementation of the minimum capital directive, coupled with an increase in the value of the single obligor limit on the back of increased net worth of banks following the injection of additional capital. This, according to our survey respondents, has placed banks in the position to partake in bigger ticket transactions, which has the potential of expanding the asset base of banks and increasing their profitability.
- The view that investing significantly in technology and creating agile businesses over the medium term (i.e. digitisation) will be crucial for meeting customer demands and growing profitability.

Also, we noted that more than 80% of the banks surveyed expect the performance of the economy to have the greatest impact on their performance in the medium term, with about half of the respondents expecting various Government initiatives to drive revenue growth going forward. In contrast, banks commonly have a less optimistic view of the impact of regulations on their business, believing they would mostly lead to an increase in the cost of their operations.

A detailed discussion on our survey findings is presented in section 2 of this report.

Conclusion

With the deadline for complying with the new minimum capital requirement now behind us, the uncertainty that plagued the banking sector during the implementation period seems to have waned significantly. Amidst all the changes, compliance with various reforms, and a reduction in the number of banks with universal banking licences, Ghana's total banking sector operating assets (based on participating banks) increased by 11.3% (from 2017) to GHS80.64 billion indicating a resilient sector.

Having initiated most of the reforms seen in the sector over the last two years, we expect BoG will take the necessary steps to enhance supervision and compliance across the industry in order to consolidate and sustain the gains made so far.

Going forward, banks will have to properly streamline the various aspects of their businesses, if they are to effectively manage the potentially complex web of operational efficiency, liquidity and risk management issues, whilst maintaining a desired level of profitability. Market research and strategy formulation, restructuring, digitisation, systems and process improvement, data and analytics and risk management represent some of the key activities banks may undertake to help achieve targets around profitability, liquidity, risk management, asset growth, capital adequacy, etc. Our Financial Services Industry Group has a wealth of knowledge and experience in these areas and are always available to share our expertise with banks, investors and other interested stakeholders. Do contact us on 0302 761 500.

Happy reading!

Daniel Ato Kwamina Mensah

Chief Executive Officer,
Ghana Association of Bankers

The CEO's message – Ghana Association of Bankers

Ghana's Financial Services sector has attracted a lot of attention in the last few years. Beginning with the Banking Sector, the Regulator (Bank of Ghana), took steps not only to address the risks in the sector but also prepare existing banks for the growth expected in the Ghanaian economy. Bank of Ghana's new Capital Requirements Directive (CRD) increased the minimum regulatory monetary capital for universal banking licence holders and became the focus of most bank executives until the end of 2018.

After the capital raise, what is next? What are bank executives thinking about now after having met the CRD directive? Even more broadly, what are the things that are top of mind? I believe that this year's survey will provide some further insights into how banks intend to play their primary role as financial intermediaries on a bigger scale.

Like most Ghanaians, bank executives should be interested in the growth of the Ghanaian economy. Economic growth presents opportunity to lend and also mobilise deposits. Increasingly, banks are positioning to play in business sectors that before now, they did not have a chance to participate.

I mentioned in my message to the 2018 Survey that risk management can no longer be the only expected outcome (an afterthought) of banking activities. With experience from the past, I would think that bank executives will place great focus on risk management. Beyond the regulatory requirements on managing risks, banks will seek to create robust systems around assessment of risks if they do not have them already. Regulation in itself will continue to place an adequate burden on the banks around risk management.

Aside risk management, there are other regulatory steps being taken by the Bank of Ghana around corporate governance, cybersecurity, payment systems etc. which I believe bank executives will spend some of their time dealing with.

Let me finally touch on technology, an area which is top of mind for most bank CEOs in my view. In a few years, I anticipate the digitisation of most banking activities. Fintechs will change how traditional banking business looks today. The Government has taken some proactive steps with the passing of the Payment Systems Act and the Bank of Ghana has already taken steps on regulation.

To conclude, my choice of three broad topics that will occupy the minds of executives are (1) the economy, (2) risk management and regulatory requirements, and (3) technology. Let us see what these bank executives have to say. Enjoy reading this report.

Tax Leader's message

George Kwatia

Tax Leader,
PwC Ghana

Performance has been and still is at the heart of numerous conversations regarding the banking sector. Debates around banks' profitability, non-performing loans and corporate governance have been approached in different angles. But what does performance really mean for a bank from a tax perspective? Also, is the change in accounting treatment for lease likely to impact banks' performance in 2019 from a tax perspective?

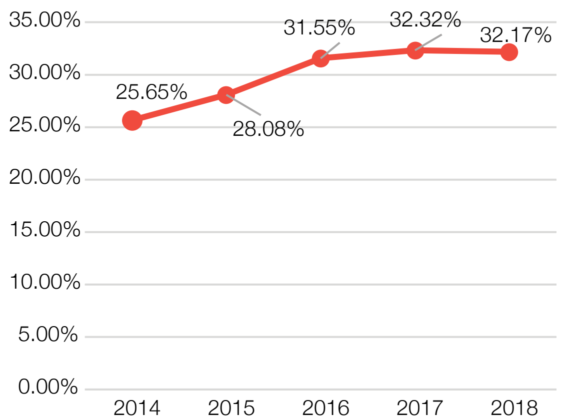
1. Tax performance of banks in 2018

It is well-known that the Government is generally considered as an important but special "shareholder" as it may partake in the sharing of profit without equity stake. Out of the pot of profit an entity makes from its operations, Government is paid through corporate income tax and only the remaining could be shared among equity stakeholders in the form of dividends. For example, if 25% of the net profit (before tax) of a business is payable to the State by way of corporate income tax, only the remaining 75% can be available for distribution to the "real shareholders". The payout ratio to the Government (tax payable over profit before tax), also known as the Effective Tax Rate or (ETR) is a good metric to measure bank's performance from a tax perspective. Ordinarily, the lower the ETR, the better the entity is managing its income tax affairs.

Based on our analysis, the banking sector in 2018 is to pay a little over 32% of the industry profit (i.e., profit before tax) to the Government with the remaining 68% available for distribution to the typical equity holders.

Although there is an increase in the sector's distribution of its profits to the Government in the past five years (from 25% to 32%), our studies show that the banking sector's ETR has been constant at around 32% in the past three years. The chart below shows historical analysis of ETR within the banking industry.

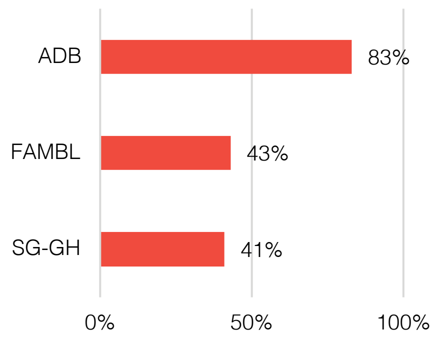
Figure 1: Historical analysis of ETR within the banking industry



As mostly profitable banks pay corporate income tax and national fiscal stabilisation levy, further analysis indicates that profitable banks paid an average of 35% of their 2018 profits to Government. In other words, the ETR for profitable banks is about 35% with an interquartile range ("IQR") between

30% and 35% against 30% to 34% in 2017. The chart below shows banks that recorded the highest ETR in 2018.

Figure 2: Banks with highest ETR in 2018 ETR



This leads to the obvious question as to whether banks with an ETR below 30% are highly performing and those with an ETR above 35% underperforming from a tax perspective. The answer to this is not that simple.

For profitable banks, a lower ETR may seem appealing whilst a higher ETR may indicate underperformance. However, an ETR further away from the IQR may raise additional questions; especially when ETR fluctuates significantly year on year.

For example, the Agricultural Development Bank ("ADB") may appear to be the most underperforming bank based on its ETR of 83% in 2018 (meaning ADB paid 83% of its profits to the Government as income taxes). However, a trend analysis indicates that the bank's ETR in 2017 was 44% and 2015 and 2016 were loss making years. Hence the high ETR in 2018 may be impacted by historical years' performance.

Based on the above, it could be argued that profitable banks with an ETR close to the lowest quartile of 30% in 2018 may be performing at their best from a tax perspective.

2. Potential tax impact of changes in accounting treatment for operating leases

Effective 2019, the accounting treatment for operating lease has changed. How this may impact banks from an income tax perspective is a key concern from 2019. The impact of this change might be more expressed for banks with significant property rentals for their network of branches and ATMs.

The newly published accounting standard IFRS 16 – the new leases standard that came into effect from 1 January 2019 changes the accounting treatment applied by lessees (i.e., tenants/renters) based on the defunct IAS 17.

Initially under IAS 17, lessees needed to classify their leases as either finance or operating. If the lease was classified as operating, then the lessees did not show lease asset and lease liability in their balance sheet but just the lease expense for the period was reported in the profit or loss account. Under finance leases, lessees were required to recognise the total lease value as part of their capitalised tangible assets and recognise an equivalent liability at the start of the lease period.

The introduction of the new IFRS 16 standard requires companies to record operating leases as both liabilities and assets on their balance sheets just like the finance leases with exemption for certain short-term leases and leases of low-value assets.

Based on IFRS 16, banks would be required to present leased assets arising from leases of properties as tangible and depreciable assets. The depreciation of the lease asset and the interest on the liability is recognised in the income statement over the lease term, similar to the treatment of finance leases.

Banks with material off-balance sheet leases applying IFRS 16 may report higher assets and liabilities which could affect their regulatory compliance requirements.

While this change in the accounting treatment requires the capitalisation of operating leases, the income tax treatment for operating leases may not change. This means banks will still be required to deduct the annual rental payment from their assessable income to obtain the taxable income and withhold tax on lease rental payments. Further questions on application of withholding tax on the imputed interest charge should be carefully considered.

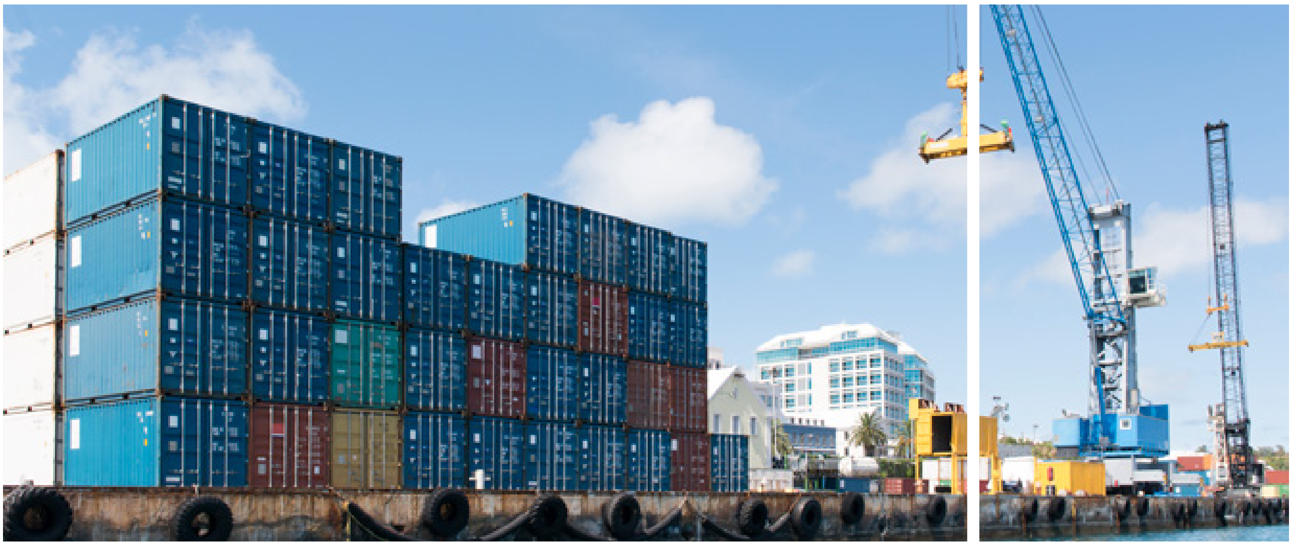
The difference in accounting and tax treatments is likely to cause some temporary differences. The deferred tax effect is going to be calculated from the difference between the accounting deductions (depreciation and interest/finance cost) and the annual rental payment as per the Income Tax Act. If the accounting deductions exceed the tax releases, this will result in deferred tax asset and vice versa.

I hope you found this brief information helpful.

1

Economy of Ghana

1 Economy of Ghana



According to the IMF, global economic growth, which peaked at 4.0% in 2017, has weakened to 3.6% in 2018. Key amongst the reasons assigned to the weakening of the global economic growth in 2018 are

US-China trade tensions	tighter credit policies in China	weakened consumer and business confidence in the Euro area	financial tightening and monetary policy normalisation in the larger advanced economies

The IMF also projects global economic growth to slow down further to 3.3% in 2019 on the back of the expectation that the weakness noted in 2018 will persist into the first half of 2019.

(Source: World Economic Outlook– April 2019)

1.1. Macroeconomic performance

Gross Domestic Product

The Ghana Statistical Service ("GSS") in September 2018 completed a GDP rebasing exercise which resulted in an expansion of the Ghanaian economy by 24.6%. Provisional estimates from the GSS indicate a real GDP growth rate of 6.3% for 2018 which is lower than the growth of 8.1% achieved in 2017.

Distribution of real GDP growth by economic activity:

Sectors	2017	2018	2019
Agriculture	6.1%	4.8%	7.3%
Industry	15.7%	10.6%	9.7%
Services	3.3%	2.7%	6.1%
GDP	8.1%	6.3%	7.6%

*(Source: Provisional 2006 to 2018 Rebased Annual Gross Domestic Product, April 2019, Ghana Statistical Service; **Projected real GDP growth rates, 2019 Budget Statement and Economic Policy)*

1 Economy of Ghana

The 2019 Budget Statement and Economic Policy projects a GDP growth of 7.6% for 2019, which is expected to be driven mainly by Government initiatives including the One District One Factory (1D1F); One District One Warehouse; Planting for Food and Jobs; and plans to reduce rice importation by 50% by end of 2019.

The structure of the economy in 2018 remained fairly consistent with the trend noted over the preceding couple of years as Industry continued to marginally expand its contribution to total GDP, although the Services sector remained the largest contributor to GDP. As noted in the table below, the GSS estimates the contribution of the Services sector to GDP in 2018 at 46.3%, whilst the contribution of Industry and Agriculture are estimated at 34.0% and 19.7% respectively. The expansion in the contribution of Industry to total GDP is largely attributed to an increased production in upstream oil and gas in 2018.

Percentage distribution of GDP by economic activity:

Sectors	2016	2017	2018
Services	46.7%	46.0%	46.3%
Agriculture	22.7%	21.2%	19.7%
Industry	30.6%	32.7%	34.0%

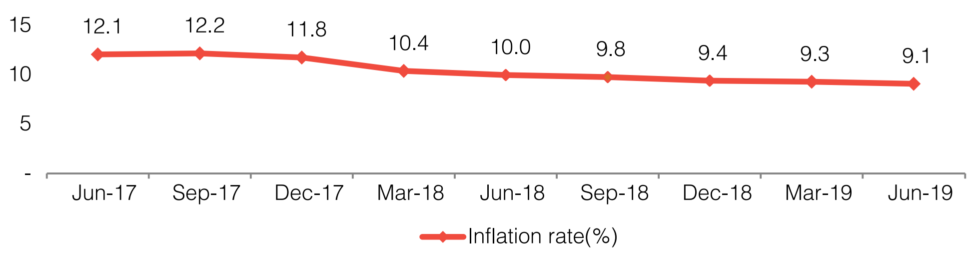
(Source: Provisional 2006 to 2018 Rebased Annual Gross Domestic Product, April 2019, Ghana Statistical Service)

Inflation

Headline inflation declined from 10.3% as at January 2018 to 9.4% as at December 2018 largely due to relatively tight monetary policy stance maintained throughout 2018, complimented by a steady decline in non-food inflation. Headline inflation further declined marginally to 9.1% as at June 2019 as BoG continued with its tight monetary policy stance.

The chart below depicts a declining trend in quarterly headline inflation over the period June 2017 to June 2019.

Headline inflation(%) (Jun 2017 - June 2019)



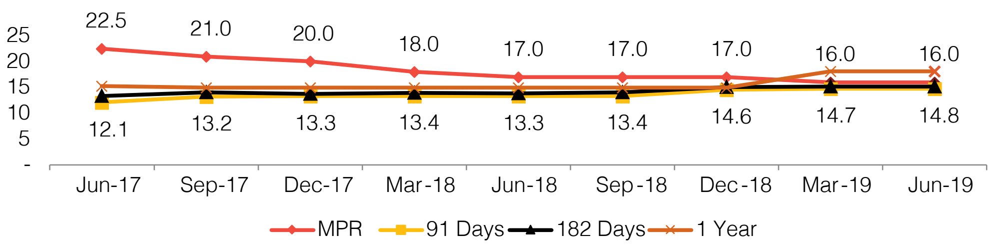
(Source: November 2018 Budget Statement and Economic Policy, BoG May 2019 Summary of Economic and Financial Data and March 2019 Monetary Policy Report)

Interest rates

Interest rates on short-dated Treasury bills (T-bills) have trended upwards between June 2018 to June 2019, generally reflecting tight financing conditions. Rates on the 91-day and 182-

day T-bills increased from 13.3% and 13.9% in June 2018 to 14.8% and 15.2% in June 2019, respectively. On the other hand, interest rate on 1 Year notes remained flat at 15.0% over the period December 2017 to December 2018, before rising sharply to 18% in March 2019. In response, the Monetary Policy Rate (MPR) has been reduced from 17.0% in December 2018 to 16.0% in June 2019 by the Monetary Policy Committee (MPC). Indications are that, inflationary pressures had been "well-contained", necessitating the need to reduce the MPR in an attempt to transfer some of the macro stability gains to the economy.

Interest rates (%): June 2017 - June 2019



(Source: BoG Monetary Time Series Data; BoG Monetary Policy Reports)

Exchange rates

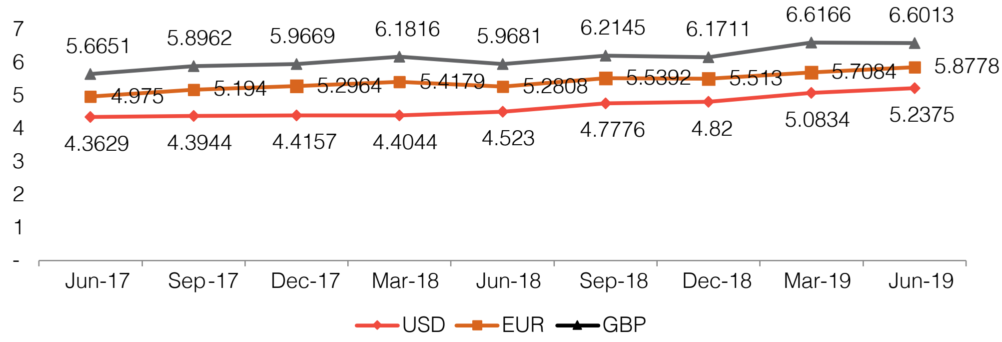
According to data from the BoG, the Ghana Cedi depreciated by 8.4% against the USD between January to December 2018, compared with 4.9% depreciation over the same period in 2017. The heightened depreciation in 2018 was largely on account of the increase in US Treasury rates. The US Federal fund rate increased from 1.50% in January 2018 to 2.25% in September 2018, and in the process, attracted funds from other markets including Ghana. This effectively resulted in repatriation of forex out of the economy, leading to heightened exchange rate pressures. The heightened exchange rate pressures persisted into the first two quarters of 2019, resulting in a year-to-date depreciation of the Ghana Cedi against the USD by 8.3% in June 2019. The table below shows the year-on-year depreciation rates of the Ghana Cedi against its major trading currencies for 2017, 2018 and 2019.

Year-on-year depreciation of GHS (%)	Year-to-date Dec 2017	Year-to-date Dec 2018	Year-to-date Mar 2019
United States Dollars (USD)	4.9%	8.4%	8.3%
Euro (EUR)	16.2%	3.9%	6.1%
Great Britain Pound (GBP)	12.9%	3.3%	7.1%

(Source: BoG Monetary Time Series Data on average month-end exchange rates & PwC Analysis)

The chart below depicts the trend in end-of-quarter exchange rates between the Ghana Cedi and its major trading currencies (i.e. the US$, GBP and EUR).

Exchange rates (GHS): March 2017 to March 2019



(Source: BoG Monetary Time Series Data on average month-end exchange rates; January 2019 & May 2019 BoG Summary of Economic and Financial Data; and PwC Analysis)

2

Survey analysis

2 Survey analysis

Introduction

2018 can be characterised as a challenging and eventful year for Ghana's banking industry as banks have had to deal with several reforms including full implementation of the minimum capital requirement, new capital requirement directive, revocation of banking licences, as well as intensified competition from non-traditional competitors, such as FinTechs and Telecommunication companies. Total assets as a percentage of GDP declined from 36.4% in 2017 to 35.7% in 2018, while total credit to GDP declined from 14.7% to 14.2% over the same period. The industry has however demonstrated resilience in the face of uncertainties as banks posted strong financial performance throughout the year. Total operating assets increased by 11.3% (from 2017) to GHS80.64 billion, while industry profitability ratio increased to 25.8% from 24.7% in 2017.

Despite the increased minimum capital requirement and several other reforms to the banking sector, financial services providers in other countries have expressed interested in entering/investing in Ghana's banking industry, indicating that there is a general belief that returns on investments in the industry have not peaked as yet or, at least, might be better than in other markets.

Still, we believe the banking industry would have to weather a few more storms this year, and the new reforms and directives to be issued by the central bank to strengthen and sustain the gains achieved will result in some movements in the costs and revenue of incumbent players.

So, we asked of the bank executives, which reform in their opinion was having the greatest impact (positive and negative) on their bank business and the industry. The responses we got to our questions created very interesting patterns, which we have presented in the rest of the pages of this section.

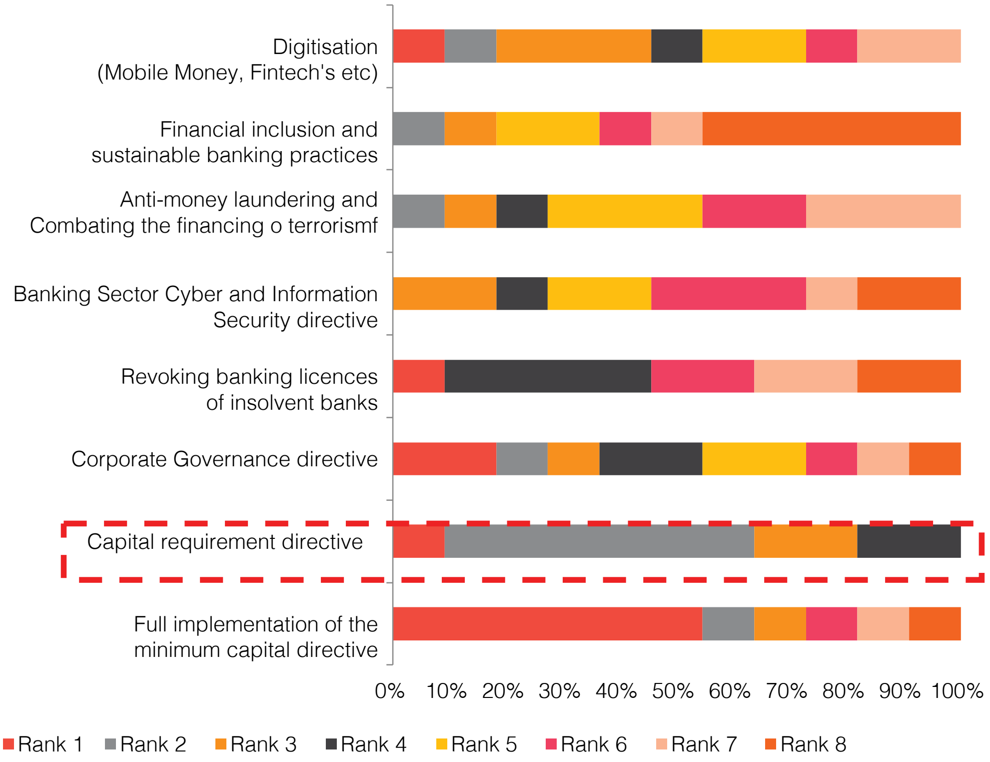
Survey methodology

PwC surveyed bank executives – Chief Executive Officers, Chief Finance Officers, Chief Risk Officers, Chief Operation Officers and Heads of Strategy in Ghana through interviews and questionnaires carefully designed to elicit views on the impact of the central bank's reforms on their business.

2 Survey analysis

Question: Which reform in your opinion is having the greatest impact on your business since it was introduced?

Please rank in order of priority (1: highest priority; 8: least priority) which reform in your opinion is having the greatest impact on your business since it was introduced.



More than four out of every five bank executives interviewed (82%), identified the capital requirement directive as their top three reforms having the biggest impact on their banking business since its introduction. Almost 73% of bank executives interviewed ranked full implementation of the minimum capital directive among the top three reforms having the most impact on their business. Only 45% of bank executives marked digitisation as being among the top three reforms having the most impact on their bank business, while 36% of respondents selected corporate governance as being among the top three reforms having the most impact on their bank business. Few respondents (18%) ranked Cyber and Information Security directive; Anti-money laundering & Combating the Financing of Terrorism; and Financial Inclusion and Sustainable Banking Practices as being among the top three reform having the most impact on their bank business, respectively. Interestingly, the revocation of banking licences of insolvent banks seems to be having the least impact on banks according to the survey respondents, as only 8% ranked it as being their top three reforms.

In the following pages, we have discussed in more detail the exact ways in which bank executives believe these eight reforms/directives are impacting their banks and the industry.

The increases in paid-up capital, coupled with deposits growth caused a **14.7%** growth in banks total assets in 2018.

Full implementation of the minimum capital directive

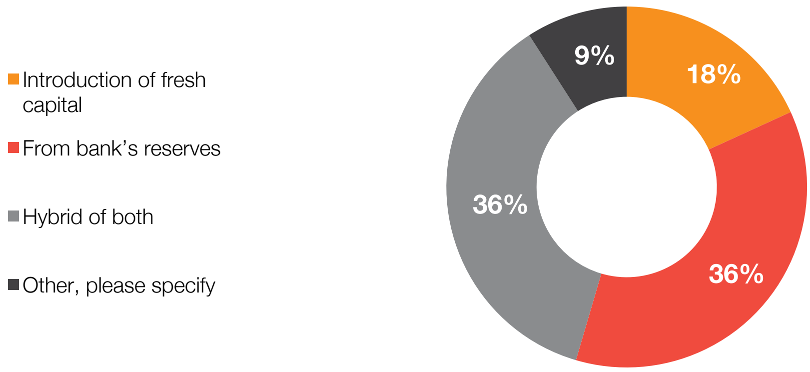
A total of 23 banks remained in the industry after the 31 December 2018 deadline for the recapitalisation exercise. This comprised of 14 foreign-controlled banks and nine domestically-controlled banks. The increases in paid-up capital, coupled with deposits growth caused a 14.7% growth in banks total assets in 2018.

According to some bank executives, the increase in stated minimum capital is necessary and crucial in unlocking opportunities for players in the sector. They believe that now, banks have a level playing field and are in a position to partake in bigger ticket transactions that hitherto were not possible or were the preserve of a few international banks. An example is government syndicated loans.

Further, the increased capital, coupled with an increase in the value of the single obligor limit on the back of increased net worth of banks following the injection of additional capital, puts banks on a good trajectory to explore lending opportunities to especially corporate clients. We expect a revamp in credit demand by both public and private sector clients driven by rising output across most economic sectors and by the government's need for deficit financing.

? Question: How did you secure the minimum capital requirement?

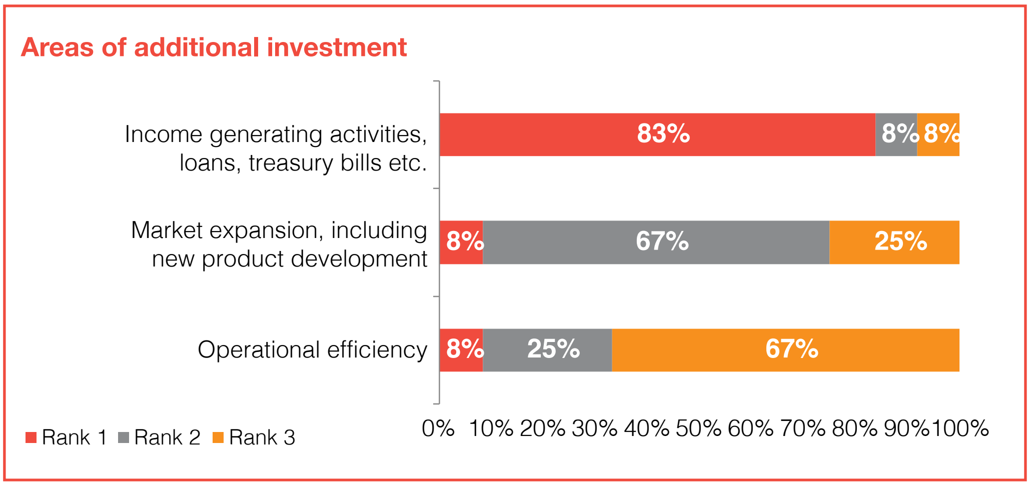
Minimum capital



In total, **GHS1.5** billion was injected as fresh capital into the banking sector in 2018.

36% of bank executives interviewed mentioned that they had secured the minimum capital through a hybrid of reserves and injection of fresh capital, while 18% secured it through fresh capital injection only. In total, GHS1.5 billion was injected as fresh capital into the banking sector in 2018. Sources of fresh capital injection included equity from parent companies as well as funds from other private investors. Some banks refrained from paying their shareholders dividend for the year to shore up their reserves to meet the GHS400 million requirement.

? Question: Having secured the new capital, which aspect of your organisation are you considering deploying the capital to?



83%
of bank executives indicated that they would deploy the new minimum capital to income generating activities particularly loans.

83% of bank executives indicated that they would deploy the new minimum capital to income generating activities particularly loans. The reasons given include:

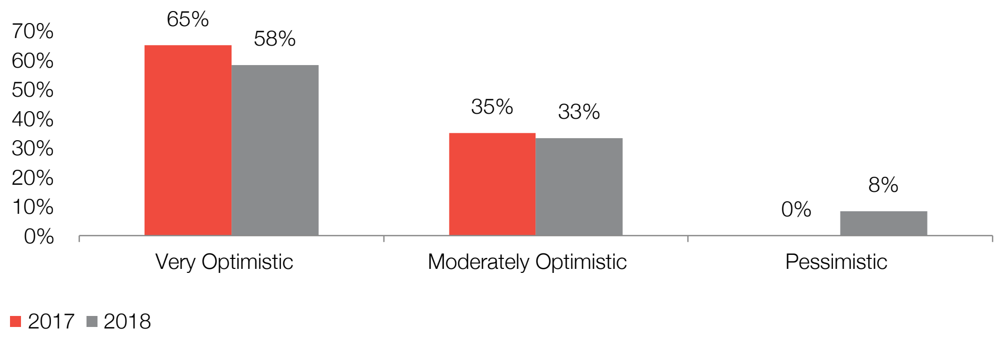
- increased demand for credit driven by expanding economic sectors and government's need for deficit financing;
- general improvement in NPLs arising from implementation of more stringent practices; and
- government's commitment to reducing/restructuring SOE debts.

While a good number of banks said they would increase loans especially to the private sector (specifically mining, agriculture and manufacturing sectors), 40% of bank executives would rather invest in government securities, especially treasury bills which offer good returns at almost zero risk.

Expansion of distribution channels to widen access to market was ranked by 75% of respondents as among the top 2 areas they would deploy the minimum capital to. It would seem technology is indeed changing the way bank conduct their business. Most bank executives responded that they would consider expanding their market through new digital product and channel development rather than brick and mortar branch expansion. For others, operational efficiency will result from introducing new technology-based products and channels.

Question: How optimistic are you of the existence of business opportunities that your bank can pursue with the additional capital?

Level of optimisim with the existence of business opportunities within the market



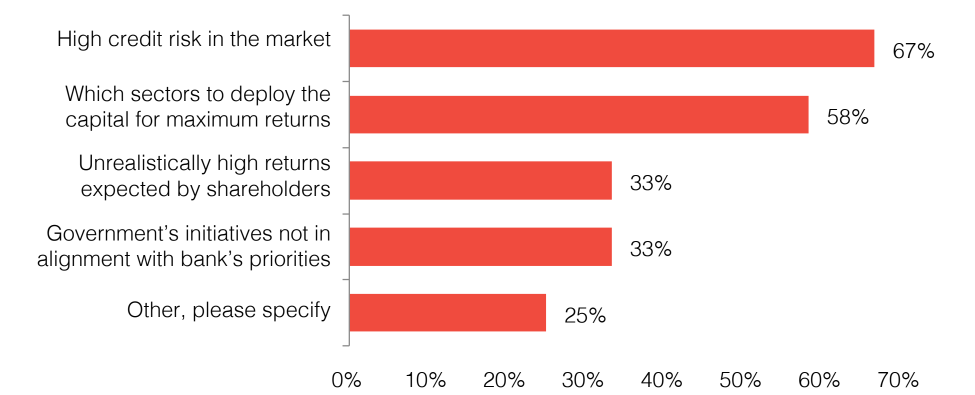
58% of bank executives are generally very optimistic of opportunities in the banking industry, albeit lower compared to the previous year, 2017 (65%).

58% of bank executives are generally very optimistic of opportunities in the banking industry, albeit lower compared to the previous year, 2017 (65%). Government initiatives especially in the infrastructure, mining and agricultural sector, restructuring of the banking sector, reduction of non-performing loans (NPLs), healthy competition, positive economic growth, are accounting for the level of optimism among bank executives.

One in three bank executives is moderately optimistic of market opportunities, citing uncertainties in central bank regulations and generally slower uptick of customer confidence in the industry as the reason. However, a few banks (8%) feel that there are not enough opportunities in the market to pursue and consider the increased minimum capital as untimely and somewhat onerous on incumbent banks.

Question: What challenges and opportunities are present in the industry because of the increase in minimum capital?

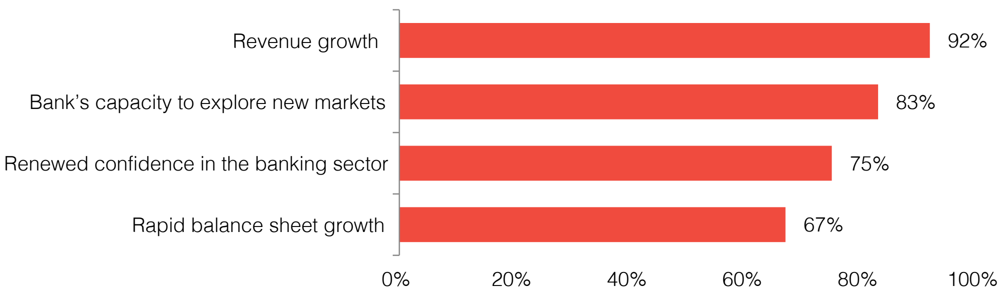
Challenges



67% of respondents cite high credit risk as their major challenge regarding how to deploy the minimum capital.

Some bank executives believe this directive is a necessary step for the industry and are not experiencing any challenges with its implementation, thus they declined to respond. 67% of respondents cite high credit risk as their major challenge regarding how to deploy the minimum capital. The risk they say emanates from systematic risks within the entire financial services industry, specifically from the clean-up of other non-bank financial institutions. 58% of bank executives feel the return on investments within some sectors are not encouraging and as such they would rather hold government securities.

Opportunities



92%
bank executives interviewed believe that this directive has potential to increase the bank's revenue.

Nine out of every ten bank executives interviewed believe that this directive has potential to increase the bank's revenue. When adequately capitalised, they believe they can explore more markets and opportunities (in and outside Ghana) that will generate revenue. Bank executives also mentioned that they can participate in club deals and syndication with equally capitalised banks for improved financial performance. To some, the fact that a significant portion of banks have met the capital required, instils some level of confidence in the banking sector.

Capital requirement directive

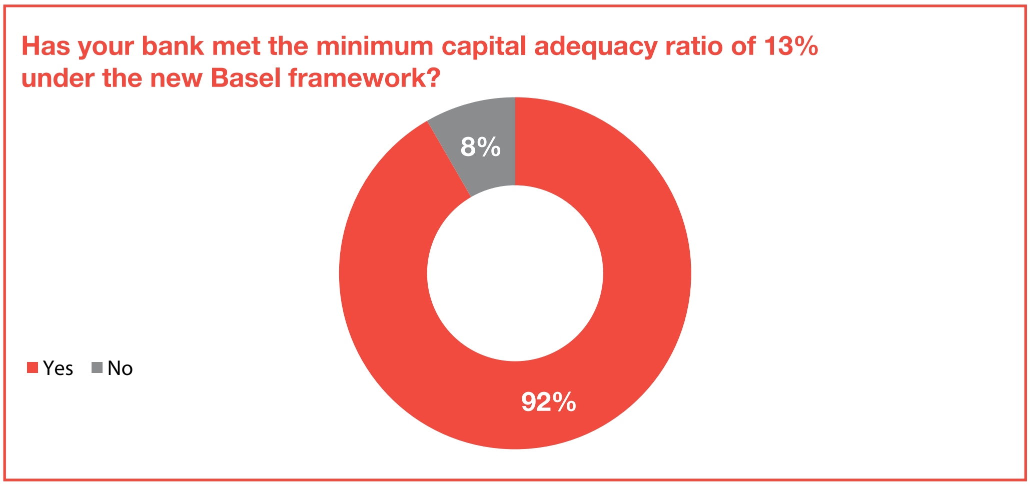
The Capital Requirement Directive (CRD) establishes higher Risk-Weighted Assets (RWA), tougher capital standards through more restrictive capital definitions, additional capital buffers and higher requirements for minimum capital ratios. Additionally, it creates liquidity standards that could necessitate new balance sheet strategies aimed at limiting illiquid assets, restricting wholesale/unstable sources of funding and managing higher funding costs. This new directive will have a broad impact across many banks, particularly on those centered on commercial, wholesale and retail banking activities.

This reform also requires banks to undertake significant process and system changes to achieve upgrades in the areas of stress testing, counterparty risk and capital management infrastructure. At the same time, banks are also required to invest in functionality systems to track, monitor and report on a variety of transactions, ensuring compliance with international legislation, such as Internal Capital Adequacy Assessment Process (ICAAP), IFRS 9 and FATCA.

It is therefore not surprising that most bank executives rank the capital requirement directive as among the top three reform having the most impact on their business.

2 Survey analysis

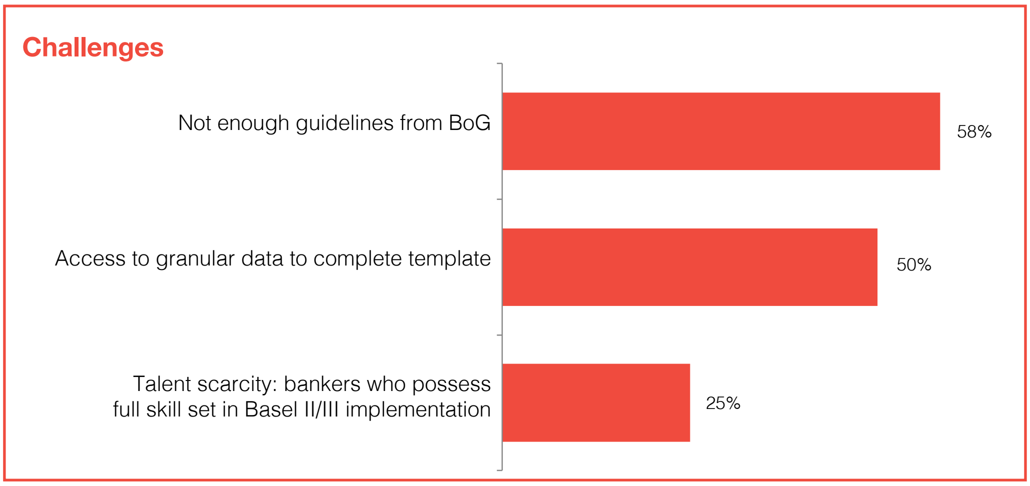
? Question: Has your bank met the minimum Capital Adequacy Ratio (CAR) of 13% under the new Basel framework?



92%
of banks interviewed have met and, in some cases, exceeded the 13% CAR required under the CRD framework

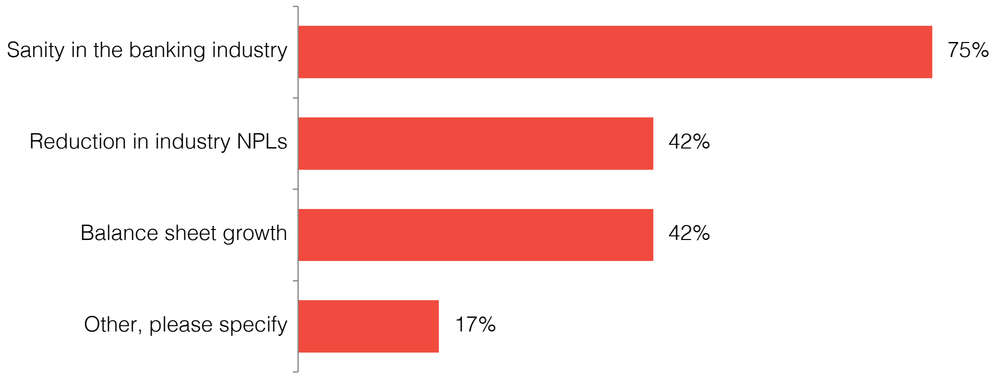
92% of banks interviewed have met and, in some cases, exceeded the 13% CAR required under the CRD framework. This is an indication of the resilience and robustness among incumbent banks in the industry as they are now cushioned against any unexpected losses that may arise from their business through capital transactions, credit, operational and market risks. For the few banks (8%) that have not met the minimum CAR, they intend to do so through raising capital from prospective investors and review/reclassification of their loan book.

? Question: What impact is the introduction of the Capital requirement directive having on your bank?



Although banking executives consider the insufficient guidelines from BoG was selected as the most significant challenge, the real issue is that many bank executives believe that the attempts and initiatives adopted to optimise risk-weighted assets levels could possibly cause substantial damage to their business, the industry and the wider economy. Potential damage includes distorting business portfolios, exiting superficially underperforming (but fundamentally sound) business lines and worsening asset price deflation. For example, investment in software is considered as an intangible asset as such, it is excluded from a bank's capital. According to the bank executives, this could potentially stifle such investment especially in technology, thereby exposing banks to cyber and other risks and stalling the digital banking drive. Bank executives are encouraging a review of this directive by the central bank to avert some of these potential issues.

Opportunities



Banks require some flexibility in undertaking corporate governance training for Board members

Despite the many challenges enumerated, respondents are still optimistic of the opportunities that this directive present. The most significant being that the introduction of the CRD will create some sanity in the Ghanaian banking industry by way of introducing a level playing field for all banks to comply with international standards. 42% of bank executives believe that in the long run, the CRD requirements will stimulate more stringent assessment of the of banks' loan profiles and as a result lead to reduced NPLs in the market.

Corporate governance directive

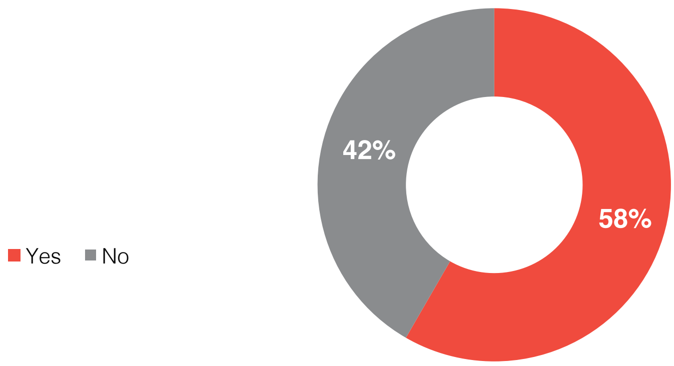
The Corporate Governance Directive is intended to ensure strict adherence to best global practice on corporate governance. Although imperative to bring sanity to the banking sector and the financial services sector, some issues persist which if not addressed swiftly, may lead to redundancies in the implementation of the directive and may be counter-intuitive according to bank executives:

1. Fixed term on key appointment requirement mandates all bank CEOs/MDs, Non-Executive Directors and Board Chairpersons to have a tenure not exceeding 12 years, 9 years and 6 years respectively. Although this is expected to be in line with best practices in good corporate governance, the major issue as noted by the banks is that most of these appointees are either shareholders in the banks or have a requisite and sometimes unique set of skills needed by the bank. As such, replacing them frequently is costly and undesirable.
2. Restricting the participation of bank executives in corporate governance programmes to the National Banking College (NBC) is viewed as somewhat problematic. For example, some multinational banks noted that they have credible global and/or regional partners who provide such programmes for their executives frequently and would like the flexibility for such programmes to be recognised by the BoG.

However, the requirement that mandates banks to appoint an independent board chairperson is welcoming according to the banks and in accordance with good corporate governance practices globally.

? **Question: Following the requirement that directors of regulated financial institutions acquire annual certification for training in corporate governance, is your bank enforcing this directive, such that all Board members have been enrolled on such training or are already certified?**

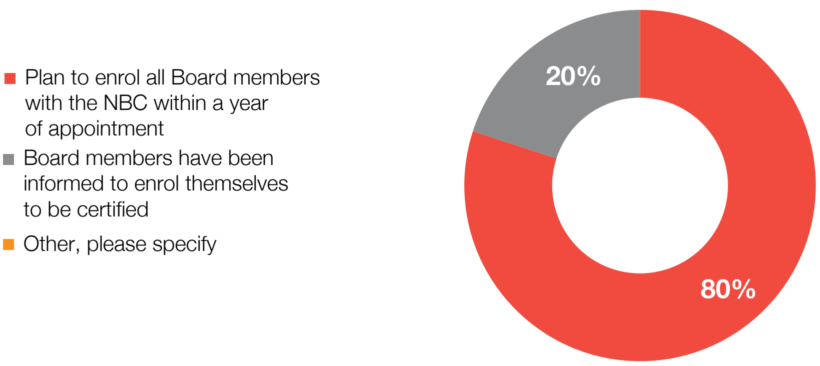
Compliance with directive



58%
of respondents indicated that they have complied with the directive by enrolling all Board members at the National Banking College.

58% of respondents indicated that they have complied with the directive by enrolling all Board members at the National Banking College. Some however, have expressed their reservation on the mandatory choice of institution for the certification and would welcome an opportunity to select other institutions including credible private sector consulting firms for the requisite certification, as long as BoG approves same.

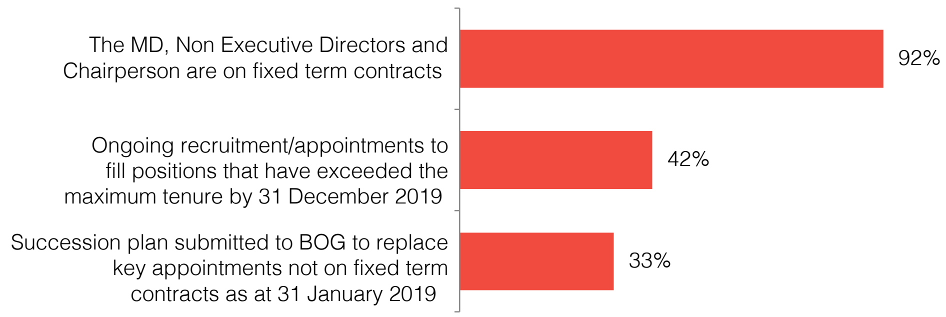
If your response to question 9 is "No", what plans and or measures have you put in place to ensure the bank complies with this directive?



80% of banks that have not met the requirement, have plans in place to enroll all board members within a year of appointment as stipulated by the directive and a few others have asked the board to enroll themselves. For most of the respondents, especially foreign banks, they indicated to us that their Board members already have solid corporate governance certification/training as it is required by their parent companies, and as such would welcome an amendment to the directive to accommodate such instances.

? Question: How have you ensured compliance with the “fixed term on key appointment*” directive?

Compliance with fixed term on key appointments



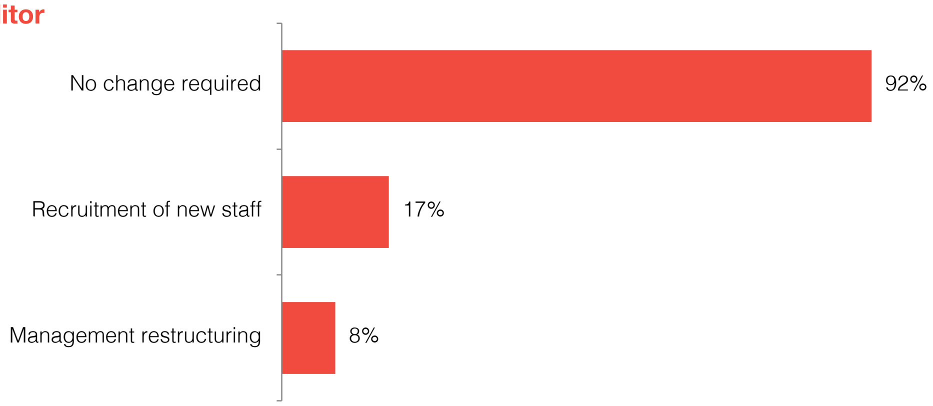
**Key appointment refers to CEOs/MDs, Non-Executive Directors and Chairpersons*

92%
of bank executives indicated that they have ensured fixed term contracts for all key appointments

Although 92% of bank executives indicated that they have ensured fixed term contracts for all key appointments, they had significant issues with this requirement in the directive as they believe it is costly and undesirable to change certain key positions frequently. Some banks (42%) are still recruiting to fill vacant and soon to be vacant positions while others (33%) have submitted succession plans to BoG on how they intend to fill vacant positions. The key element is sourcing for “fit and proper” appointees. Such persons are not readily available and are expensive too.

? Question: Considering the Chief Risk Officer (CRO) and the Chief Internal Auditor (CIA) are now required to report directly to the MD/CEO and Audit Sub-Committee of the Board respectively, what measures have you put in place to ensure compliance?

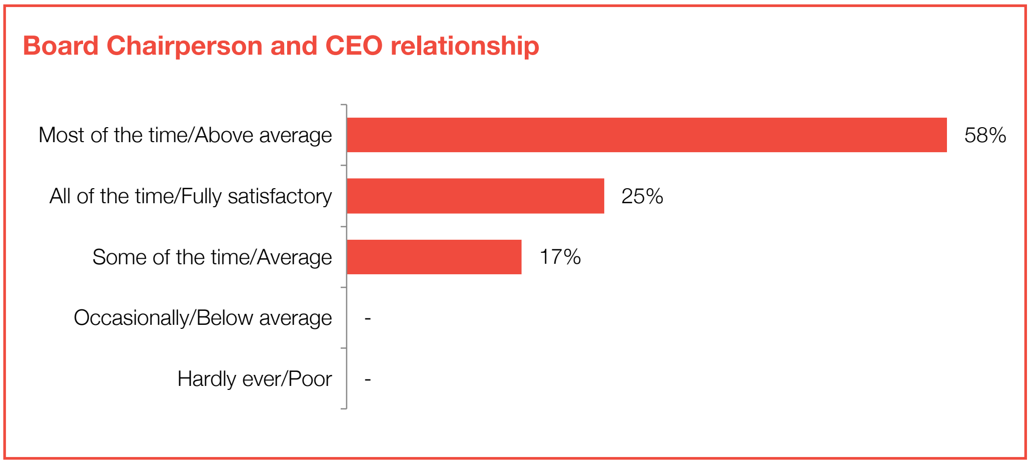
Compliance with reporting lines for Chief Risk Officer and Chief Internal Auditor



It’s refreshing to note that 92% of banks already comply with this requirement indicating good risk management practices and consistency with Bank of Ghana’s Risk-Based Supervisory framework. A few other banks (17%) are having to recruit qualified CROs and CIAs to fulfil this requirement. With this reporting line, the CRO is expected to serve as second line of defense within the risk management framework and ensure adequate risk mitigating factors are put in place within the bank.

?

Question: Chairman and CEO relationship: The Chairman and the chief executive of the bank work well together and their different skills and experience complement each other.

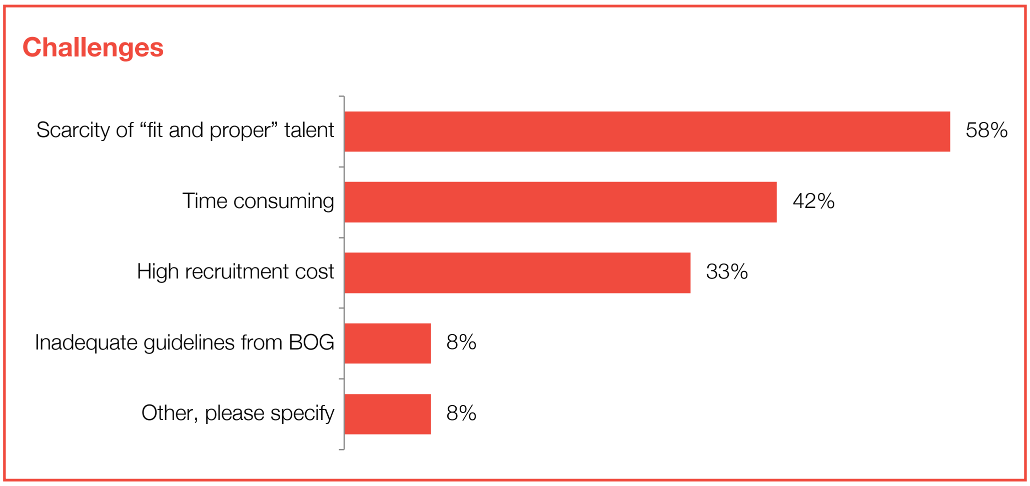


83% of bank executives interviewed asserted that the relationship between the Board chair and CEO is satisfactory all or most of the time.

Considering the turbulence the banking sector and the entire financial services industry have faced in the past year, it is imperative that Board chairpersons and CEOs work closely together to set bank strategies and avert any challenges that may arise. It is therefore not surprising that 83% of bank executives interviewed asserted that the relationship between the Board chair and CEO is satisfactory all or most of the time.

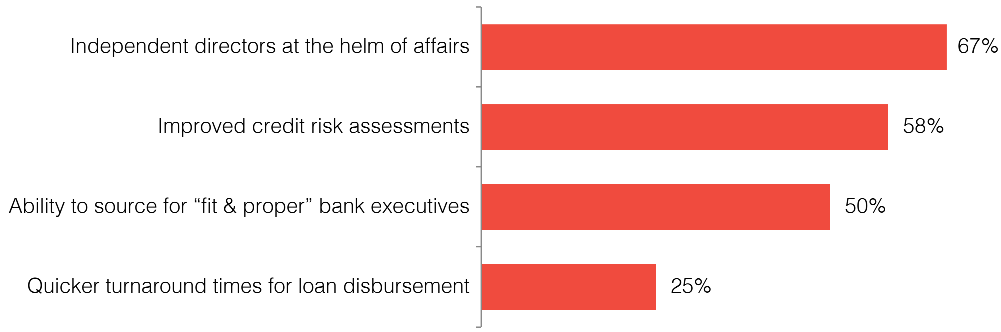
?

Question: What impact is the implementing of the Corporate Governance Directive having on your bank?



According to the bank executives interviewed, the challenges they are facing with the directive stem from three sources: the fixed term on key appointments; making them lose their hitherto “fit and proper” directors, the time it takes in replacing such appointees and the cost involved in sourcing for key appointments. Some other challenges they highlighted include increased director fees because of scarcity of talent in the market and the existence of a small pool of “fit and proper” talent to source from.

Opportunities



Having an independent director at the helm of affairs provides an objective view and acts as a balancing element between the different shareholders of the banks. Majority of the bank executives interviewed find that as an opportunity which reduces certain avoidable risks within the bank.

55%
of respondents feel it has bolstered public confidence and sanitised the sector

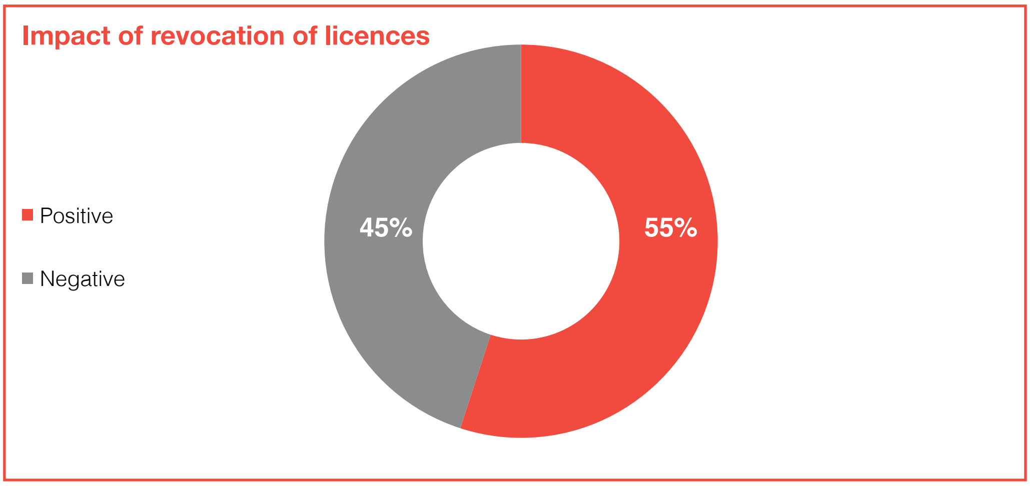
Revocation of banking licences of insolvent banks

In total, the Bank of Ghana has revoked licenses of nine (9) banks in efforts to clean up the banking sector and restore stability and resilience of the financial system. The BoG cited a myriad of reasons including; insolvency resulting from capital inadequacy, questionable transactions and licensing, high levels of non-performing loans (beyond acceptable limits) and weak corporate governance.

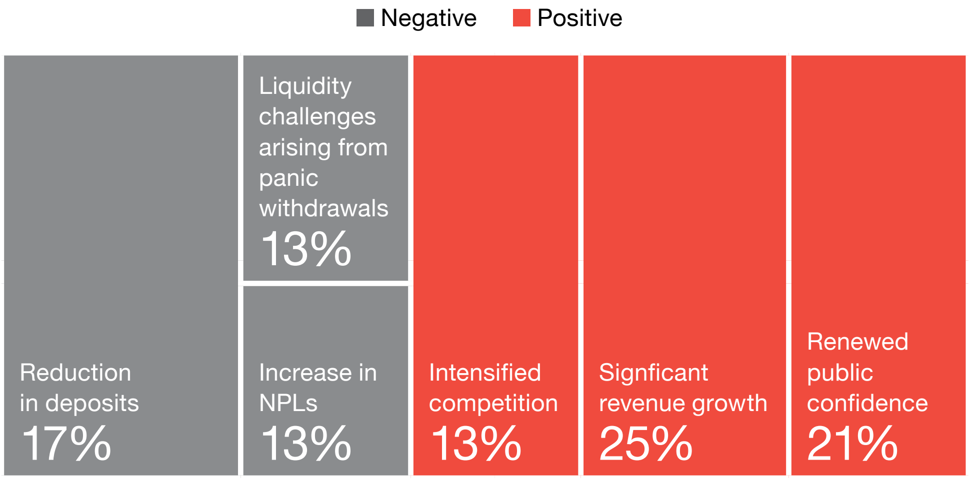
The decision may be unpopular but has been welcomed by some key stakeholders of the banking sector who say it is a necessary measure because of the threats to the stability of the financial services sector caused by the failed banks. For instance, although government’s funding of CBG and some other banks is expected to increase Ghana’s debt stock, stakeholders are of the view that if run properly, CBG could play a positive role in Ghana’s economic development.

There’s a somewhat fair balance between incumbent banks regarding the impact of this reform. While 55% of respondents feel it has bolstered public confidence and sanitised the sector, others (45%) are reeling from panic withdrawals leading to liquidity challenges and heightened insecurity among bank customers, causing a reduction in their deposits and revenue.

? Question: How has the revocation of banking licences impacted your bank?



Licence Revocation Impact & Reasons



Some banks declined to respond to this question as they say they have not experienced any real change or impact to their business with the revocation of banking licences. 55% of respondents however feel that this has impacted their banks positively as they have seen significant increases in their revenue growth due to increased customers and augmented transaction volumes. For some also, the directive has renewed public confidence because in their view, bank customers are now more comfortable doing business with adequately capitalised banks with good liquidity. It is not surprising then that, total deposits as a percentage of GDP increased to 20.1% from 19.5% in 2017.

45% of bank executives feel this directive had impacted their business negatively, especially because in their opinion, customers have lost confidence in the banking system hence they are experiencing reduction in deposits and some panic withdrawals. Some also are of the view that systemic risks from the wider financial industry coupled with the revocation of bank licences have caused an increase in NPLs as customers (especially SMEs and middle income to high net worth individuals) struggled to recover their investments from defunct banks to settle borrowings. Available data, however does not support this assertion. According to the BoG, the NPL ratio has reduced from 23.2% of total loans in April 2018 to 18.9% in April 2019 - the level falls to 9.0% when loan loss provisions are taken into account.

Cyber and information security

Cyber and information security has taken centre stage in bank boardroom discussions because of the number of incidences being recorded world-wide. A cyber-attack, when it happens has an enterprise-wide, multi-functional impact, disrupts normal business operations and has the potential for reputational harm/damage. Progressively, cyber-related systems and networks are enabling tools in the financial sector as banks rely on these infrastructures for processing transactions and transferring funds, thus making them attractive and susceptible targets for cyber-attacks.

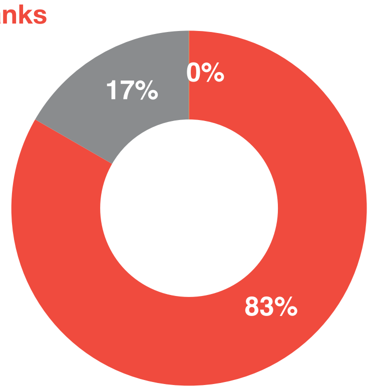
Cyber threats have become more diverse and sophisticated requiring attention and significant investments to mitigate risks. According to PwC's Global Crisis Survey 2019, where we interviewed over 2,000 C-Suite executives across 43 countries, nearly 7 in 10 (69%) leaders have experienced at least one corporate crisis in the last 5 years — with the average number of crises experienced being 3. Out of 19 crisis issues presented to them as potential threats to business, cybercrime tops the list with 38% of respondents selecting that as their number one (1) issue.

Cyber-attacks penetrate every layer of banking activity and affect both internal and external stakeholders in unique ways. It is therefore not surprising that 92% of bank executives interviewed place a high priority on cyber security risks and are making investments to prevent such attacks and to curtail it swiftly if it occurs.

? Question: What stage are you in establishing Cyber and Information Security protocols and procedures within your organisation?

Establishment of Cyber and Information Security protocols and procedures within banks

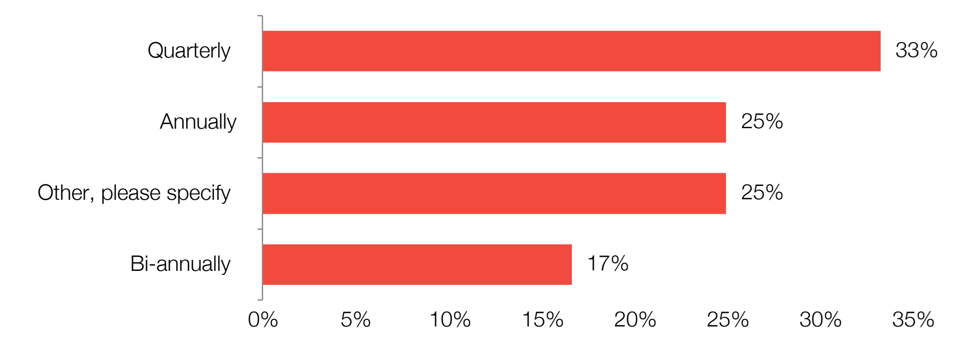
- There is a Cyber and Information Security plan in place
- We are in the process of developing a Cyber and Information Security plan
- Other, please specify
- No plan yet



83%
of banks interviewed have a cyber and information security plan in place which they follow to the letter

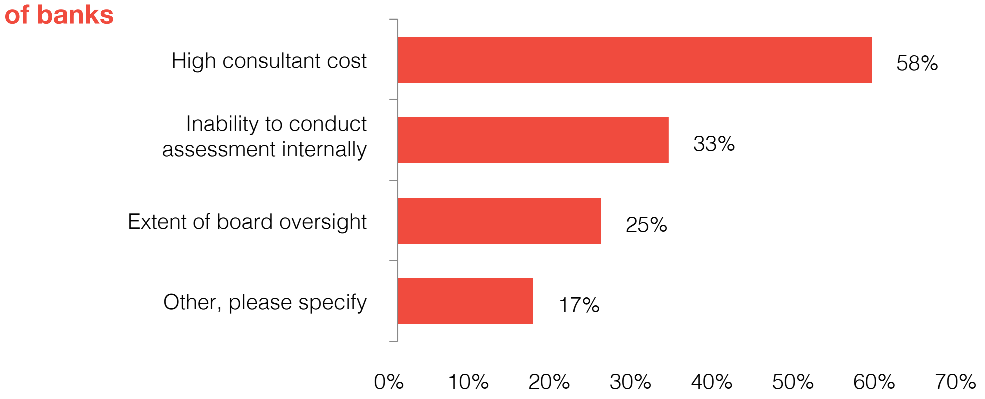
Out of every five bank executives interviewed, four indicated that their bank has a cyber and information security plan in place which they follow to the letter. This is refreshing to note, implying that many banks are positioned to handle any cyber related attacks.

? Question: How frequently do you conduct a cyber risk assessment of your bank?



With hindsight and knowledge of the potential damage cyber-attacks can cause, many bank executives conduct cyber risk assessment of their banks on a quarterly basis and in most instances, even more frequently than that. Some banks perform regular simulations and tests on the overall business as and when they introduce new products or services. Others have gone a step further to dedicate special teams within management and board sub-committees to deal with cyber and information security risks.

? Question: What are some of the challenges you encounter in conducting a cyber risk assessment of your bank?

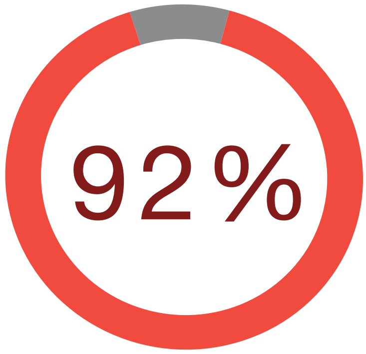


A key challenge many banks face in conducting cyber and information security assessment is high cost involved in engaging qualified consultants. This stems from two sources: 1) banks inability to conduct such assessments internally and the desire or need to use independent persons to conduct such assessments. Many international and regional banks rely on expertise within their Group to conduct such assessments.

92%
of banks place a high priority o cyber and information related issues.

? Question: What level of priority do you place on cyber and information security related issues in your organisation?

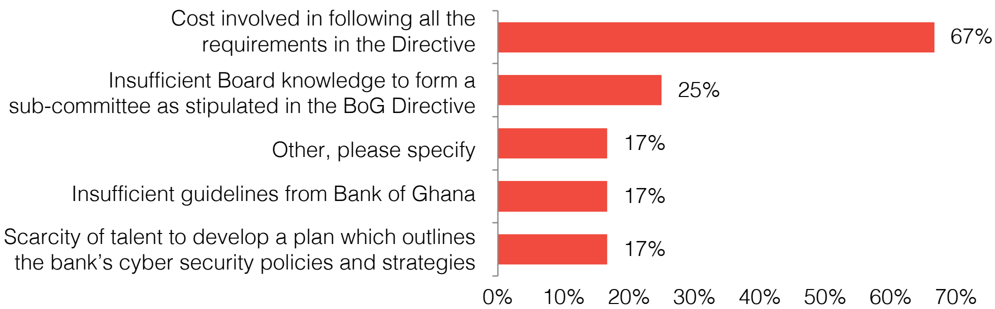
92% of banks place a high priority on cyber and information related issues



Bank executives state that the drive towards artificial intelligence, diversification of digital channels and automation of certain functions within their banks expose them considerably to cyber-attacks. As such, they are constantly investing in ways to secure their networks to protect consumer interests.

? Question: What challenges do you face in effectively implementing the Cyber and Information Security Directive?

Challenges in fully implementing Cyber and Information Security directive



67%
of banks interviewed consider the cost involved in following all the requirements in the directive as high.

According to the Bank of Ghana, banks must establish Cyber and Information Security procedures and protocols for: routine and emergency scenarios, delegation of responsibilities, inter- and intra-company communication and cooperation, coordination with government authorities, establishment of reporting mechanisms, physical security measures for IT Data centres & Control Rooms, and assurance of data and network security. 67% of banks interviewed consider the cost involved in following all the requirements in the directive as high. In some cases, insufficient specialised skills of the Board members to form a sub-committee has become a challenge for compliance.

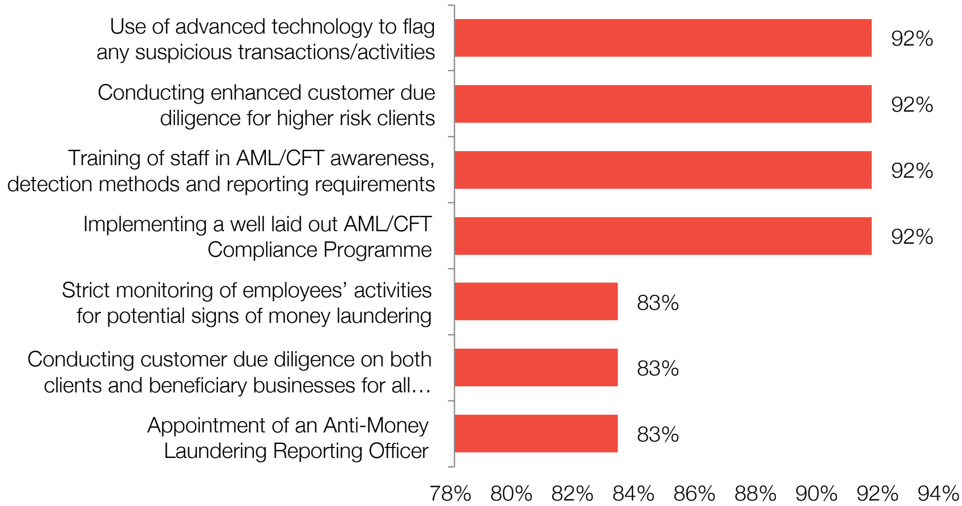
Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

In recent times, Ghana has intensified efforts towards the fight against money laundering and terrorist financing. The BoG believes that the benefit of the Anti-Money Laundering Act will not be realised unless there is effective implementation of established framework and collaboration with the Financial Intelligence Centre (FIC).

Banks have invested significantly in systems and resources that help deal with AML and CFT related issues to ensure compliance.

? Question: How is your bank implementing internal rules, procedures and other controls that will deter criminals from using your facilities for money laundering and terrorist financing.

How banks are implementing internal rules, procedures and other controls that will deter criminals from using your facilities for money laundering and terrorist financing.

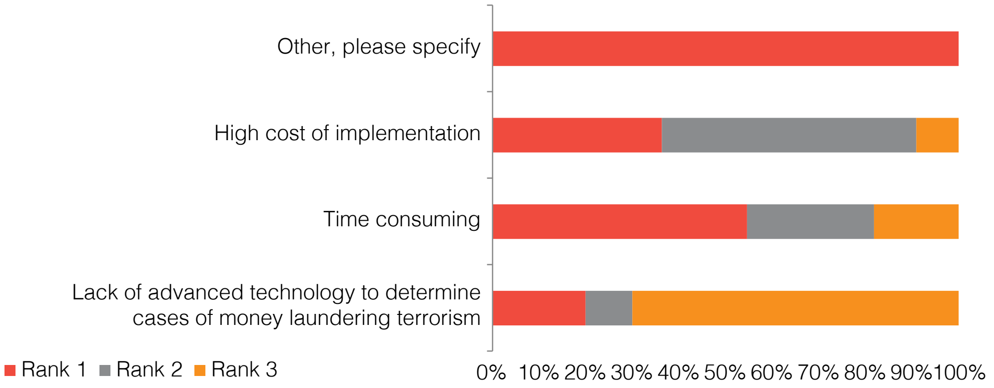


Banks are upgrading their procedures, systems and knowledge to deal with AML and CFT issues.

Banks are upgrading their procedures, systems and knowledge to deal with AML and CFT issues. For international and regional banks, the arrangements at the Group level drive most of the procedures being proposed by the BoG in accordance with international best practices. Compliance with the directive is not very challenging for these multinational banks. Local banks have also taken steps to invest in certain aspects of their business including recruiting skilled staff to solely handle such issues and conducting enhanced know-your-customer (KYC) on especially higher-risk clients.

? Question: What challenges do you encounter in effectively implementing the Anti-money laundering and combating the financing of terrorism directive?

Challenges in implementing AML and CGT directive



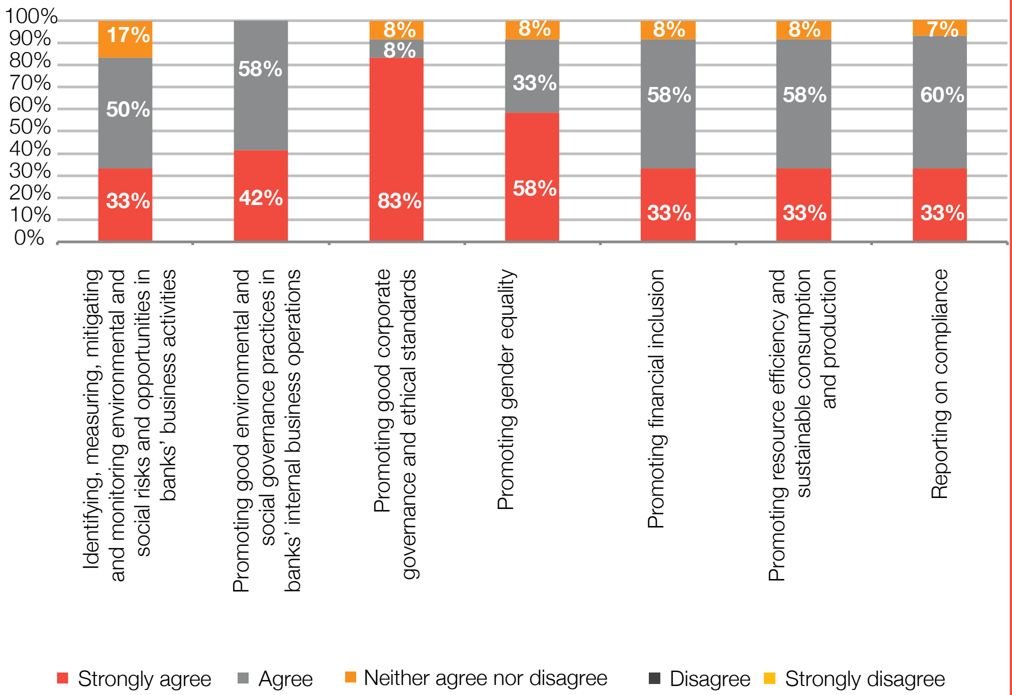
There is strong willingness for bank executives to comply and they do not have any challenges implementing the AML and CFT directive. For those who responded, the major issues they face with the directive are high implementation costs and time required to complete all of BoG's reporting requirements. The challenges enumerated include delays from BoG on specific requirements, manual reporting required from BoG as opposed to system-generated reporting by many banks. Bank executives also had concerns on the adequacy of the Regulator's skilled staff to address emerging AML and CFT related issues.

Financial inclusion and sustainable banking principles

Banks in Ghana are committed to the drive for financial inclusion and sustainable banking and are using technology as the main driver. According to a World Bank publication on 14 June 2019, (Ghana Economic Update: Enhancing Financial Inclusion), Ghana can reach universal financial access across regions and key demographics using innovative technology.

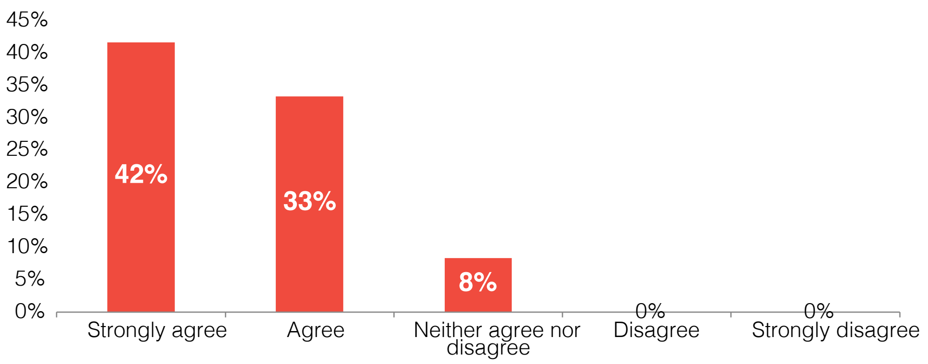
For many banks, although customers sometimes complain of the long processes involved in accessing financing from them because of measures such as sustainable banking checks, they believe it is an essential part of their loan disbursement processes.

We fully comply with the seven general principles that have been proposed under the initiative



? Question: We assess the economic, environmental, and social risks affecting the projects and businesses we finance and ensure that appropriate measures are adopted to mitigate such risks.

Economic, environmental and social risks assessment



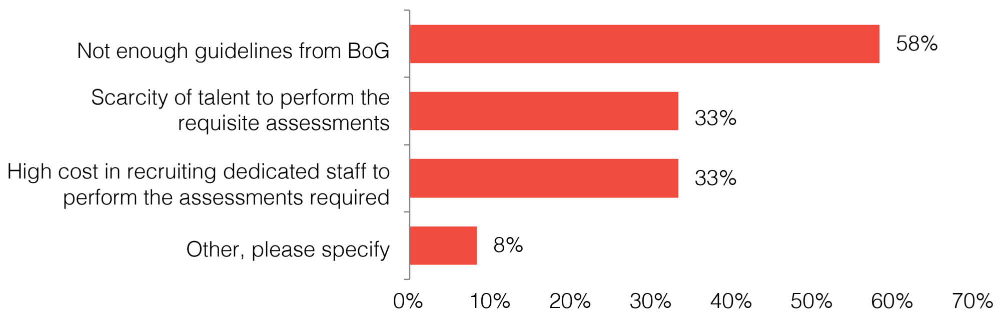
77% of the bank executives interviewed mentioned that they assess the economic, environmental, and social risks affecting the projects and businesses they finance to mitigate any unforeseen risks

77% of the banks interviewed mentioned that they assess the economic, environmental, and social risks affecting the projects and businesses they finance to mitigate any unforeseen risks. They indicated to us that they have dedicated desks for such assessments and it forms part of their business strategy to be thorough.

?

Question: What challenges do you face in effectively implementing the financial inclusion and sustainable banking practices directive?

Challenges



Almost three out of every five bank executives interviewed mentioned that there are not enough guidelines from BoG which thoroughly explains what is required of the banks. 33% of banks also indicated that they do not have adequate staff and specialist knowledge to perform such assessments, while others complain about the high cost involved in recruiting such specialised staff.

58% bank executives interviewed mentioned that there are not enough guidelines from BoG which thoroughly explains what is required of the banks.

Technology

Innovation is critical in this rapidly changing banking landscape. The customer of the future is switched on, has a choice and is not afraid to exercise this choice, causing banks to innovate to meet their demands.

Technology is regarded as one of the enablers of innovation, as such banks see technology and digitally-focused companies (such as FinTechs) as partners rather than foes and seek to tap into their markets. Approximately 83% of respondents expect to invest significantly in technology and create agile businesses over the medium term, which will be crucial to meet customer demands and grow profitability.

75% of bank executives mentioned that they have already achieved profitable revenue growth by encouraging customers to migrate to electronic channels. They intend to leverage this experience as they explore other markets and avenues for growth. Traditional "brick and mortar" branches are expected to significantly reduce going forward, which is consistent with banks stated objective to migrate more customers to electronic channels.

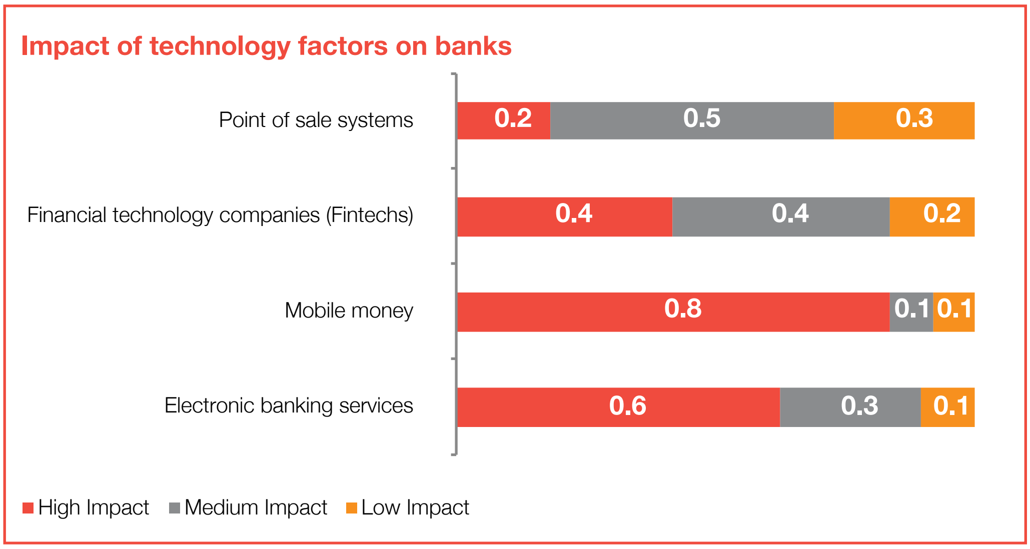
83% of respondents expect to invest significantly in technology and create agile businesses over the medium term.

Mobile money has changed Ghana's payments system considerably. According to the Bank of Ghana, as at December 2018, mobile money transaction volumes have exceeded 1.4 billion with transaction values in excess of GHS223 billion, representing a 43% y-o-y growth in 2018. Today, most people in Ghana whether banked or unbanked patronise mobile money because of the ease and convenience it provides to customers. Telecommunication companies took the lead with mobile money, leaving banks to play catch up. With the payment of interest on account balances, provision of other ancillary services such as loans and insurance, and the sheer size of transaction volumes, mobile money is providing alternative financial services to customers. Some 30% of banks interviewed noted that delays in integrating mobile money on their platforms cost them some retail customers.

The proposed introduction of comprehensive stated capital structure for mobile money and payment systems players could create rife opportunities for greater collaboration with banks. Such a venture could transform the competitive landscape of the banking sector.

75%
of bank executives mentioned that they have already achieved profitable revenue growth by encouraging customers to migrate to electronic channels.

? Question: Which of these technology factors is having the greatest impact on your bank and why?



80% of respondents indicated that mobile money is having the greatest impact on their business. Bank executives are of the view that the uptake of mobile money has contributed to eroding of revenue, especially, fees on fund transfers.

According to PwC's 2015 Ghana Banking Survey, four out of every five (82%) customers interviewed rated convenience as the attribute of banking service that mattered to them the most. It is no wonder that electronic banking channels are now more preferred than in-branch services. In 2015, 60% of our respondents indicated that electronic banking services is having a high impact on their bank. According to respondents, they are having to make significant investments in their business to 1) meet customers' needs and 2) to protect customers who patronise these platforms from attacks.

More than 80% of bank executives view FinTechs as partners rather than competitors. Currently, some arrangements with some FinTechs are underway and some are already providing services to banks.

Future of the industry

More than
80%
of bank executives view FinTechs as partners rather than competitors.

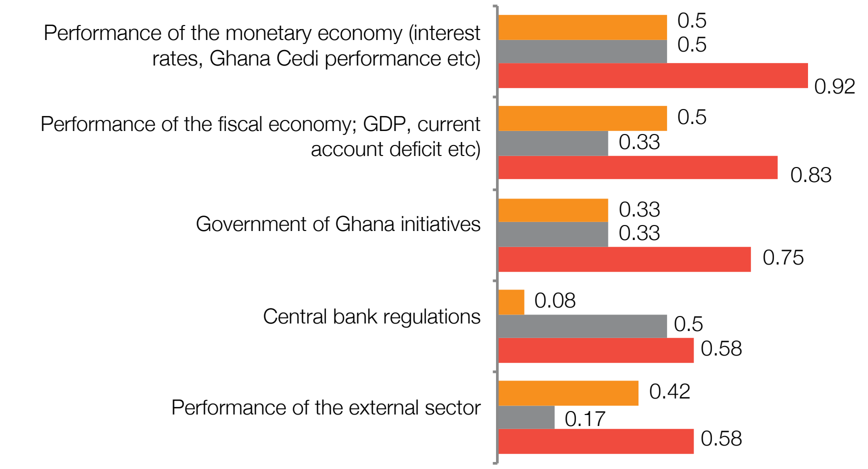
We questioned bank officials on their views on the cost and revenue prospects of economic factors and regulations for the banking industry. As observed below, banks commonly have a less optimistic view of the impact of regulations on their business, believing it will mostly lead to an increase in the cost of their operations.

For many banks (92%), the performance of the monetary economy will have the greatest impact on them in the medium term. They were split in half regarding which direction the impact will go as regards their cost and revenue. They believe that interest rates (and for that matter the Ghana reference rate) is key to determining among others their loan disbursements and returns thereof.

For every four out of five bank executives interviewed, the performance of the fiscal economy will have an impact on their business. Most of them believe the impact will be more towards driving revenue growth as opposed to increasing cost. Most bankers are bullish of Ghana's economic growth in the medium term, citing government's initiatives such as 1D1F, Planting for Food and Jobs ("PFJ") Programme, National Entrepreneurship and Innovation Programme (NEIP) etc as the key drivers.

92%
of bank executives noted that the performance of the monetary economy will have the greatest impact on them in the medium term

Which of the following factors will have the greatest influence on the industry in the next 5 years?



Conclusion

In conclusion, we believe the medium-term outlook of Ghana's banking sector is positive, bolstered by structural improvements that have been made in the sector and the reforms in the wider financial services industry.

We expect the BoG to continuously engage banks and other key industry stakeholders to introduce additional reforms which will address emerging vulnerabilities in the sector.

We believe that the sector will see growth in underwriting credit to both the private and public sector. This will be driven by strong demand across Ghana's expanding economic sectors, particularly manufacturing, mining and services and government's need for deficit financing as fiscal deficits continue to persist. Also, intensification of the financial inclusion drive and growth in mobile and internet banking will facilitate greater credit access. As Ghana's population continues to grow and urbanisation rises, we expect greater access to bank accounts and mobile and internet banking, thus increasing the credit market.

With a renewed confidence in the sector following recapitalisation, good corporate governance practices, sanitisation of the non-bank financial institutions among others, we expect restored customer confidence and growth in deposits.

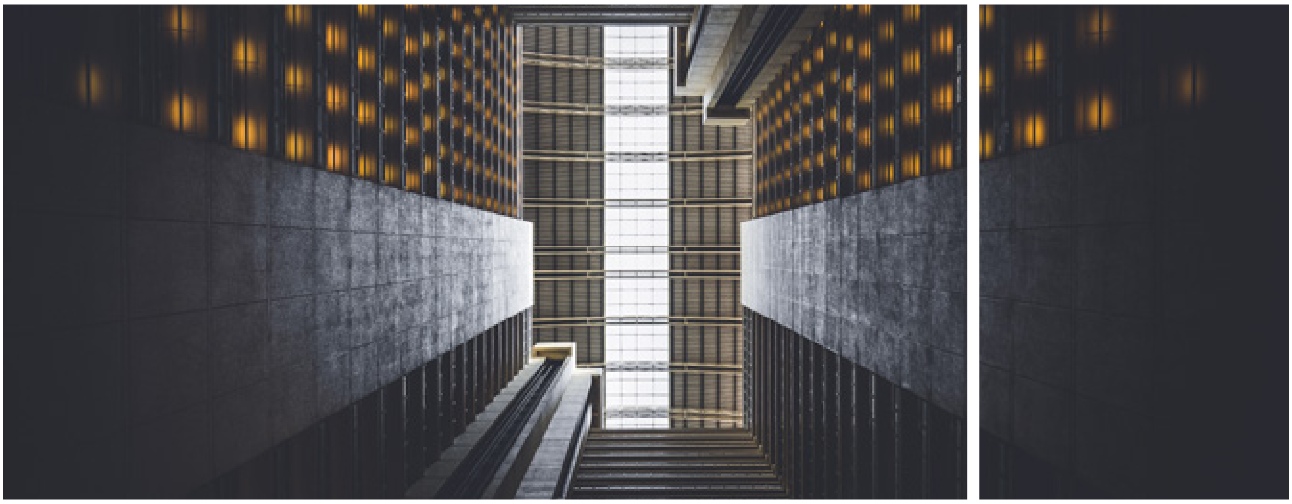
We believe that the reforms introduced by BoG are aimed at introducing globally acceptable standards to the banking sector and positioning the sector for the bank of the future to fully address the demands of the customer of the future. We expect the BoG to continuously engage banks and other key industry stakeholders to introduce additional reforms which will address emerging vulnerabilities in the sector.

Finally, the customer of the future is switched on, increasingly looking for more sophisticated products and services yet convenient banking, as such investment in technology will be an integral element to meeting customer demands and defining how banks compete going forward. We expect to see the introduction of competitive yet complementary products and services, thus creating a convergence of financial and related services for customer convenience.

3

Banking industry overview

3 Banking industry overview



3.1. Industry overview

The regulator is undertaking significant initiatives to strengthen the banking sector. Several directives from BoG have been introduced in a bid to enhance efficiency and to restore confidence in the sector. Key amongst the measures introduced in the sector is the recapitalisation of licensed commercial banks to GHS400 million by end of 2018. This was followed by a number of initiatives to further strengthen and stabilise the sector. Some of the key initiatives embarked upon by BoG over the last 12 months are as follows:

Directive for Voluntary Winding up of Banks and Specialised Deposit taking Institutions

The Bank of Ghana, on 5 September 2018, issued an exposure draft on the directive for voluntary winding up of banks, Specialised Deposit-taking Institutions (SDI) and institutions licensed under other enactments for industry and public comments. The key objective of this Directive was to provide guidance for the procedures for an orderly winding up and subsequent revocation of operating license of a bank or SDI. The directives may have served its purpose to ease and give clarity to the process of winding down of some banks voluntarily or through withdrawal of licences.

Cyber and Information Security Directive

On 24 October 2018, BoG issued the Cyber and Information Security Directive. The document provides a framework for establishing Cyber and Information Security protocols and procedures for; routine and emergency scenarios, delegation of responsibilities, inter- and intra-company communication and cooperation and coordination with government authorities.

The key objectives of this Directive include:

1. To create a secure environment within “Cyberspace” for the financial services industry;
2. To create an assurance framework for the design of security policies and for the promotion of compliance to global security standards;

3 To enhance the protection and resilience of financial systems' operations; and

4 To promote awareness creation and ensure human resource security.

This directive was necessitated by the recent spate of threats on cyber security breaches in financial institutions around the world.

Directives for Forex Bureaux in Ghana

BoG, on 30 October 2018, issued Directives aimed at enforcing compliance by all licensed Forex Bureaux with the Forex Bureau Regulations issued in accordance with the Foreign Exchange Act, 2006 (Act 723), and the provisions of the Anti-Money Laundering Act, 2008 (Act 749) as amended. These directives require that the forex bureau must:

1 Capture electronically and receipt all foreign exchange transactions;

2 Obtain valid identification when engaging in forex exchange transactions;

3 Submit monthly returns electronically to the Bank of Ghana no later than the fifth day of the subsequent week;

4 Complete and submit a license renewal application two (2) months before the expiration of the current license; and

5 Comply with the provisions of the Data Protection Act, 2012 (Act 843) and must register with the Data Protection Commission of the Ministry of Communication as a key requirement for annual license renewal.

These directives are part of efforts by the regulator for greater transparency in forex dealings

Corporate Governance Directive 2018

BoG, on 27 December 2018**,** issued the final Corporate Governance Directive for compliance by banks and special deposit taking industries, financial houses and financial holding companies. The key objectives of the directive are to ensure that financial institutions:

- Adopt sound corporate governance principles and best practices,
- Undertake business decisions in a sustainable manner and to maintain public trust and confidence in regulated financial institutions,
- Promote the interest of depositors and other stakeholders, and
- Enhance corporate performance and accountability.

Dealing with troubled banks: Collapse of Premium Bank Ghana Limited ("PBG") and Heritage Bank Ghana Limited ("HBG")

BoG, on 4 January 2019, revoked the licences of PBG and HBG and approved a purchase and assumption deal with Consolidated Bank Ghana Limited ("CBG") to take over the

liabilities and selected assets of the inoperative banks. The BoG cited reasons including liquidity and insolvency challenges, as well as uncertainties of source of shareholders' funds.

Ghana Amalgamated Trust (GAT) Plc and support to selected indigenous banks

GAT was created in January 2019 to raise funds to support the capital requirement of certain local banks. The banks selected to benefit from this arrangement are: National Investment Bank (NIB), Prudential Bank Limited (PBL), Agricultural Development Bank (ADB), Universal Merchant Bank Limited (UMB), the merged OmniBank Ghana Limited ("OmniBank") and Sahel Sahara Bank Ghana Limited ("BSIC").

BoG introduces upgraded banknotes

BoG, on 6 May 2019, upgraded bank notes into circulation. These upgraded notes have enhanced security features in line with evolving changes in the technological landscape.

Progress report on banking sector recapitalisation

Following the recapitalisation exercise that ended at the close of business on 31 December 2018, there are now 23 universal banks operating in Ghana as at 31 August 2019.

Please refer to Appendix A of this report for the full list of licensed universal banks operating in Ghana as at the date of this report.

Revocation of license of insolvent microfinance, microcredit and savings and loans companies

On 31 May 2019, The Bank of Ghana revoked the licences of 192 insolvent microfinance companies. In addition, licences of another 155 insolvent microfinance companies that have ceased operations have been revoked. 23 insolvent savings and loans companies and finance houses have also had their licences revoked on 16 August 2019.

4

Total operating assets

4 Total operating assets

Introduction

We consider all assets that are directly deployed to generate interest or fee income as operating assets. These comprise assets such as cash and cash equivalents, Treasury bills and bonds, interbank placements and loans and advances. We also consider operating assets to be a key performance indicator for banks. As earning assets, they contribute largely to the liquidity and profitability of banks.

At the time of our data compilation, four of the 23 licensed banks were at various stages of business consolidation and re-organisation. Our analysis is therefore based on the 19 banks which had their financial information publicly available.

4 Total operating assets

Total operating assets (millions of Ghana Cedis)

		2018	2017	2016	2015	2014	Change: FY18 vs FY17	Change%: FY18 vs FY17
1	GCB	9,721	8,268	5,686	4,327	4,000	1,453	17.57%
2	EBG	9,717	8,151	7,279	5,954	5,428	1,565	19.21%
3	BBGL	8,757	5,747	5,113	3,437	2,857	3,010	52.37%
4	FBL	6,663	5,115	3,981	3,948	2,925	1,548	30.26%
5	SBG	5,611	4,820	4,974	3,984	3,270	791	16.41%
6	SCB	5,556	4,379	4,068	3,147	3,250	1,177	26.87%
7	ZBL	5,332	4,298	3,193	2,396	3,003	1,034	24.06%
8	CAL	4,867	3,847	3,198	3,151	2,590	1,020	26.51%
9	UBA	3,450	2,895	3,682	2,342	1,683	555	19.17%
10	ADB	3,367	3,282	2,796	1,947	2,042	84	2.56%
11	ABG	3,195	2,892	2,437	2,250	1,575	303	10.48%
12	SG-GH	3,082	2,478	2,329	1,878	1,572	605	24.42%
13	RBL	2,744	1,955	1,701	1,469	1,253	789	40.36%
14	GTB	2,165	1,803	1,493	1,319	1,114	362	20.08%
15	PBL	2,111	1,958	1,511	1,286	1,058	152	7.79%
16	FABL	1,582	1,538	1,292	1,079	849	45	2.91%
17	BOA	1,153	1,192	1,004	1,080	844	(39)	-3.24%
18	FBN	962	524	542	421	349	438	83.62%
19	FNB	603	224	255	132	-	378	168.61%
	Total	80,636	65,366	56,534	45,547	39,662	15,270	23.36%

4 Total operating assets

The total operating assets below are for information purposes only. The comparatives have been extracted from the previous years' Banking Survey.

	2018	2017	2016	2015	2014	Change	Δ%
TRB	-	1,047	1,014	867	363	n/a	n/a
PRB	-	1,275	886	-	-	n/a	n/a
UMB	-	2,764	2,582	1,230	-	n/a	n/a
BSIC	-	599	537	466	331	n/a	n/a
OBL	-	585	433	-	-	n/a	n/a
BOB	-	387	291	266	194	n/a	n/a
ECB	-	296	324	329	276	n/a	n/a
TCB	-	106	-	-	-	n/a	n/a
UGL	-	-	5,528	3,650	1,970	n/a	n/a
GNB	-	-	658	484	421	n/a	n/a
SBL	-	-	348	-	-	n/a	n/a
NIB	-	-	-	2,016	1,915	n/a	n/a
HBL	-	-	-	-	-	n/a	n/a
Beige	-	-	-	-	-	n/a	n/a
GHL	-	-	-	-	-	n/a	n/a
CBG	-	-	-	-	-	n/a	n/a
UTB	-	-	-	-	-	n/a	n/a
Capital	-	-	-	-	-	n/a	n/a
TTB	-	-	-	-	-	n/a	n/a
IBG	-	-	-	-	-	n/a	n/a
Total	-	7,059	12,600	9,307	5,470	n/a	n/a

Total operating assets of the participating banks increased by 11.3% to GHS80.6 billion and represented 93.1% of total assets as at the end of December 2018. The liquid assets and net loans and advances components of total operating assets grew by 19.5% to GHS33.2 billion and by 8.7% to GHS26.8 billion, respectively. The growth in liquid assets was driven by holding funds from capital injection pending identification of lending opportunities.

The direct capital injection of GHS1.5 billion contributed to the growth in total operating assets. Total deposits grew by only 3.7% to GHS58.8 billion. GCB holds 12% of the industry's total operating assets. The growth in total operating assets of BBGL, EBG and FBL, was in excess of GHS1.5 billion each.

The growth of net loans and advances was driven by an expansion in key sectors, such as mining (46.6%) and agriculture, forestry & fishing (8.6%). These two sectors showed the most significant growth in net loans and advances, with loans to the agriculture, forestry & fishing sector more than tripling and loans to the mining sector growing by 83.8% by the end of December 2018.

BBGL increased its operating assets by 52.4% to GHS8.76 billion as at the end of December 2018. The Bank almost doubled its liquid assets and grew its net loans and advances by 23.6% during 2018. The increase in loans and advances were a result of BBGL's agenda to support Ghanaian Small and Medium Enterprises ("SMEs") to stimulate economic growth. The 60.3% increase in its total deposits and borrowings contributed to the funding of loans and advances.

EBG and FBL increased their operating assets by 19.2% and 30.3% to GHS9.72 billion and GHS6.66 billion, respectively. Both banks continued to hold significant investments in liquid assets; with FBL's liquid assets increasing by

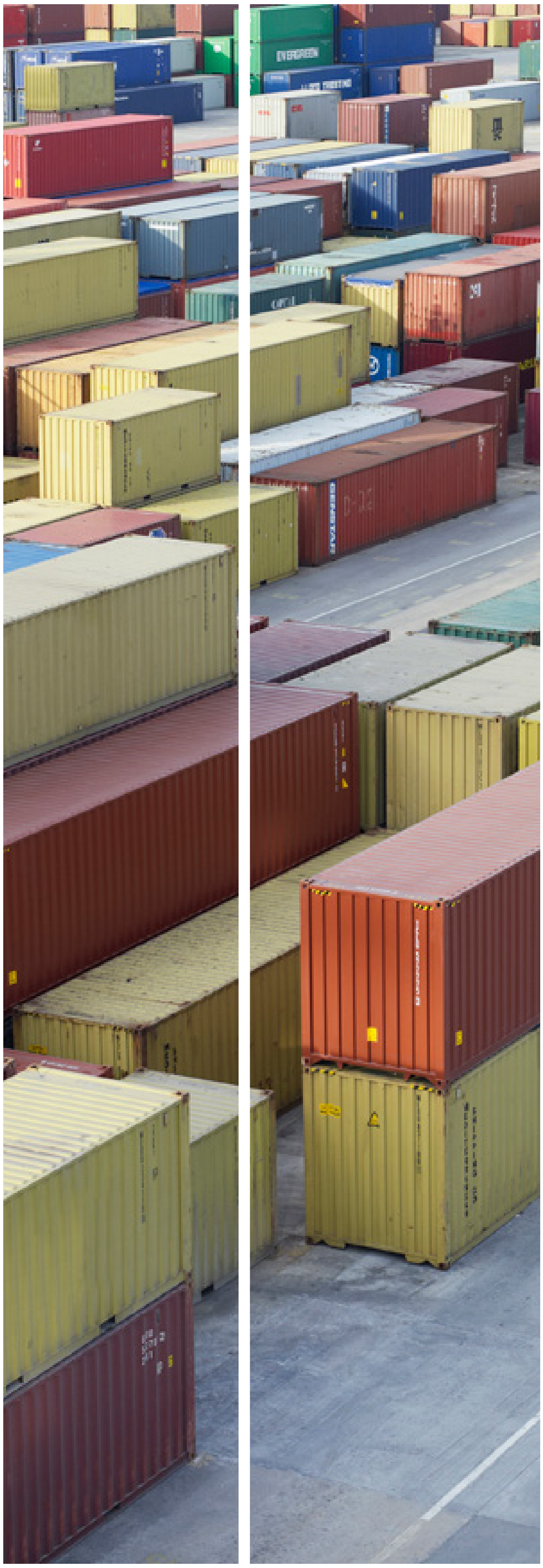
37.4% to GHS3.47 billion and EBG's increasing by 25.0% to GHS3.08 billion.

EBG experienced an increase in its net loans and advances by 53.5% to GHS4.12 billion. This has been attributed to rising financial inclusion, and the growth of mobile and internet banking, which has facilitated greater credit access. FBL experienced 38.2% increase in its net loans and advances to GHS1.42 billion.

RBL (formerly HFC) also experienced significant growth, with its operating assets growing by 40.4% to GHS2.7 billion. This is driven by a 45.1% growth in net loans and advances arising from an aggressive retail loan campaign embarked on by the bank. The growth in RBL's total assets was funded by a 26.2% growth in total deposits, which is an outcome of various initiatives, including a reactivation of dormant accounts and a promotion of credit cards.

BOA experienced a decline in total operating assets with its operating assets decreasing by 3.2% to GHS1.15 billion as at the end of December 2018. Although it does not appear to follow the industry growth trend, this is of a temporary nature caused by the delay between the transfer of GHS282 million by the parent and receipt of these funds by the bank. Subsequent to the year end, these funds have been received.

FNB and FBN experienced respective increases of 168.6% and 83.6% in total operating assets after capital injections from the parent banks. FNB and FBN received GHS343.8 million and GHS316.0 million respectively from their parent entities. These funds were held in liquid assets as the bank evaluated options to deploy the funds.

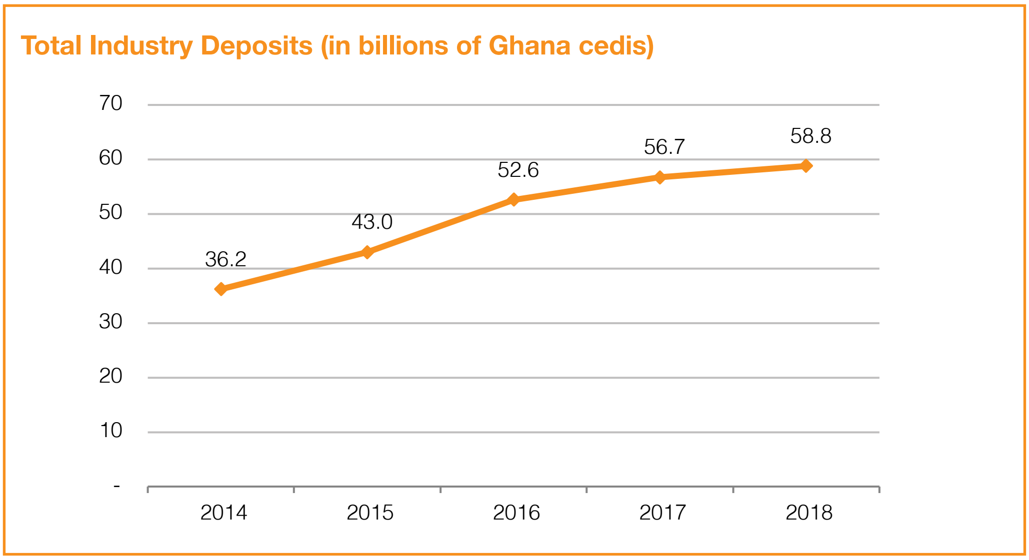


5

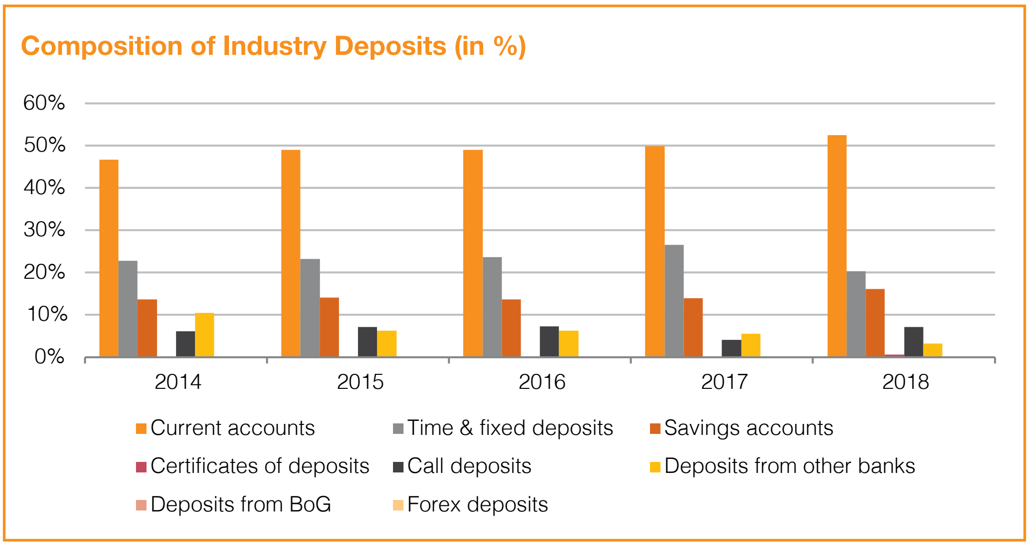
Market share analysis

5 Market share analysis

5.1. Share of industry deposits



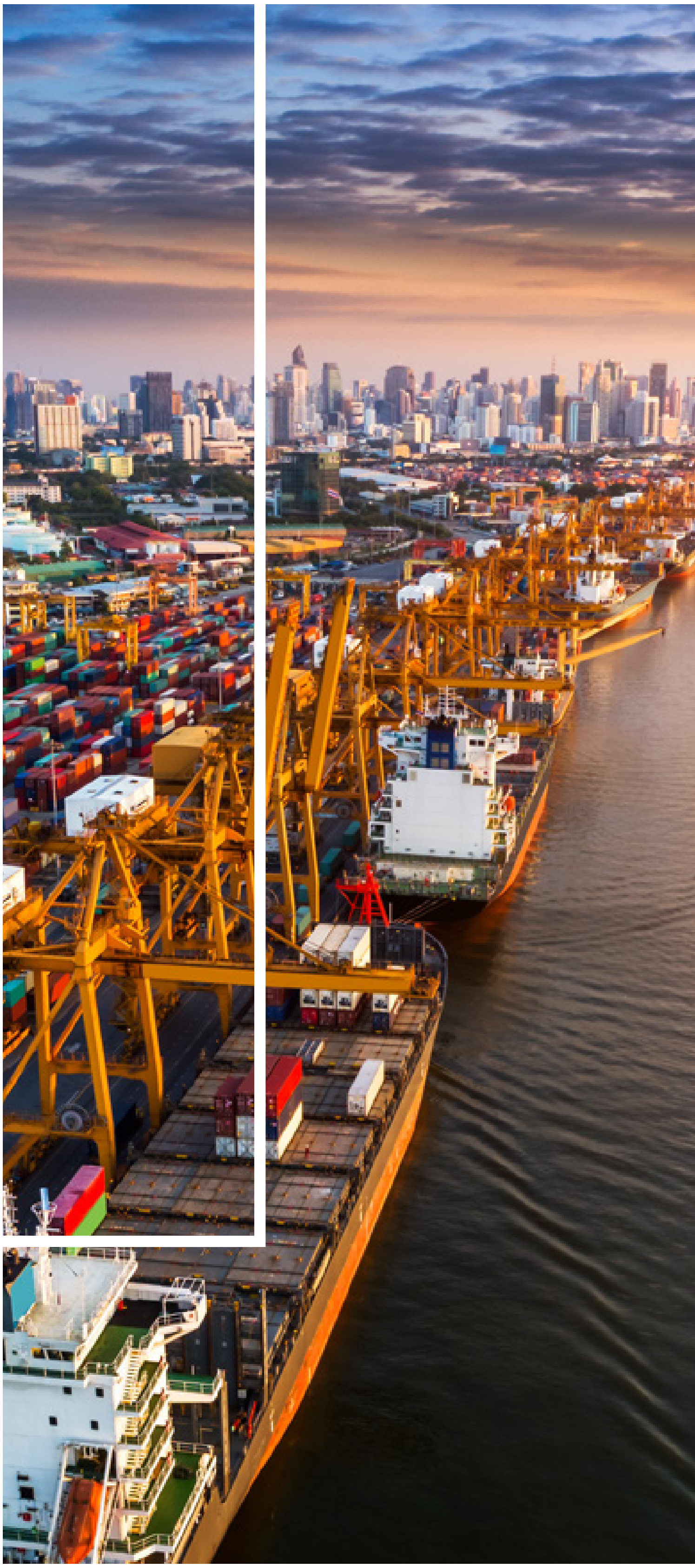
The historical trend shows that in recent years the pace of growth has slowed down. The average growth rate of deposits in the industry between 2014 and 2016 was 20%. This percentage however declined to an average of 6% in the following years until 2018. The significant decline in the growth of deposits reflects the general uncertainty on the future outcome of banks. The Bank of Ghana continued to allay the concerns of the public through media communications on the soundness of the banking sector. It is expected that the growth rate will improve.



The industry's deposit mix has remained relatively consistent over the last five years. Current and Savings Accounts constitute 77% of deposits in the industry indicating that banks continue to pursue cheaper sources of raising funds. Current and Savings accounts deposits grew by 5% from GHS36.14 billion in 2017 to GHS40.3 billion in 2018. This shows a marginal improvement from the average growth rate of 3% experienced from 2014 to 2017.

5 Market share analysis

Time and fixed deposits which had experienced an average growth of 2% from 2014 to 2017 declined by 3% from 2017 to 2018. At the height of the steep rates offered on government instruments banks were compelled to make their fixed and time deposits competitive making them more attractive to short term investors. However, with the collapse of some banks, customers became reluctant to hold time and fixed deposits.



5 Market share analysis

Share of industry deposits

	2018	2017	2016	2015	2014
GCB	14.2%	12.3%	8.1%	7.8%	8.5%
EBG	13.3%	12.6%	11.3%	11.5%	11.9%
BBGL	8.4%	8.0%	8.1%	6.6%	6.4%
SBG	7.7%	6.2%	7.8%	7.3%	8.3%
FBL	7.6%	7.0%	6.1%	7.2%	6.0%
SCB	7.4%	6.1%	6.1%	5.9%	7.1%
ZBL	5.8%	6.2%	5.1%	4.7%	5.1%
CAL	5.4%	4.4%	4.5%	3.7%	3.8%
ADB	4.4%	4.5%	4.1%	3.5%	4.0%
ABG	4.4%	4.1%	3.8%	4.4%	3.5%
SG-GH	3.7%	3.5%	3.4%	3.2%	3.8%
RBL	3.7%	3.0%	3.0%	2.2%	2.0%
UBA	3.6%	3.7%	5.7%	4.8%	5.0%
GTB	3.0%	2.6%	2.1%	2.2%	2.2%
PBL	2.8%	2.6%	2.5%	2.5%	2.4%
FABL	2.3%	2.6%	2.2%	2.1%	1.4%
BOA	1.3%	1.6%	1.3%	1.6%	1.5%
FBN	0.8%	0.7%	0.8%	0.8%	0.5%
FNB	0.3%	0.2%	0.3%	-	-
TRB	-	1.2%	1.1%	1.3%	0.7%
BSIC	-	0.9%	0.9%	0.9%	0.7%
UMB	-	3.4%	2.7%	2.1%	-
PRB	-	0.9%	1.0%	-	-
OBL	-	0.8%	0.7%	-	-
ECB	-	0.5%	0.5%	0.6%	0.7%
BOB	-	0.3%	0.3%	0.3%	0.3%
TCB	-	-	-	-	-
NIB	-	-	-	4.1%	3.7%
GNB	-	-	1.2%	1.0%	0.9%
UGL	-	-	5.0%	7.4%	4.9%
SBL	-	-	0.5%	0.3%	0.3%
HBL	-	-	-	-	-
Beige	-	-	-	-	-
GHL	-	-	-	-	-
Apex	-	-	-	-	-
CBG	-	-	-	-	-
UTB	-	-	-	-	3.3%
Capital	-	-	-	-	1.0%
TTB	-	-	-	-	-
IBG	-	-	-	-	-
Industry	100.0%	100.0%	100.0%	100.0%	100.0%

5 Market share analysis

GCB is gaining its dominance as the market leader in mobilising deposits as deposits grew by 20% from GHS6.95 billion in 2017 to GHS8.33 billion in 2018 representing 14.2% of total industry deposits. The assumption of assets and liabilities of the defunct banks in 2018 contributed to its increase in customer base and expansion of its network. In combination with the 5-year strategy launched in 2018 which has a focus on digitisation the deposit mobilisation drive is showing positive results. In addition to the bank's efforts is the public perception of GCB being 'too big to fail' and a safe Ghanaian bank to transact business with. However, GCB faces the threat of deposit concentration. The twenty largest depositors constitute 22.3% of total deposits at the end of the year which deepened from 18% in 2017. The bank should consider strategies to dilute its deposit concentration and maintain the 15% limit stipulated in the BoG's prudential guideline.

In 2018, EBG adopted a broad-based strategy for increasing customer deposits, driven mainly by active customer engagements, enhanced deposit products, and supportive digital channels and offerings. The 18% growth in customer deposits over the previous year indicates a favourable outcome of the strategy. However, deposit from other banks suffered a 71% decline in deposits and only achieved an overall 9% growth in total deposits. In comparison with the 14% to 20% annual growth reported between 2014 to 2017 this is a slower pace. This reflects the general industry trend and reluctance by other banks to make placements because of uncertainty in the sector.

SBG intensified deposit mobilisation through digitisation of products and customer service delivery product and achieved a significant 27% growth in the deposits. Along with the deposit mobilisation strategies, the bank assumed the assets and liabilities of Bank of Baroda who voluntarily surrendered their banking license during the year. This contributed to the significant growth achieved.

BOA experienced a steep decline in deposits of 10.7% in 2018 in sharp contrast to 2017 when its deposits grew by 30%. The decline was due to a 39% drop in time and fixed deposits. This reflects the general trend in the industry of customer reluctance to commit funds with banks on long term.

During the year, ZBL's deposits reduced marginally by 2%. Although the current and savings accounts experienced a 9% increase in deposits term and fixed deposits declined by 15% and lost market share by 0.4%. The bank's efforts at deposit mobilisation struggled to overcome the general apprehension of customers on the future of the banking sector. However, ZBL diluted the composition of its 20 largest depositors from 32% of total deposits in 2017 to 17% of total deposits in 2018. Further mobilisation efforts should aim at diversifying its source of deposits to manage the concentration risk.

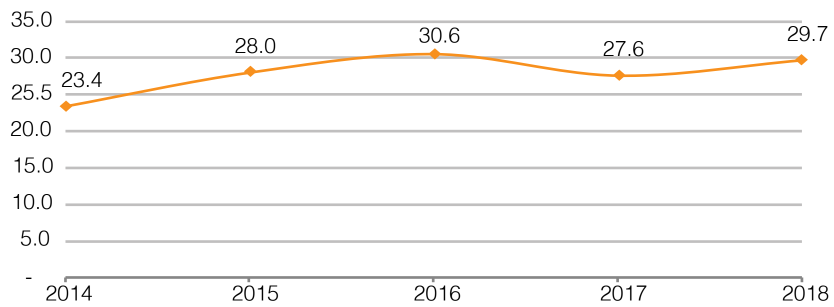
ABD, UBA and FABL also lost their market share of industry deposits in 2018. This reflects the uncertainties perceived by customers on the continued existence of these banks and may have led to a higher concentration of deposits in the remaining banks.

The digitisation of deposit taking platforms and relative ease of access to mobile networks has broadened the scope for banking the unbanked and financial inclusion. The introduction of Mobile Money Interoperability by Bank of Ghana in 2018 to drive financial inclusion and ease the moving of funds between wallets and bank accounts will contribute to the product development and diversification of delivery channels. Following the regulator's announcement of continuing banks there is greater certainty of the industry players and market perceptions will no longer be a strong inhibiting factor for mobilising deposit. The expectation is that competition between banks and non-bank financial institutions will be intense. The 'mobile money' and 'fintech' factors cannot be ignored.

5.2. Share of industry advances

The industry has witnessed an increase of GHS2.1 billion in its loans and advances, representing an 8% change. This trend is a reversal of the prior year's decline despite the Tight credit stance which characterised the industry. In 2018, Loans to the private sector (private enterprises and households) far outweighed loans to the public sector.

Total Industry Loans & Advances (in Billions of Ghana cedis)



Composition of Industry Loans & Advances (%)

	2014	2015	2016	2017	2018
Agriculture, forestry & fishing	4.2	3.9	4.1	5.7	17.5
Mining & quarrying	3.1	3.6	3.1	2.5	4.2
Manufacturing	11.4	10.0	8.8	10.7	11.5
Construction	8.7	9.5	8.9	7.8	7.3
Electricity, gas & water	12.5	14.1	12.4	7.4	3.6
Commerce & finance	24.4	24.9	24.5	24.0	16.7
Transport, storage & communication	4.3	4.3	8.5	7.9	6.5
Services	19.7	19.2	19.5	19.2	21.5
Miscellaneous	11.5	9.7	9.5	13.9	10.3
Housing	0.2	0.9	0.8	0.9	0.9
Total Industry	100.0	100.0	100.0	100.0	100.0

For the first time in the last five years, the agriculture sector accounts for 17.5% of the industry's loan book. The growth in lending to the sector can be attributed to the Planting for Food and Jobs initiative. In its second year, the project has enrolled 600,000 smallholder farmers. Another contributory factor is the Ghana Incentive-Based Risk-Sharing System for Agricultural Lending' (GIRSAL) initiative by the government. In 2018, the government set aside GHS400 million towards establishing and operating the GIRSAL programme.

5 Market share analysis

Similarly, the lending to mining and quarrying sector recorded its highest ever contribution over the last five years. Loans in this sector increased by 1.7% between 2017 and 2018, amounting to GHS0.5 billion. This is attributable to the increased activity in manganese production and shipment leading. The clamp down on illegal mining did not have an adverse impact on lending to the mining sector.

There was a general decrease in loans, for the second successive year, in the electricity, gas and water sector. Although restructuring of the energy sector loans under the Energy Sector Levy Act (ESLA) bond has eased the 'hard core' debt banks are now reluctant to lend to the Bulk Distribution Companies. The energy sector may struggle to access loans from banks if the terms of the ESLA bond issue are not met.

On the other hand, the contribution of the commerce and finance sector fell by 7.3% to GHS4.96 billion in 2018. This was mainly due to actions put in place by the Bank of Ghana to promote a safer banking environment. The market perception of weak and failing non-bank financial institutions did not augur well for lending to this sector.

The housing sector proportion remained the same as last year and insignificant. Shelter is a basic need but banks have not been enthusiastic in developing lending products for this sector. The challenges bank's face is the recoverability of long-term lending. Weak identification systems, unstable economic indicators, slow judiciary process and insufficient credit rating systems may just be part of the myriad of challenges they have to overcome.

Share of industry advances

	2018	R	2017	R	2016	R	2015	R	2014	R
EBG	15.4%	1	10.9%	1	12.5%	1	12.1%	1	12.2%	1
BBGL	12.0%	2	10.5%	2	7.5%	3	6.6%	4	5.3%	9
GCB	11.2%	3	9.4%	3	5.1%	7	6.6%	5	5.6%	7
SBG	9.6%	4	7.6%	4	6.0%	6	6.5%	6	7.5%	2
CAL	9.1%	5	7.5%	5	7.0%	4	7.0%	3	6.0%	4
SG-GH	6.2%	6	5.7%	6	3.4%	14	3.5%	13	4.0%	12
FBL	5.3%	7	4.2%	11	4.7%	8	5.8%	7	7.0%	3
SCB	4.9%	8	5.6%	7	4.5%	10	4.7%	8	5.7%	6
RBL	4.4%	9	3.3%	14	3.3%	15	3.6%	12	3.1%	16
PBL	4.1%	10	3.8%	12	3.3%	16	3.3%	14	3.4%	15
ADB	4.0%	11	4.6%	8	3.6%	13	4.2%	10	5.0%	10
ABG	3.0%	12	3.6%	13	4.6%	9	4.7%	9	3.8%	13
ZBL	2.7%	13	3.3%	15	3.6%	12	3.8%	11	4.9%	11
UBA	2.4%	14	4.5%	9	6.6%	5	3.0%	15	1.9%	18
BOA	2.1%	15	2.0%	17	1.6%	19	1.5%	20	1.5%	19
GTB	1.6%	16	1.6%	18	2.2%	18	2.5%	18	2.1%	17
FABL	1.4%	17	1.0%	20	0.8%	21	1.4%	21	1.5%	20
FNB	0.3%	18	0.1%	26	0.0%	-	0.0%	-	0.0%	-
FBN	0.3%	19	0.3%	25	0.3%	25	0.5%	23	0.7%	23
UMB	0.0%	-	4.4%	10	3.7%	11	2.5%	17	0.0%	-
TRB	0.0%	-	3.1%	16	2.4%	17	2.2%	19	1.1%	22
BSIC	0.0%	-	1.1%	19	0.9%	20	0.7%	22	0.5%	25
OBL	0.0%	-	0.7%	21	0.3%	24	0.0%	-	0.0%	-
BOB	0.0%	-	0.6%	22	0.4%	23	0.4%	24	0.4%	26
PRB	0.0%	-	0.4%	23	0.2%	27	0.0%	-	0.0%	-
ECB	0.0%	-	0.4%	24	0.3%	26	0.1%	26	0.1%	27
TCB	0.0%	-	0.0%	27	0.0%	-	0.0%	-	0.0%	-
UGL	0.0%	-	0.0%	-	10.3%	2	9.6%	2	5.9%	5
GNB	0.0%	-	0.0%	-	0.6%	22	0.3%	25	0.6%	24
SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
NIB	0.0%	-	0.0%	-	0.0%	-	2.9%	16	3.5%	14
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	5.4%	8
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.3%	21
HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
CBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

EBG experienced 55% growth in its net loan book to end the year 2018 at GHS4.12 billion in comparison with GHS2.69 billion in 2017. The corporate and investment, commercial, and consumer banking business segments achieved 61%, 32% and 40% growth respectively. The growth is attributable to successful arrangements of syndicated loans for the government sector, digitisation and focus on the providing solutions for small and medium enterprises. EBG sustained a profitable growth of its loan book because the loan loss provision declined from 7.4% to 3.8%. However, threat from loan book concentration of the 50 largest borrowers worsened at the year end from 67% in 2017 to 80% in 2018.

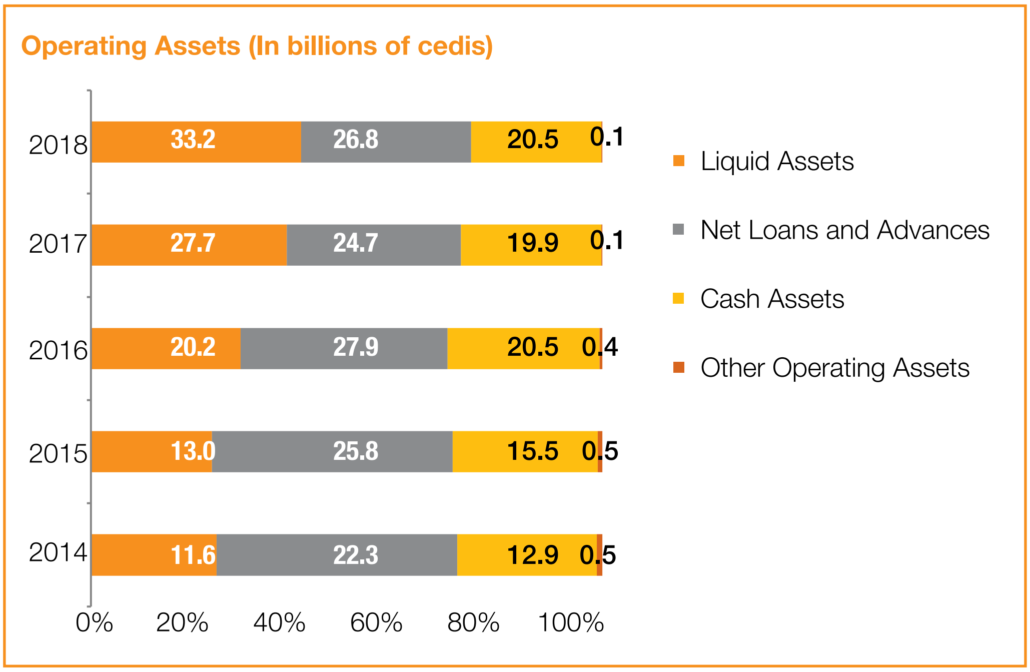
GCB posted a 33% growth of its net loans and advances from GHS2 billion in 2017 to GHS2.8 billion in 2018. The transformation through digitisation agenda is showing favourable results. The key components of growth in the loan portfolio are personal loan, services and construction. Personal loans constitute 30% and remains the largest component of its gross loan portfolio. Exposures in retail personal loans is an industry challenge because of insufficient credit rating systems and significant risk of default. Diligent credit administration cannot be overlooked.

SBG is entrenching itself as one of the big players in the banking sector and holds 9.6% of the industry loan book. The loan portfolio grew by 37% from GHS1.88 billion in 2017 to GHS2.58 billion in 2018. Most of the growth is coming from overdrafts and demand loans which more than doubled from GHS405 million in 2017 to GHS921 million in 2018. Contrary to market trend, mortgages grew from GHS114 million in 2017 to GHS216 million.

CAL's net loans increased from GHS1.85 billion in 2017 to GHS2.42 billion in 2018. This is an outcome of engaging their customers and identifying their needs especially high growth areas of the economy. The loan portfolio indicates significant growth in the construction and services sector. With less than a million exposure in the agricultural sector CAL's lending is now GHS28 million which may be in response of the government initiatives.

FBL grew its loans and advances. The growth in their loan book was funded by a GHS500 million increase in deposits. At the end of 2018, the total deposits and borrowings reached GHS4.46 billion and GHS1.73 billion respectively.

5.3. Share of industry operating assets



5 Market share analysis

Loans and advances have historically contributed the most significant portion of the industry's operating assets. This trend was disrupted in 2017 through 2018 as the industry's investment in risk-free government securities rather than loans and advances increased for fear of high NPLs. This movement away from loans and advances was further evidenced by the industry's operating assets composition. The contribution of liquid assets to operating assets maintained the upward trajectory it has enjoyed since 2016, increasing from 38% in 2017 to 41% in 2018. Contribution from cash assets from 2017 to 2018 contracted from 34.1% to 33.2% with net loans and advances declining from 28% to 26%.

5 Market share analysis

Share of industry operating assets

	2018	R	2017	R	2016	R	2015	R	2014	R
GCB	12.1%	1	11.4%	1	8.2%	2	7.9%	2	8.5%	2
EBG	12.0%	2	11.3%	2	10.5%	1	10.9%	1	11.5%	1
BBGL	10.9%	3	7.9%	3	7.4%	4	6.3%	6	6.0%	7
FBL	8.3%	4	7.1%	4	5.8%	7	7.2%	4	6.2%	6
SBG	7.0%	5	6.7%	5	7.2%	5	7.3%	3	6.9%	3
SCB	6.9%	6	6.0%	6	5.9%	6	5.7%	8	6.9%	4
ZBL	6.6%	7	5.9%	7	4.6%	10	4.4%	9	6.3%	5
CAL	6.0%	8	5.3%	8	4.6%	9	5.7%	7	5.5%	8
UBA	4.3%	9	4.0%	10	5.3%	8	4.3%	10	3.6%	12
ADB	4.2%	10	4.5%	9	4.0%	11	3.5%	13	4.3%	9
ABG	4.0%	11	4.0%	11	3.5%	13	4.1%	11	3.3%	13
SG-GH	3.8%	12	3.4%	13	3.4%	14	3.4%	14	3.3%	14
RBL	3.4%	13	2.7%	15	2.5%	15	2.7%	15	2.6%	16
GTB	2.7%	14	2.5%	16	2.2%	17	2.4%	16	2.4%	17
PBL	2.6%	15	2.7%	14	2.2%	16	2.3%	17	2.2%	18
FABL	2.0%	16	2.1%	17	1.9%	18	2.0%	20	1.8%	19
BOA	1.4%	17	1.6%	19	1.5%	20	2.0%	19	1.8%	20
FBN	1.2%	18	0.7%	23	0.8%	23	0.8%	24	0.7%	24
FNB	0.7%	19	0.3%	26	0.4%	29	0.2%	27	0.0%	-
UMB	0.0%	-	3.8%	12	3.7%	12	2.2%	18	0.0%	-
PRB	0.0%	-	1.8%	18	1.3%	21	0.0%	-	0.0%	-
TRB	0.0%	-	1.4%	20	1.5%	19	1.6%	21	0.8%	23
BSIC	0.0%	-	0.8%	21	0.8%	24	0.8%	23	0.7%	25
OBL	0.0%	-	0.8%	22	0.6%	25	0.0%	-	0.0%	-
BOB	0.0%	-	0.5%	24	0.4%	28	0.5%	26	0.4%	27
ECB	0.0%	-	0.4%	25	0.5%	27	0.6%	25	0.6%	26
TCB	0.0%	-	0.1%	27	0.0%	-	0.0%	-	0.0%	-
UGL	0.0%	-	0.0%	-	8.0%	3	6.7%	5	4.2%	10
GNB	0.0%	-	0.0%	-	1.0%	22	0.9%	22	0.9%	22
SBL	0.0%	-	0.0%	-	0.5%	26	0.0%	-	0.0%	-
NIB	0.0%	-	0.0%	-	0.0%	-	3.7%	12	4.0%	11
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	3.2%	15
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.5%	21
HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
CBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

5 Market share analysis

GCB maintains its position as the market leader measured by total operating assets, with a 2018 total of GHS9.7 billion (2017: GHS8.3 billion) in operating assets. The increment of GHS1.5 billion is a result of GCB's increased cash holdings and net loans and advances, which increased by GHS930 million and GHS690 million respectively. This movement falls in line with recent industry trends. Funding for the increase in operating assets can be partly attributable to the 20.3% rise in GCB's customer deposits.

EBG's contribution to industry total operating assets increased to 10.9%. EBG witnessed a GHS1.4 billion increase in their net loans and advances, the primary factor for the increase in total operating assets. Likewise, this increment in loans and advances can be attributed to 16% growth in customer deposits.

BBGL also gained market share in operating assets. This was primarily due to the growth in non – pledged trading assets of GHS1.5 billion over the year. Source of funding include growth in deposits, increase in short term borrowings and retention of earnings. BBGL's strong performance in liquid assets reflects trends seen in the industry over the years, where banks hold liquid asset investments while they seek lending opportunities.

ADB's market share declined because it lost GHS84 million in operating assets, ending the year with GHS3.4 billion. The market uncertainties had an adverse impact on the bank's ability to source for funds and shore up its operating assets.

UBA grew its share of the industry operating assets by 0.3%. Movements recorded in the components of UBA bank's operating assets were in tandem with trends identified in the industry in 2018. The bank's lending contracted by 42.3% with investments in liquid assets and cash assets increasing by 80.5% and 1.5% respectively.

The quality of loans in 2018 shows some improvement, however the likelihood of defaults remains a concern for the industry. This has contributed to the banking industry's stance of holding safer investments in government securities rather than aggressively underwriting credits. Banks will soon be challenged to pursue new avenues of investment to sustain profitability because of the steady decline in yield from government instruments.

6

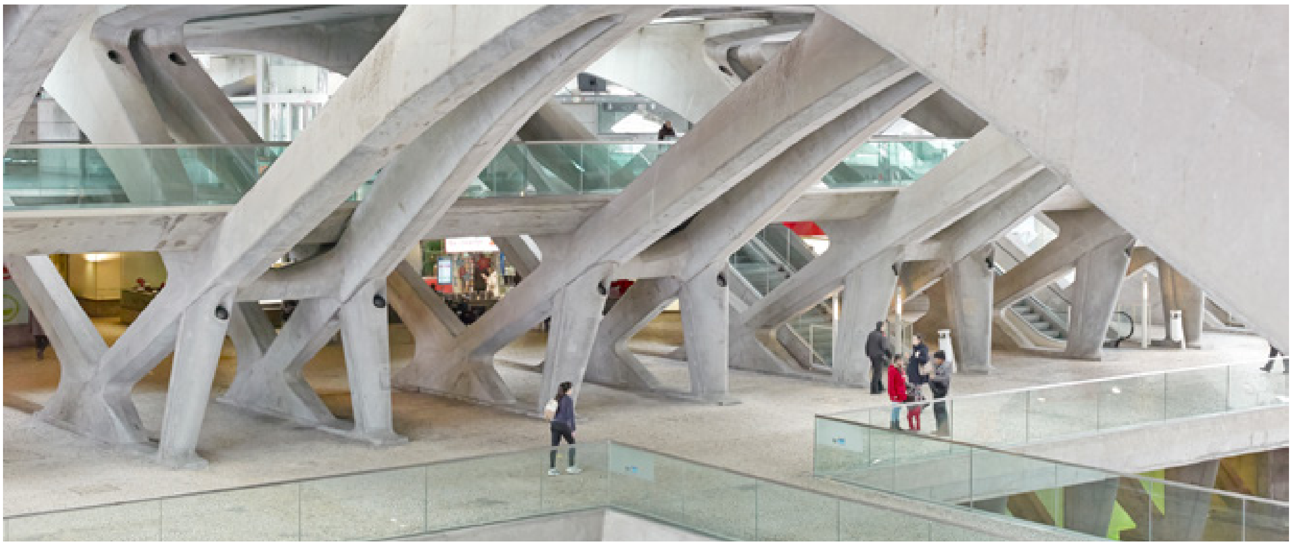
Profitability and efficiency

6 Profitability and efficiency

6.1. Profit margin

	2018	R	2017	R	2016	R	2015	R	2014	R
GTB	68.6%	1	55.4%	6	51.5%	5	49.2%	3	52.6%	6
BBGL	58.2%	2	62.0%	3	59.2%	2	41.2%	7	54.1%	5
UBA	49.5%	3	60.1%	4	49.1%	6	38.9%	10	67.5%	2
ZBL	49.4%	4	58.9%	5	56.6%	3	38.0%	11	55.9%	4
SCB	45.7%	5	62.4%	2	55.7%	4	16.3%	19	50.0%	8
CAL	44.3%	6	46.7%	7	3.4%	21	52.1%	2	58.1%	3
SBG	42.2%	7	45.9%	8	37.5%	9	35.7%	13	49.3%	9
EBG	38.4%	8	32.1%	10	38.1%	8	44.9%	5	48.8%	10
FBL	35.1%	9	25.9%	14	4.0%	20	37.3%	12	32.8%	14
GCB	34.8%	10	27.6%	11	42.0%	7	40.3%	8	45.8%	11
SG-GH	26.2%	11	32.9%	9	28.0%	10	23.8%	16	29.2%	16
BOA	25.7%	12	27.3%	12	22.4%	12	28.6%	14	28.7%	17
ABG	20.8%	13	21.7%	17	25.3%	11	43.6%	6	51.8%	7
FABL	19.3%	14	20.3%	18	14.9%	15	16.5%	18	21.9%	19
FBN	18.4%	15	25.8%	15	6.8%	19	45.4%	4	31.2%	15
RBL	17.4%	16	27.3%	13	-33.0%	26	-20.2%	25	36.8%	13
ADB	8.8%	17	11.6%	20	-38.0%	27	-36.7%	27	10.0%	24
PBL	7.9%	18	-9.7%	22	7.9%	18	9.0%	20	22.1%	18
FNB	-75.9%	19	-82.8%	26	-25.8%	24	-21.3%	26	0.0%	-
BOB	0.0%	-	83.4%	1	87.1%	1	86.3%	1	85.8%	1
UMB	0.0%	-	23.9%	16	14.2%	16	-3.3%	23	0.0%	-
BSIC	0.0%	-	13.3%	19	17.2%	13	27.7%	15	12.2%	21
ECB	0.0%	-	4.0%	21	1.9%	22	6.5%	21	6.7%	25
PRB	0.0%	-	-25.9%	23	10.4%	17	0.0%	-	0.0%	-
OBL	0.0%	-	-36.0%	24	-56.3%	29	0.0%	-	0.0%	-
TRB	0.0%	-	-42.4%	25	-47.0%	28	6.4%	22	-16.3%	27
TCB	0.0%	-	-508.8%	27	0.0%	-	0.0%	-	0.0%	-
GNB	0.0%	-	0.0%	-	-9.6%	23	-8.8%	24	10.9%	23
SBL	0.0%	-	0.0%	-	-31.6%	25	0.0%	-	0.0%	-
UGL	0.0%	-	0.0%	-	15.2%	14	18.8%	17	21.3%	20
NIB	0.0%	-	0.0%	-	0.0%	-	39.1%	9	44.5%	12
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	11.0%	22
Capital	-	-	-	-	-	-	-	-	6.4%	26
HBL	-	-	-	-	-	-	-	-	-	-
Beige	-	-	-	-	-	-	-	-	-	-
GHL	-	-	-	-	-	-	-	-	-	-
Apex	-	-	-	-	-	-	-	-	-	-
CBG	-	-	-	-	-	-	-	-	-	-
TTB	-	-	-	-	-	-	-	-	-	-
IBG	-	-	-	-	-	-	-	-	-	-
Industry	38.1%		36.4%		29.5%		30.7%		42.6%	

6 Profitability and efficiency



In 2018, banks adopted IFRS 9 for the first time with the main impact centering on impairment loss allowances on financial assets. The requirement of the standard for banks to anticipate losses in advance and make provisions for those losses resulted in additional loss allowance expense on otherwise performing facilities for which impairment provisions are normally not considered. This factor contributed to a significant decline in the growth rate of the industry's profit before tax.

Profit before tax grew by

10% from

GHS3.32 billion in 2017 to

GHS3.66

billion in 2018

Profit before tax grew by 10% from GHS3.32 billion in 2017 to GHS3.66 billion in 2018 which is lower than the growth of 31% achieved in the previous year. Despite the slower pace of profit growth, the industry's profit before tax margin of 38% is the highest margin achieved in the last 3 years.

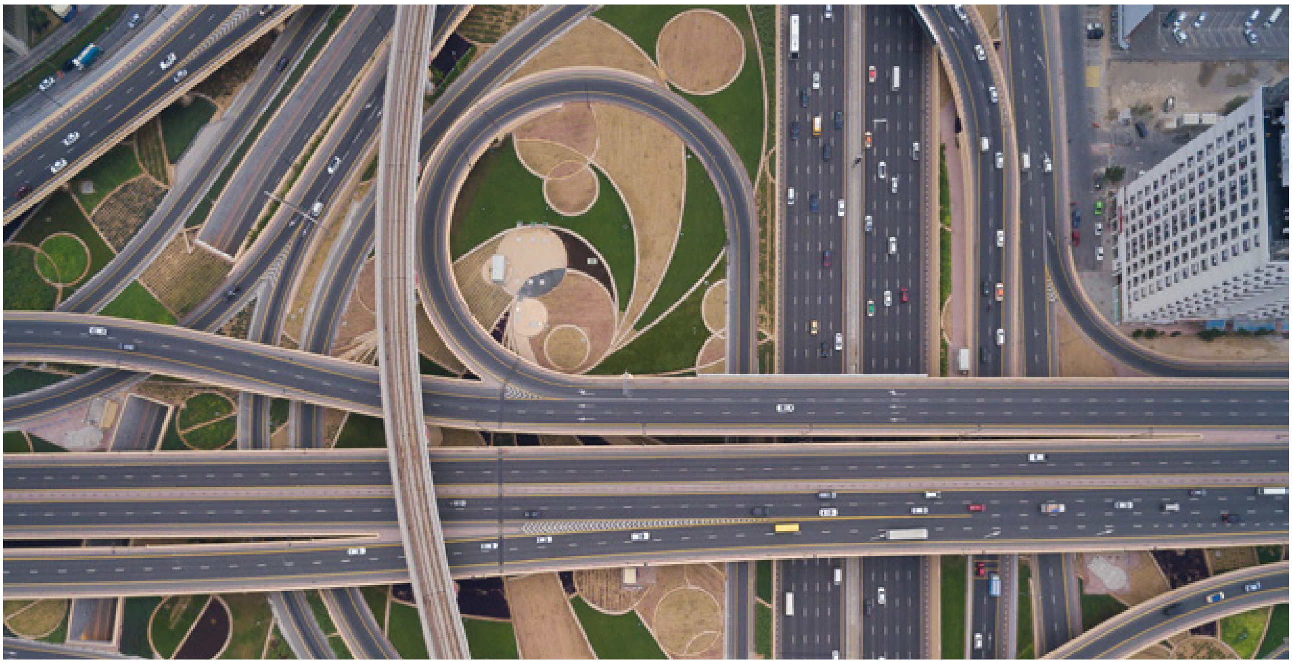
Growth of net interest income further declined with net interest income growing by only 1.3% from GHS6.5 billion in 2017 to GHS6.6 billion in 2018 as compared to 6% in 2017 and 14% in 2016. Interest income from loans and advances still constitutes 48% of the total interest income.

Interest income from cash and short-term funds fell by 28% to GHS750 million in 2018 from GHS1 billion in 2017. Interest income from investment securities remained consistent between the comparative years at GHS4.3 billion although there was a decline on yields of government securities. The adverse impact of NPLs saw banks tighten their credit stance and invest liquid funds in safer investment options as they seek out more credit worthy customers to grant loans.

Fees and commission income continued the steady growth in 2018 rising by 1% over its 2017 growth rate of 10% increasing from GHS1.37 billion to GHS1.52 billion in 2018. This growth is on the back of a growing customer base and increased trading activities during the period. The continuous drive towards a cashless economy has seen an increase in card-based transactions both locally and online which has led to an increase in earnings from interchange fees charged on such transactions. Growth in the corresponding fees and commission expense also continues to decline with a 20% increase in 2018 compared to 23% in 2017 and 31% in 2016. The decline in the growth rate of fee and commission expense is driven by increased competition in the industry for card-based services which has seen banks negotiate for lower rate for the use of such platforms.

Though the industry is experiencing a decline in the growth of interest income, an increasing customer base and increased activity on the secondary securities market has created other income generating avenues for banks to exploit. Resulting in growth in income from fees and commission and trading activities and improving the profitability in Ghana's banking industry.

6 Profitability and efficiency



GCB Bank saw an upturn in its profitability following its acquisition of UT Bank and Capital bank with its profit before tax growing by 45% to GHS446 million in the year as compared to a 31% decline between 2016 and 2017. The bank's total income grew by 15% in 2018 as compared to a 5% growth in 2017 while the growth in total expenses remained steady at 3%. The growth in PBT can attributed to management of costs related to personnel expenses and other overheads, and the efficient use of the acquired assets of the two banks. Interest income grew by 14% with trading income more than doubled as compared to 50% the previous period.

Ecobank saw an upturn during the year with profit before tax growing by 40%, reversing the decline of 22% recorded the previous year. This is on account of a significant growth in income particularly, growths of 21% in interest income (2017: 1%) and 47% in trading income (2017:11%). Interest on loans and advances contributed 65% of its interest income, growing by 26% in the year after a 6% decline in the previous year. The growth in interest income can be attributed to strategic lending by the bank, specifically to the services sector with loans to that sector almost doubling from GHS1.2 billion to GHS2.3 billion between 2017 and 2018.

Fidelity Bank continued on its path of profitability and saw the most growth in the industry with its profit before tax growing by 79% from GHS135 million in 2017 to GHS242 million in 2018. The improvement in the bank's performance was driven by strategic investments in long term bonds which had more attractive yields, cash management fees from an increased customer base and gains on trading activities on the secondary bond market. The bank managed its costs during the year as overheads and other administrative expenses only increased by 10% as compared to 23% in 2017. Overall, its total expenses grew by 16% compared with a 32% increase in income.

FBN Bank did not achieve the prior year's remarkable growth in performance. It experienced a decline of 31% with profit before tax decreasing by GHS5.5 million to GHS12.6 million in 2018. This was the result of a drop in total income by 3% to GHS68.4 million while expenses increased by 14% to GHS55.8 million. Interest income declined significantly by 31% from GHS84.1 million to GHS64.2 million from a combination of falling interest rates and reduced investment volumes for the most part of the year. The bank's increase in expenditure is mainly attributable to personnel expenses.

Stanbic Bank Ghana's growth in profit before tax reduced from 40% in 2017 to 8% in 2018 with its profit before tax margin also declining from 46% to 42%. The growth in total income of 17% was overshadowed by a higher growth in expenses of 25%. The growth in expenses is mainly attributable to a near two-fold increase in administrative costs and other overheads from GHS74 million to GHS144 million.

6.2. Net interest margin

	2018	R	2017	R	2016	R	2015	R	2014	R
UBA	10.5%	1	16.8%	1	12.3%	6	8.2%	19	9.4%	12
GCB	9.6%	2	12.6%	3	16.6%	2	16.5%	2	15.7%	2
SCB	9.1%	3	11.6%	5	11.9%	7	10.9%	7	10.3%	11
SG-GH	8.9%	4	10.9%	8	8.9%	14	9.5%	14	10.8%	7
EBG	8.8%	5	9.3%	13	9.6%	12	10.9%	8	10.5%	8
BBGL	8.7%	6	11.1%	6	10.4%	9	12.3%	5	11.8%	5
CAL	8.6%	7	9.1%	14	7.1%	23	8.0%	23	8.5%	16
ZBL	8.3%	8	8.7%	16	8.8%	15	9.8%	11	10.5%	9
SBG	8.1%	9	8.3%	20	7.3%	22	8.7%	16	7.7%	18
FBL	8.1%	10	8.6%	17	8.6%	16	10.4%	10	7.9%	17
GTB	7.7%	11	8.9%	15	9.2%	13	7.8%	24	8.7%	14
ADB	7.4%	12	10.7%	9	7.1%	24	8.4%	18	11.0%	6
BOA	7.3%	13	5.8%	25	9.8%	11	8.2%	20	7.4%	20
RBL	7.2%	14	8.5%	19	7.0%	25	9.5%	12	10.3%	10
ABG	6.5%	15	7.6%	21	7.8%	19	8.5%	17	9.1%	13
PBL	6.5%	16	8.6%	18	7.8%	20	8.1%	21	8.6%	15
FBN	5.6%	17	10.5%	10	10.5%	8	12.7%	4	13.5%	3
FNB	4.8%	18	10.3%	11	13.9%	3	18.2%	1	0.0%	-
FABL	4.8%	19	5.9%	24	7.9%	18	7.2%	25	6.0%	24
BOB	0.0%	-	12.7%	2	12.4%	5	12.1%	6	13.3%	4
OBL	0.0%	-	11.9%	4	17.7%	1	0.0%	-	0.0%	-
TRB	0.0%	-	11.0%	7	8.3%	17	8.9%	15	7.0%	22
UMB	0.0%	-	9.7%	12	6.8%	26	14.0%	3	0.0%	-
PRB	0.0%	-	6.9%	22	5.1%	29	0.0%	-	0.0%	-
BSIC	0.0%	-	6.4%	23	7.7%	21	8.1%	22	7.3%	21
ECB	0.0%	-	5.6%	26	5.5%	28	4.9%	26	4.7%	27
TCB	0.0%	-	3.6%	27	0.0%	-	0.0%	-	0.0%	-
SBL	0.0%	-	0.0%	-	13.3%	4	0.0%	-	0.0%	-
GNB	0.0%	-	0.0%	-	10.4%	10	9.5%	13	18.3%	1
UGL	0.0%	-	0.0%	-	6.3%	27	4.6%	27	5.1%	25
NIB	0.0%	-	0.0%	-	0.0%	-	10.4%	9	7.6%	19
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	6.9%	23
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	4.9%	26
HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
CBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	8.0%		9.4%		9.2%		9.8%		9.7%	

6 Profitability and efficiency

The industry's net interest margin (NIM) declined to 8% on account of the 5% decline in interest income during the period. This is a result of the banks' strategy of tightening credit to industry on account of history of loan defaults and the falling rates on treasury bills and other government securities.

Interest income from cash and short-term funds decreased by 28% to GHS750 million reversing the growth of 16% recorded in 2017. Similarly interest income from loans and advances dropped further by 4% to GHS4.6 billion in 2018 albeit, lower than the 16% decline recorded in 2017. A combination of lower yields on government securities and increased volumes of investment in such instruments, maintained interest income on investment securities at GHS4.3 billion.

There was a general decline in net interest margin across the industry. Bank of Africa however, managed to record an improvement in net interest margin. FBN, UBA and FNB recorded significant decline in their net interest margin.

The industry's net interest margin declined to

8.0%

from 9.4% in 2017

Bank of Africa posted a NIM of 7.3% which is a marked improvement over the 5.8% recorded in 2017. This improvement came on the back of a 21% increase in interest income against a paltry 1% growth in interest expense. The remarkable growth in interest income can be attributed to growth in gross loans and advances of 14% from GHS502 million to GHS570.6 million which saw interest income on loans grow by 21% to GHS102.7 million from GHS84.9 million. The combined drop in deposit balance year on year of 11% and declining interest rates on deposits resulted in the slower growth in interest expense.

FBN Bank saw its steady NIM of 10.5% recorded in 2016 and 2017 fall to 4.8% in 2018. Net interest income fell by 22% percent from GHS52.1 million to GHS42.8 million mainly on account of a 24% drop in interest income. The bank's total assets grew by 81% over the previous year from GHS546.3 million to GHS989.6 million. The growth stemmed from a cash inflow in the last quarter to meet the central bank's minimum capital requirement. It is expected that full utilisation of the funds in 2019 would improve the NIM position.

FNB saw a drop in NIM from 10.3% to 4.8% with growth in total assets of 146% year on year from GHS260 million to GHS640.6 million outweighing the growth in net interest income of 3%. The Bank received a significant capital injection of over GHS250 million in December 2018 which could not be readily converted to income. With the bank still looking to carve its niche and find its space in Ghana's banking industry, it is expected that with a full year's efficient utilisation of this capital in 2019, the NIM position would remarkably improve.

UBA still retains the best NIM in the industry but its NIM of 16.8% dropped to 10.5%. The decline in net interest income is the net effect of a 24 % drop in interest income and 11% increase in interest expense. The contraction of the bank's loan book from GHS1 billion to GHS634.2 million led to fall of interest income by 29% from GHS225.9 million to GHS160.1 million. The compensating growth in portfolio of investment securities held resulted in interest income on investment securities growing by 41%. However, deposits from other banks more than doubling from GHS225.6 million to GHS581.5 million and caused interest expense to increase. With the recapitalisation at the end of 2018, it is expected that the bank would take on bigger deals and improve its margin.

6.3. Cost to income ratio

	2018	R	2017	R	2016	R	2015	R	2014	R
UBA	0.28	1	0.33	2	0.31	2	0.41	3	0.31	2
GTB	0.38	2	0.45	7	0.44	7	0.50	11	0.44	7
BBGL	0.38	3	0.36	3	0.40	4	0.43	4	0.45	8
SCB	0.40	4	0.38	4	0.31	3	0.44	5	0.41	4
ZBL	0.41	5	0.39	5	0.40	5	0.44	7	0.41	5
CAL	0.43	6	0.41	6	0.41	6	0.39	2	0.35	3
EBG	0.52	7	0.52	9	0.47	8	0.44	6	0.47	10
ABG	0.52	8	0.63	12	0.54	10	0.51	12	0.42	6
SBG	0.53	9	0.46	8	0.51	9	0.53	14	0.46	9
FBL	0.56	10	0.60	11	0.59	12	0.53	15	0.58	17
SG-GH	0.59	11	0.57	10	0.60	13	0.62	18	0.55	14
GCB	0.61	12	0.68	15	0.55	11	0.49	10	0.51	12
BOA	0.64	13	0.66	13	0.68	17	0.49	9	0.57	16
RBL	0.66	14	0.73	18	0.93	24	0.74	23	0.55	15
FABL	0.74	15	0.76	19	0.62	14	0.60	17	0.60	18
PBL	0.80	16	0.77	21	0.81	21	0.71	21	0.67	19
FBN	0.80	17	0.72	17	0.64	15	0.47	8	0.53	13
ADB	0.89	18	0.76	20	1.01	25	0.96	25	0.72	21
FNB	1.67	19	1.82	26	1.26	27	1.21	27	0.00	-
BOB	0.00	-	0.14	1	0.13	1	0.14	1	0.14	1
UMB	0.00	-	0.66	14	0.80	20	0.53	13	0.00	-
TRB	0.00	-	0.70	16	0.88	23	0.90	24	1.16	27
BSIC	0.00	-	0.79	22	0.71	18	0.63	19	0.74	23
ECB	0.00	-	0.81	23	0.75	19	0.66	20	0.93	26
OBL	0.00	-	1.01	24	1.26	28	0.00	-	0.00	-
PRB	0.00	-	1.05	25	0.86	22	0.00	-	0.00	-
TCB	0.00	-	6.09	27	0.00	-	0.00	-	0.00	-
NIB	0.00	-	0.00	-	0.00	-	0.53	16	0.49	11
UGL	0.00	-	0.00	-	0.64	16	0.73	22	0.72	22
GNB	0.00	-	0.00	-	1.08	26	1.06	26	0.93	25
SBL	0.00	-	0.00	-	1.31	29	0.00	-	0.00	-
UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.70	20
Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.91	24
HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
CBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.527		0.543		0.544		0.528		0.508	

6 Profitability and efficiency

The industry's cost in relation to its income has consistently remained at 50% for the past four years. This year, the cost efficiency has seen some improvements in banks like FNB and ABG. At the same time, banks like SBG, FBN and ADB's cost efficiency worsened from previous year.

FNB improved its cost efficiency from 1.82% in previous year to 1.67% despite the challenges encountered in the banking environment. The bank's operating income margins increased by 46%, compared to a 34% increase in operating expenses. This favourable outcome is a result of increased gains of GHS9 million from forex trading activities made possible by the injection of additional capital. The revaluation of monetary assets denominated in foreign currency at year end resulted in increased gains of GHS4 million on account of the depreciation of the Cedi. FNB is gradually establishing its market presence.

Cost to income ratio has consistently remained at

0.5

for the past

four years

ABG also improved its cost income ratio from 0.63 in 2017 to 0.52 in 2018. Operating costs increased by 6% whereas operating income increased by 28%. The bank's growth in operating income can be attributable to increase in fees and commission income and trading activities.

SBG's cost efficiency worsened from 46% in 2017 to 53% in 2018. Despite the increase in operating income by 17%, operating expenses went up by 34%, twice the increase in operating income. This is attributable to an upward salary review by 13% and increased staff strength from 810 in 2017 to 920 in 2018. Also, the bank's digitisation strategy resulted in a GHS4.6 million increase in information technology costs, upward review of rent and rates on some existing branches accounting for GHS1.9 million increase in premise costs impacted the bank's cost efficiency negatively.

FBN's cost income ratio worsened from 72% in 2017 to 80% in 2018. This is because the bank was unable to generate sufficient income to cover its operating costs. Whilst operating expenses increased by 9%, the Bank's operating income declined by 3%. Upward staff costs accounted for the increased operational costs. In addition, general increase in inflation and upward review of rental charges for its branches and head office resulted in the increment.

With operating income declining by 5% and operating costs increasing by 11%, ADB's cost efficiency deteriorated.

7

Return to shareholders

7 Return to shareholders

7.1. Return on assets

Total assets of the industry grew by 11.3% in 2018 compared to 4.8% in 2017. This is attributable to an increase in loans and advances by 8% in 2018 compared to 9.6% decline experienced in 2017. The increase in loans and advances occurred in the Agriculture, Forestry and Fishing sectors as well as the Mining and Quarry sectors. With an improved industry profitability of 25.8% in 2018 from 24.7% in 2017, the industry recorded ROA of 2.9%.

Nine out of the twenty-three banks reported ROA above the industry average of 2.9%. FNB is the only bank to, record a negative ROA. which is attributable to the bank's reported net loss of GHS36.9 million. The reported loss is a result of increased impairment charges from GHS0.2 million in 2017 to GHS4.6 million in 2018 in line with the growth of the bank's loan book and the adoption of the new financial reporting standard (IFRS 9). Another contributing factor to the loss position of FNB is 51% increase in operating expenses.

Total assets of the industry grew by

11.3%

in 2018 compared to 4.8% in 2017.

GTB improved ROA of 6.6% in 2018 compared to 4.7% in 2017, reflecting a growth in assets and increased profitability. Total assets and net profits increased to GHS2.3 billion and GHS150.6million respectively in 2018 from GHS1.9 billion and GHS88.2 million respectively in 2017. The increase in assets is largely due to an increase of 83.9% in cash and cash equivalents arising from fresh capital injection from its holding company – Guaranty Trust Bank Plc – in order to meet the required minimum capital as set by Bank of Ghana.

BBGL continues to show a strong ROA. BBGL's ROA of 4.3% is driven by 22% growth in net interest.

UBA, which in the prior year reported the industry's highest ROA of 7.4%, experienced a decline to 4.3%. Although the bank's total assets increased by 20% from GHS3.0 billion to GHS3.6 billion mainly as a result of increase in its investment securities. The 183.3% increase in the bank's impairment charges eroded the gains attributable to returns from increased assets thereby suppressing the ROA.

ABG recorded an increase in ROA to 1.4% in 2018 from 0.9% in 2017 following the 69% increase in net profits. The bank's assets only increased by 11% arising from capital injection of GHS218 million raised through the right issue of shares.

With a 9.3% increase in total assets coupled with a significant turnaround in operating results from a net loss position of GHS26.8 million in 2017 to a net profit position of GHS11.6 million in 2018, PBL recorded a ROA of 0.5% in 2018 compared to negative return of 1.2% in 2017. A 58% reduction in impairment charges from GHS67.1 million in 2017 to GHS28.5 million in 2018 contributed significantly in the improvement of the bank's operating results in 2018. Notwithstanding the gains recorded in 2018, PBL's ROA still trails behind the industry's average.

ADB suffered a further drop in its ROA from 0.7% in 2017 to 0.2% in 2018. Total assets only increased by 1.5% but profit dipped by 78% from GHS26.5 million in 2017 to GHS5.9 million in 2018. Depressed interest income and a rising cost of operations had adverse impact on its profit.

7 Return to shareholders

Return on assets

	2018	R	2017	R	2016	R	2015	R	2014	R
GTB	6.6%	1	4.7%	5	4.8%	5	4.5%	7	5.4%	5
BBGL	4.3%	2	6.5%	3	5.8%	2	4.9%	4	6.0%	3
UBA	4.3%	3	7.4%	1	3.8%	8	2.6%	14	5.4%	6
SBG	3.6%	4	4.1%	6	2.8%	9	3.1%	12	4.1%	11
SCB	3.5%	5	5.9%	4	5.1%	3	2.0%	17	-	26
ZBL	3.3%	6	3.7%	7	4.1%	6	3.3%	11	4.5%	9
EBG	3.2%	7	2.%8%	10	4.1%	7	5.0%	3	5.5%	4
GCB	3.0%	8	2.2%	11	4.9%	4	5.3%	2	6.4%	2
CAL	3.0%	9	3.4%	8	0.2%	21	4.8%	5	5.2%	7
FBL	2.3%	10	1.7%	15	0.4%	19	3.6%	9	2.7%	16
BOA	2.0%	11	1.8%	13	2.1%	11	2.4%	15	3.1%	13
SG-GH	1.8%	12	3.2%	9	2.6%	10	2.2%	16	3.0%	15
ABG	1.4%	13	0.9%	19	1.6%	13	3.3%	10	5.0%	8
RBL	1.3%	14	1.8%	14	-2.1%	24	-2.5%	25	4.1%	10
FABL	1.0%	15	1.2%	18	1.1%	14	1.3%	18	1.2%	21
FBN	0.9%	16	2.1%	12	0.6%	17	4.1%	8	3.0%	14
PBL	0.5%	17	-1.2%	23	0.5%	18	0.7%	20	1.7%	18
ADB	0.2%	18	0.7%	20	-2.3%	26	-3.7%	27	2.2%	17
FNB	-5.4%	19	-10.2%	27	-2.9%	27	-3.2%	26	-	-
BOB	-	-	6.6%	2	7.9%	1	6.8%	1	7.6%	1
UMB	-	-	1.6%	16	0.7%	15	-0.4%	23	-	-
BSIC	-	-	1.2%	17	1.8%	12	3.0%	13	1.2%	20
ECB	-	-	0.2%	21	0.2%	22	0.4%	21	0.3%	25
PRB	-	-	-0.9%	22	0.2%	20	-	-	-	-
OBL	-	-	-2.2%	24	-5.8%	29	-	-	-	-
TRB	-	-	-4.0%	25	-3.5%	28	0.3%	22	-1.2%	27
TCB	-	-	-9.2%	26	-	-	-	-	-	-
GNB	-	-	-	-	-1.0%	23	-1.0%	24	0.9%	22
SBL	-	-	-	-	-2.2%	25	-	-	-	-
UGL	-	-	-	-	0.7%	16	1.0%	19	1.5%	19
NIB	-	-	-	-	-	-	4.5%	6	3.4%	12
UTB	-	-	-	-	-	-	-	-	0.7%	23
Capital	-	-	-	-	-	-	-	-	0.4%	24
HBL	-	-	-	-	-	-	-	-	-	-
Beige	-	-	-	-	-	-	-	-	-	-
GHL	-	-	-	-	-	-	-	-	-	-
Apex	-	-	-	-	-	-	-	-	-	-
CBG	-	-	-	-	-	-	-	-	-	-
TTB	-	-	-	-	-	-	-	-	-	-
IBG	-	-	-	-	-	-	-	-	-	-
Industry	2.9%		2.8%		2.3%		2.9%		4.1%	

7.2. Return on equity

The industry's Return on Equity (ROE) declined from 19.7% in 2017 to 17.9% in 2018. While profit after tax for the industry increased from GHS2.25 billion in 2017 to GHS2.40 billion in 2018, the increase in equity by GHS5.94 billion following additional capital injection accounted for the decline in the industry's ROE in 2018. ROE for 2018 is still considered a strong performance considering the uncertainties arising from the continuation of Bank of Ghana's banking sector reforms during the year.

In response to the Bank of Ghana's directive on minimum capital requirement, most banks ploughed back profits and capitalised accumulated reserves in order to meet the minimum capital. Consequently, only three banks, namely FBL, SCB and GCB paid out dividend in the 2018 financial year.

BBGL reported the highest ROE of 29.1% in 2018. However, its ROE declined from 36.7% achieved in 2017. While profit only increased by GHS3.17million, the significant growth in shareholders' funds from GHS1.05 billion in 2017 to GHS1.34 billion in 2018 resulted in the drop in ROE.

UBA's ROE declined from 40.1% in 2017 to 23.7% in 2018. The decrease is attributable to a drop in the profit for the year from GHS213.4 million in 2017 to GHS151.9 million in 2018. The changes in UBA's capital structure from GHS548.8 million in 2017 to GHS641.8 million in 2018 is largely an outcome of earnings retained.

SCB's profit before tax of GHS325.8 million represented a 23% decline from previous year mainly due to an increase in impairment charge of GHS91.2 million. Shareholders' fund increased from GHS921 million in 2017 to GHS1.05 billion in 2018. The

The industry's ROE declined from 19.7%in 2017 to

17.9%

in 2018.

decline in profit and the increase in shareholders' funds accounted for a dilution of the bank's ROE from 30.8% in 2017 to 20.1% 2018. Despite the drop in profits, SCB's proposed dividend payout of GHS140 million for the year ended 31 December 2018 indicates healthy funding and distributable reserves.

GCB experienced an increase in its ROE from 19.1% in 2017 to 24.4% in 2018. The increase is mainly attributable to a 36% growth profit before tax in 2018. The bank's equity also grew by 19% from GHS1.11 billion in 2017 to GHS1.32 billion in 2018. The dividend payment of GHS26 million during the year attest to a favourable equity position to sustain its business.

SG-GH's ROE declined from 17.4% in 2017 to 8.8% in 2018. The bank's equity increased by GHS183 million largely from proceeds of GHS168 million from a rights issue. However, profit after tax suffered a decline by 32%. This is due to an increase in the bank's impairment loss on financial assets arising from adoption of IFRS 9 from GHS39 million in 2017 to GHS57.9 million in 2018 and an increase in depreciation and amortisation costs by 68% from GHS13.5 million in 2017 to GHS22.8 million in 2018.

PBL's improved its negative ROE of 11.1% in 2017 to a positive ROE of 3.3% in 2018. The improved ROE is attributable to increased profit after tax from a loss of GHS26.82 million in 2017 to a profit of GHS11.60 million in 2018. The improvement in profitability is mainly due to a decrease in impairment charges in 2018.

ADB's ROE for 2018 declined to 0.9% in 2018 from 5.5% in 2019. The bank's profit declined significantly from GHS26.5 million to GHS5.9 million. The combined effect of depressed interest income and rising cost had an adverse impact on profitability.

FBN's ROE dropped from 9.2% in 2017 to 2.1% in 2018. The decrease is attributable to significant capital injection of GHS316 million towards the end of the year. For most part of the year these funds were not available for investments.

The banking industry's indicators on returns for shareholder investments is favourable. However, shareholders will demand a higher return and payback because of the additional investments made to meet the minimum capital. The banking reforms may have restored public confidence but viability business opportunities in the private sector may create challenges with sustaining profitable growth. Good corporate governance practices can ensure banks work toward preserving the shareholders' fund in order to provide good returns on their investment.

Return on equity

	2018	R	2017	R	2016	R	2015	R	2014	R
BBGL	29.1%	1	36.7%	2	38.4%	2	30.3%	3	37.0%	6
GTB	25.9%	2	26.3%	4	26.0%	6	26.2%	6	30.9%	9
EBG	25.7%	3	24.9%	5	34.2%	3	37.2%	1	39.5%	3
GCB	24.4%	4	19.1%	10	29.5%	4	30.0%	4	40.9%	2
FBL	23.7%	5	16.9%	12	3.0%	18	29.3%	5	21.3%	14
UBA	23.7%	6	40.1%	1	43.7%	1	23.6%	8	47.0%	1
ZBL	21.3%	7	23.1%	7	24.4%	7	19.1%	12	39.1%	5
CAL	21.3%	8	22.4%	9	1.4%	21	31.6%	2	35.8%	7
SBG	21.0%	9	23.5%	6	21.7%	8	25.0%	7	32.9%	8
SCB	20.1%	10	30.8%	3	29.3%	5	11.9%	18	39.4%	4
BOA	11.8%	11	12.7%	15	14.7%	11	19.9%	11	25.8%	11
SG-GH	8.8%	12	17.4%	11	19.2%	9	16.9%	13	22.4%	13
ABG	7.9%	13	6.3%	18	9.8%	13	22.4%	9	29.4%	10
RBL	7.5%	14	16.3%	13	-27.4%	28	-21.8%	26	23.0%	12
FABL	5.5%	15	8.6%	17	7.7%	16	10.0%	19	11.5%	20
PBL	3.3%	16	-11.1%	24	5.7%	17	6.8%	20	17.1%	15
FBN	2.1%	17	9.2%	16	2.8%	19	16.5%	14	11.1%	21
ADB	0.9%	18	5.5%	20	-15.4%	26	-23.7%	27	13.9%	19
FNB	-8.0%	19	-19.4%	26	-6.0%	23	-3.6%	23	-	-
UMB	-	-	22.4%	8	12.4%	12	-4.0%	24	-	-
BOB	-	-	15.3%	14	16.3%	10	15.3%	16	14.7%	18
BSIC	-	-	6.3%	19	8.8%	14	16.5%	15	5.7%	23
ECB		-	1.2%	21	0.9%	22	2.0%	22	1.5%	26
TCB	-	-	-10.0%	22	-	-	-	-	-	-
PRB	-	-	-10.1%	23	1.7%	20	-	-	-	-
OBL	-	-	-14.3%	25	-24.4%	27	-	-	-	-
TRB	-	-	-70.0%	27	-58.7%	29	2.9%	21	-5.2%	27
GNB	-	-	-	-	-6.2%	24	-4.2%	25	3.3%	25
SBL	-	-	-	-	-6.7%	25	-	-	-	-
NIB		-	-	-	-	-	22.1%	10	16.3%	16
UGL	-	-		-	8.8%	15	13.0%	17	14.9%	17
UTB	-	-	-	-	-	-	-	-	7.9%	22
Capital	-	-	-	-	-	-	-	-	4.1%	24
HBL	-	-		-	-	-	-	-	-	-
Beige	-	-	-	-	-	-	-	-	-	-
GHL	-	-	-	-	-	-	-	-	-	-
Apex	-	-		-	-	-	-	-	-	-
CBG	-	-	-	-	-	-	-	-	-	-
TTB		-	-	-	-	-	-	-	-	-
IBG	-	-	-	-	-	-	-	-	-	-
Industry	17.9%		19.7%		17.3%		20.0%		28.4%	

8

Liquidity

8 Liquidity

8.1. Liquid funds/ Total deposits

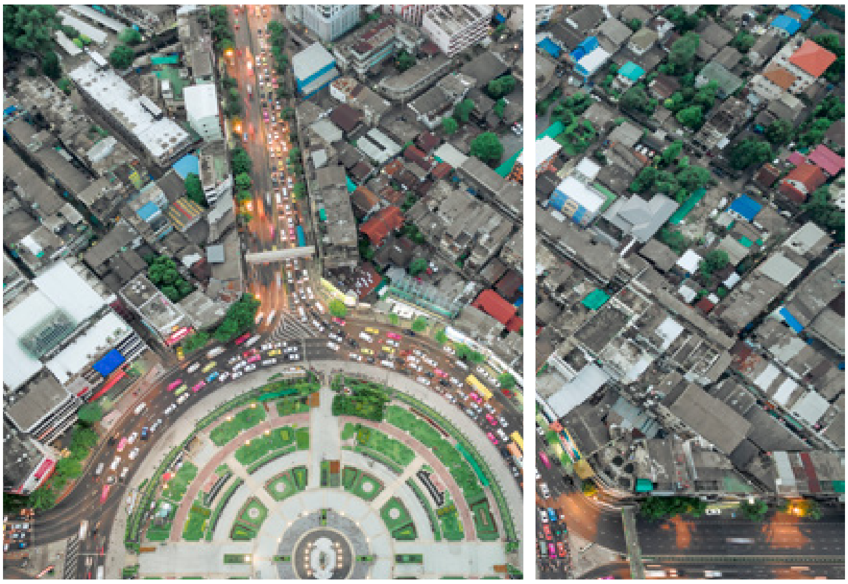
As 31 December 2018, the sector's liquidity showed an improvement compared with the prior year. Liquid assets held covered 91% of the deposits. This is not surprising because of the industry's drive to meet the minimum capital requirement. In addition, the banks were reluctant to lend because of the prevailing uncertainty in the financial sector. As a result, banks held investments in government securities pending assessment and deployment into other high-risk earning assets. Few banks which introduced fresh capital in the latter part of the year were yet to deploy funds into income generating activities.

8 Liquidity

Liquid funds/ total deposits

	2018	R	2017	R	2016	R	2015	R	2014	R
FNB	2.81	1	1.89	3	1.86	1	89.39	1	0.00	-
FBN	1.78	2	1.10	5	1.01	6	0.91	5	1.13	2
ZBL	1.34	3	0.96	7	0.82	14	0.69	17	1.03	4
UBA	1.33	4	0.87	12	0.62	23	0.76	11	0.69	17
FBL	1.17	5	1.03	6	0.81	15	0.79	9	0.60	20
BBGL	1.13	6	0.69	22	0.70	21	0.60	19	0.71	15
GTB	1.05	7	0.96	8	0.78	18	0.71	14	0.81	11
SCB	0.98	8	0.86	14	0.87	11	0.75	12	0.76	13
ABG	0.93	9	0.87	11	0.57	25	0.55	23	0.56	21
ADB	0.89	10	0.84	16	0.83	12	0.57	22	0.62	19
FABL	0.88	11	0.89	9	0.89	10	0.80	8	1.00	6
GCB	0.80	12	0.85	15	0.99	7	0.77	10	0.89	9
CAL	0.77	13	0.79	18	0.52	27	0.84	7	0.90	8
BOA	0.74	14	0.79	19	0.82	13	1.00	4	0.90	7
RBL	0.72	15	0.66	23	0.49	28	0.55	24	0.76	14
EBG	0.71	16	0.76	20	0.63	22	0.57	21	0.62	18
SBG	0.66	17	0.83	17	0.81	16	0.73	13	0.52	22
SG-GH	0.65	18	0.53	26	0.77	19	0.70	16	0.50	23
PBL	0.57	19	0.70	21	0.45	29	0.39	26	0.33	26
TCB	0.00	-	20.29	1	0.00	-	0.00	-	0.00	-
PRB	0.00	-	2.43	2	1.63	2	0.00	-	0.00	-
BOB	0.00	-	1.34	4	1.45	3	1.48	2	1.19	1
OBL	0.00	-	0.88	10	0.99	8	0.00	-	0.00	-
UMB	0.00	-	0.86	13	1.09	5	0.65	18	0.00	-
ECB	0.00	-	0.65	24	0.79	17	1.10	3	1.01	5
BSIC	0.00	-	0.60	25	0.60	24	0.70	15	0.82	10
TRB	0.00	-	0.41	27	0.55	26	0.52	25	0.45	24
SBL	0.00	-	0.00	-	1.39	4	0.00	-	0.00	-
UGL	0.00	-	0.00	-	0.94	9	0.33	27	0.35	25
GNB	0.00	-	0.00	-	0.72	20	0.85	6	0.79	12
NIB	0.00	-	0.00	-	0.00	-	0.59	20	0.70	16
Capital	0.00	-	0.00	-	0.00	-	0.00	-	1.08	3
UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.26	27
HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
CBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.91		0.84		0.77		0.66		0.68	

8 Liquidity



FNB has persistently recorded an upward trend in total deposits since it began operations. With the injection of fresh capital of GHS335 million, the bank recorded a significant increase its liquid funds from GHS118.3 million in 2017 to GHS292.9 million as at year end 2018. The funds were held in short-term government securities which now stands at GHS200 million. Cash and cash equivalent increased from GHS77.5 million in 2017 to GHS225 million in 2018 as the bank is yet to deploy cash into its activities.

FBN's excessive cover did not change significantly from 110% in 2017 to 118% in 2018 mainly because of the investment of its additional capital in government securities and other liquid investment. Though the bank rolled out several promotions during the year, the deposit growth could not match the significant increase in cash assets towards the year end.

Liquid funds to total deposits ratio of ZBL improved from the prior year, however this is as a result of a significant decline in deposits from banks and other non-bank financial institutions by 22%. The decline in deposits can be attributed to the liquidity challenges facing most non-bank financial institutions thereby impairing public confidence. The bank reduced its loan portfolio and increased its investment in short- term securities by 42%.

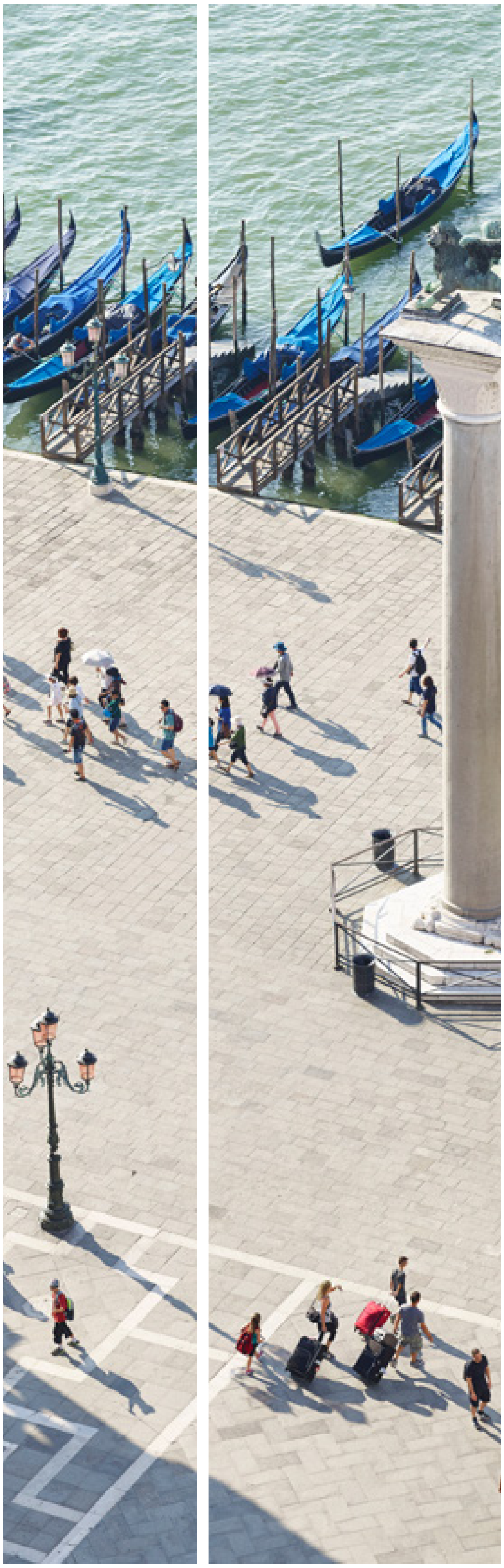
GCB, BBGL and EBG unlike the other banks, made a transfer from income surplus to meet the minimum capital without the introduction of fresh capital. GCB recorded the highest customer deposit of GHS8.1 billion as compared to the prior year of GHS6.8 billion. The Bank increased its loans and advances by 33%, as such it realised a decline in its liquid funds cover of total deposit from 85% in 2017 to 80%.

EBG ranked second to GCB in customer deposit mobilisation recording an increase of 18% from GHS6.4 billion in 2017 to GHS7.6 billion in 2018. EBG deployed its funds by extending loans and advances to customers which almost doubled. This led to a reduction in the liquid funds cover of total deposit from 76% in 2017 to 71% in 2018.

BBGL's Liquid funds cover of deposit at the end of 2018 is at 110%. In comparison with the prior year 69% cover this appears to be excessive. The Bank increased its borrowings in short term funds from GHS0.8 billion to GHS2.1 billion and this was mainly invested in non-pledged trading assets which saw an increase from GHS1.25 billion in 2017 to GHS2.32 billion in 2018.

8.2. Liquid funds/ total assets

Liquid funds to total assets ratio is a measure of the proportion of assets held in liquid assets. A high liquid funds to total assets ratio may indicate a conservative approach taken by management, thereby positively impacting the Bank's liquidity risk but reducing margins on earning assets. A low liquid funds to total assets ratio may indicate a higher liquidity risk for Banks, however compensated by a favorable impact on revenue.



8 Liquidity

Liquid funds/ total assets

	2018	R	2017	R	2016	R	2015	R	2014	R
FBN	0.89	1	0.82	3	0.78	4	0.66	3	0.52	13
ZBL	0.83	2	0.72	8	0.64	9	0.55	12	0.62	3
FNB	0.81	3	0.75	6	0.89	2	0.89	1	0.00	-
UBA	0.79	4	0.61	14	0.49	20	0.65	4	0.60	5
GTB	0.76	5	0.75	7	0.56	18	0.49	15	0.55	10
FBL	0.75	6	0.76	4	0.63	11	0.59	9	0.43	17
SCB	0.71	7	0.63	10	0.64	10	0.57	10	0.56	7
ABG	0.67	8	0.63	9	0.43	24	0.43	18	0.42	20
FABL	0.65	9	0.76	5	0.73	5	0.62	7	0.57	6
ADB	0.64	10	0.60	15	0.59	14	0.40	21	0.42	19
GCB	0.63	11	0.62	13	0.70	6	0.56	11	0.64	2
BBGL	0.62	12	0.53	20	0.57	16	0.48	17	0.56	9
RBL	0.55	13	0.54	19	0.41	26	0.33	24	0.41	21
EBG	0.53	14	0.60	16	0.47	23	0.43	19	0.48	15
SBG	0.48	15	0.56	18	0.61	13	0.54	14	0.43	18
BOA	0.47	16	0.52	22	0.49	21	0.60	8	0.55	12
CAL	0.45	17	0.47	24	0.34	28	0.40	22	0.46	16
PBL	0.42	18	0.47	25	0.36	27	0.31	25	0.26	26
SG-GH	0.41	19	0.38	26	0.57	17	0.49	16	0.41	22
PRB	0.00	-	0.89	1	0.87	3	0.00	-	0.00	-
TCB	0.00	-	0.86	2	0.00	-	0.00	-	0.00	-
BOB	0.00	-	0.63	11	0.65	8	0.62	6	0.56	8
OBL	0.00	-	0.62	12	0.69	7	0.00	-	0.00	-
UMB	0.00	-	0.56	17	0.55	19	0.41	20	0.00	-
ECB	0.00	-	0.52	21	0.62	12	0.85	2	0.78	1
BSIC	0.00	-	0.48	23	0.47	22	0.55	13	0.61	4
TRB	0.00	-	0.24	27	0.30	29	0.30	26	0.27	25
SBL	0.00	-	0.00	-	0.91	1	0.00	-	0.00	-
GNB	0.00	-	0.00	-	0.59	15	0.63	5	0.55	11
UGL	0.00	-	0.00	-	0.43	25	0.27	27	0.29	24
NIB	0.00	-	0.00	-	0.00	-	0.40	23	0.40	23
Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.52	14
UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.19	27
HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
CBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.62		0.60		0.55		0.48		0.48	

8 Liquidity

The industry's liquid funds composition of total assets inched from 60% in 2017 to 62% in 2018. With the implementation of the GHS400 million minimum capital, it is expected that recapitalised banks will hold higher liquid assets pending the deployment of these resources into other earning assets like loans and advances.

UBA held significant investments in government of Ghana bonds during the year. This was funded from the growth in customer deposits and US$25 million borrowing from the International Finance Corporation. The Bank's liquid funds to total assets increased from 61% in 2017 to 79% in 2018.

BBGL began the implementation of a new strategy and operating model in 2018. The bank seems to have undertaken a "back to back" transition in holding trading assets comprising treasury bills and bonds. BBGL assets grew by GHS3billion of which 50% were in respect of its trading assets book. The bank's composition of liquid funds to total assets is unusual and appears to be strategic while it realigns with the change in ownership from Barclays Plc to Absa. The transition is expected to be completed in 2020 and bring changes to the structure of the Bank's liquidity as it considers regional arrangements.

CAL and PBL have consistently maintained their liquid funds to total assets ratio at levels below 50% for the past five consecutive years. This may be indicative of an optimised approach to liquidity risk that fits their strategies and business objectives.

SG-GH's composition of liquid assets only had marginal changes despite the net cash inflows of GHS404 million from equity and debt financing activities. The funds were immediately deployed, and liquid funds held in government bonds more than doubled from GHS234 million to GHS691 million in 2018. In 2017 and continued to hold almost half of its total assets in loan and advances. Government securities may therefore provide a temporary investment vehicle pending the completion of credit underwriting procedures to disburse these liquid funds as loans in subsequent years.

Banks need to monitor their liquid funds to total assets ratio to maximise return on assets whilst ensuring compliance to regulatory and operational liquidity requirements.

8.3. Liquid funds/ total interest-bearing liabilities

Deposits constitute the largest component of interest-bearing liabilities for the Banks. Banks hold appropriate levels of liquid funds to cover their total interest-bearing liabilities to avoid default on any debt covenants or maturing repayment obligations.

8 Liquidity

Liquid funds/ total interest bearing liabilities

	2018	R	2017	R	2016	R	2015	R	2014	R
FNB	2.81	1	1.89	2	1.86	1	89.39	1	0.00	-
FBN	1.78	2	1.10	4	1.01	5	0.91	4	0.75	6
GTB	1.04	3	0.94	6	0.71	16	0.61	15	0.69	11
ZBL	1.04	4	0.88	9	0.78	11	0.68	14	0.71	9
UBA	1.00	5	0.77	12	0.56	23	0.76	6	0.69	10
SCB	0.92	6	0.84	10	0.85	9	0.75	7	0.73	7
FABL	0.88	7	0.89	7	0.88	7	0.73	8	0.64	13
FBL	0.85	8	0.88	8	0.73	13	0.71	12	0.52	21
ABG	0.83	9	0.76	13	0.52	24	0.52	21	0.53	19
ADB	0.80	10	0.71	17	0.71	17	0.49	22	0.52	20
GCB	0.77	11	0.75	15	0.88	8	0.73	9	0.84	3
BBGL	0.76	12	0.69	18	0.70	18	0.60	16	0.71	8
EBG	0.70	13	0.74	16	0.61	20	0.53	20	0.59	16
RBL	0.67	14	0.64	21	0.46	26	0.40	24	0.53	18
SBG	0.65	15	0.80	11	0.78	12	0.72	11	0.52	22
BOA	0.59	16	0.63	22	0.60	22	0.73	10	0.66	12
SG-GH	0.56	17	0.51	26	0.70	19	0.60	17	0.50	23
CAL	0.54	18	0.58	24	0.42	27	0.49	23	0.56	17
PBL	0.52	19	0.55	25	0.41	28	0.35	26	0.30	26
TCB	0.00	-	20.29	1	0.00	-	0.00	-	0.00	-
BOB	0.00	-	1.12	3	1.29	3	1.16	2	1.19	1
PRB	0.00	-	0.97	5	1.02	4	0.00	-	0.00	-
OBL	0.00	-	0.75	14	0.92	6	0.00	-	0.00	-
UMB	0.00	-	0.66	19	0.71	15	0.55	18	0.00	-
ECB	0.00	-	0.65	20	0.79	10	1.10	3	1.01	2
BSIC	0.00	-	0.60	23	0.60	21	0.68	13	0.79	4
TRB	0.00	-	0.26	27	0.32	29	0.36	25	0.35	24
SBL	0.00	-	0.00	-	1.39	2	0.00	-	0.00	-
GNB	0.00	-	0.00	-	0.72	14	0.85	5	0.79	5
UGL	0.00	-	0.00	-	0.49	25	0.31	27	0.34	25
NIB	0.00	-	0.00	-	0.00	-	0.54	19	0.63	14
Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.62	15
UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.22	27
HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
CBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.79		0.75		0.68		0.60		0.60	

8 Liquidity

The industry's holding of liquid funds to meet obligations in respect of interest-bearing liabilities has strengthened consistently over the past five years. The injection of fresh capital by banks and the growth in total liquid funds for the industry led to the upward trend in the ratio from 0.75 in 2017 to 0.79 in 2018.

FNB may have sufficient funds to meet its maturing interest and principal repayment obligations. However, returns on earning assets may not be optimised as the Bank assesses reliable investment opportunities.

SCB has made progress on the implementation of its refreshed strategic priorities introduced in 2015 aimed at higher returns and a sustained long-term growth. The Bank's liquid fund holding to total interest-bearing liabilities increased from 84% in 2017 to 92% in 2018. The bank's maturity analysis of its liquidity obligations indicates the holdings of money market placements and investment securities to be a prudent management of its liquidity.

Despite growing deposit liabilities in 2017, GCB's ability to meet its interest-bearing liabilities did not change significantly. GCB partly settled GHS595 million of its borrowing but continued to increase its obligations arising from the growth of the deposits. The bank's maturity analysis of its deposits indicates funding gaps in the first half of 2019 but sufficient cover in the longer term.

PBL's exposure to interest bearing liabilities did not change significantly. The Bank consistently deploys liquid funds in loans to customers. The bank's liquid funds are expected to increase subsequently as it undergoes capital restructuring.

8.4. Conclusion

Recent developments in Ghana's financial services industry have reinforced the need for Banks to strengthen their liquidity risk management practices. Careful working capital management including the effective management of the maturity profile of financial assets and liabilities may mitigate liquidity risk.

9

Asset quality

9 Asset quality

Even though the expected credit loss approach in IFRS 9, adopted in January 2018 was anticipated to generate higher impairment provisions, the industry's impairment charge to gross loans and advances ratio remained stable at 3.0% in 2017 and 2018. This was largely due to the implementation of more stringent practices to reduce credit risk across the industry.

GTB, ADB, PBL and FBN recorded the most significant improvement in asset quality. The impairment charge to gross loans and advances ratio for these banks reduced by more than 50% between 2017 and 2018.

The aggressive evaluation of credit and recovery by GTB had a positive impact on the performance of the bank's loan portfolio. The bank's net recovery increased from GHS1.5 million in 2017 to GHS18.2 million in 2018. This significantly improved GTB's non-performing loans to gross loans ratio from 19.9% in 2017 to 4.1% in 2018.

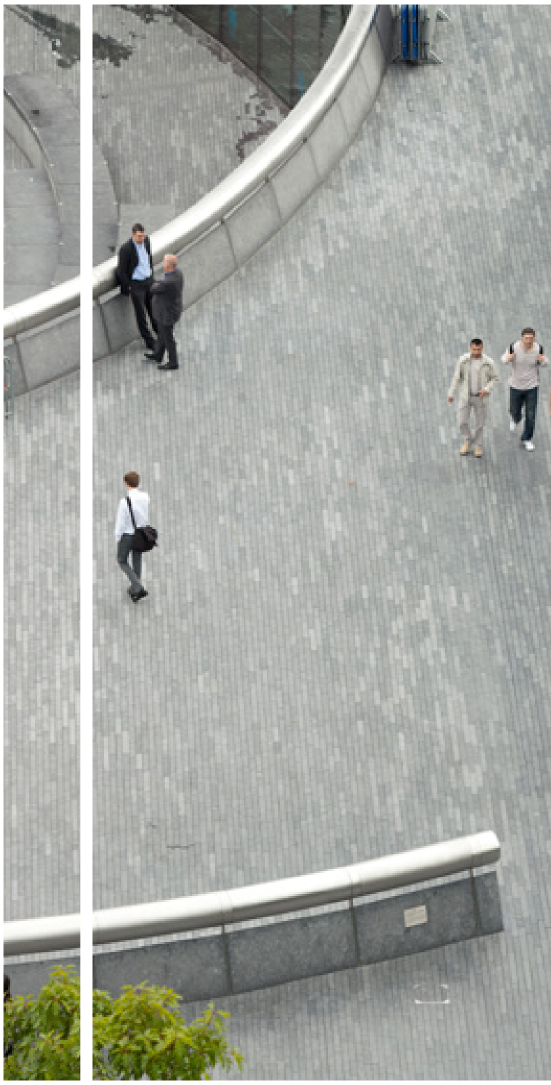
As part of measures to "clean up" its loan portfolio, ADB adopted an aggressive credit provisioning stance in 2017, recognising total credit impairment provision of GHS49.8 million. This significantly reduced the credit impairment provision required in 2018 to GHS10.2 million.

PBL recorded 53% improvement in its credit impairment charge in 2018, compared to 2017. The bank's credit impairment charge reduced from GHS57.8 million in 2017 to GHS27.2 million in 2018. The reduction in credit impairment charge resulted from intensified monitoring and improved collateralisation of the bank's loan portfolio in 2018.

Similarly, FBN recorded significant improvement in its credit impairment charge in 2018, largely driven by the tightened credit stance adopted by management. The bank recorded credit impairment charge of GHS1.2 million in 2018, from GHS2.1 million in 2017.

On the other hand, SCB, ZBL, FNB, UBA and ABG recorded deterioration in their ratio of impairment charge to gross loans and advances in 2018, compared to 2017. The deterioration suffered by the aforementioned banks was largely driven by the adoption of the expected credit loss approach, as prescribed by IFRS 9 in determining impairment charge as well as the marginal decline in the quality of the loan portfolio.

The table below shows the impairment charge to gross loans and advances ratio for banks.



9 Asset quality

Impairment charge/ gross loans and advances

	2018	R	2017	R	2016	R	2015	R	2014	R
GTB	-4.5%	1	-0.4%	1	1.4%	9	0.2%	2	1.0%	7
ADB	0.7%	2	3.3%	19	8.0%	23	8.6%	24	4.9%	24
BBGL	1.0%	3	0.7%	5	0.4%	3	5.0%	18	0.5%	3
FBN	1.1%	4	2.4%	14	19.5%	29	3.9%	16	5.5%	25
SBG	1.4%	5	2.7%	17	3.8%	16	3.5%	13	1.2%	10
GCB	1.8%	6	1.9%	12	1.6%	10	4.9%	17	1.8%	12
PBL	2.4%	7	6.3%	24	1.7%	11	3.3%	11	1.9%	15
CAL	2.6%	8	2.7%	18	9.6%	25	1.9%	6	1.5%	11
BOA	2.6%	9	1.7%	10	2.5%	12	7.4%	22	3.7%	22
FABL	2.9%	10	1.9%	11	13.2%	28	7.2%	21	3.4%	20
SG-GH	2.9%	11	2.4%	13	3.4%	15	3.6%	15	4.0%	23
EBG	3.0%	12	6.0%	23	5.0%	19	3.5%	14	1.2%	9
RBL	3.3%	13	0.0%	2	6.6%	21	8.1%	23	2.0%	17
FBL	3.7%	14	5.8%	22	11.8%	26	3.5%	12	1.9%	16
FNB	4.9%	15	0.8%	7	0.8%	4	2.4%	8	0.0%	-
SCB	6.7%	16	0.0%	3	5.0%	20	14.0%	25	3.6%	21
ZBL	6.9%	17	0.9%	8	1.2%	7	5.0%	19	1.0%	8
ABG	9.3%	18	4.3%	20	4.2%	17	1.2%	5	1.8%	13
UBA	10.6%	19	2.7%	16	4.4%	18	5.7%	20	0.7%	5
TCB	0.0%	-	0.0%	3	0.0%	-	0.0%	-	0.0%	-
BOB	0.0%	-	0.7%	6	0.0%	1	0.0%	1	0.2%	2
BSIC	0.0%	-	1.5%	9	2.5%	13	2.3%	7	3.2%	19
UMB	0.0%	-	2.6%	15	1.0%	6	17.0%	26	0.0%	-
ECB	0.0%	-	4.7%	21	7.2%	22	21.3%	27	0.0%	-
OBL	0.0%	-	8.1%	25	12.6%	27	0.0%	-	0.0%	-
PRB	0.0%	-	8.7%	26	1.2%	8	0.0%	-	0.0%	-
TRB	0.0%	-	10.8%	27	8.2%	24	0.5%	3	0.0%	-
NIB	0.0%	-	0.0%	-	0.0%	-	2.8%	10	1.9%	14
SBL	0.0%	-	0.0%	-	0.3%	2	0.0%	-	0.0%	-
GNB	0.0%	-	0.0%	-	1.0%	5	2.8%	9	-1.7%	1
UGL	0.0%	-	0.0%	-	2.7%	14	0.8%	4	0.9%	6
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.5%	4
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	2.1%	18
HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
CBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	3.0%		3.0%		4.5%		4.6%		1.9%	

9 Asset quality

The industry average of impairment allowance to gross loans and advances ratio reduced from 10.7% in 2017 to 9.8% in 2018. The improvement is partly attributable to the revocation of licences of banks which held significant non-performing assets. Moreover, due to the perceived high credit risk in the market, most banks slowed down with the granting of new facilities and rather intensified recoveries. This favourably impacted on the impairment allowance to gross loans and advances ratio for most banks. The table below shows the impairment allowance to gross loans and advances ratios for banks.

Impairment allowance/ gross loans and advances

	2018	R	2017	R	2016	R	2015	R	2014	R
BOA	1.0%	1	1.3%	3	1.6%	3	2.6%	5	3.7%	12
GTB	1.6%	2	4.8%	6	4.0%	8	3.0%	7	5.6%	14
BBGL	3.3%	3	3.3%	5	6.8%	13	8.7%	17	6.3%	18
EBG	3.9%	4	7.4%	10	2.4%	5	4.9%	11	2.4%	7
SBG	5.4%	5	5.4%	7	6.8%	14	5.5%	12	3.0%	11
CAL	6.7%	6	7.7%	11	4.9%	12	3.3%	8	1.6%	3
PBL	7.6%	7	13.7%	19	8.1%	16	6.9%	15	6.2%	17
FABL	7.8%	8	8.4%	14	18.2%	27	11.4%	20	11.8%	24
FBN	7.9%	9	7.9%	13	4.4%	10	6.3%	14	2.4%	8
FNB	8.7%	10	1.1%	2	1.8%	4	2.4%	4	0.0%	-
RBL	9.8%	11	14.8%	21	13.3%	22	12.1%	21	5.8%	16
ZBL	10.7%	12	6.1%	8	9.7%	20	9.6%	18	4.4%	13
GCB	10.9%	13	10.2%	15	14.5%	24	11.0%	19	8.7%	21
FBL	12.2%	14	16.3%	22	9.1%	18	4.2%	9	2.5%	9
SCB	12.9%	15	20.5%	25	21.9%	28	19.9%	25	6.6%	19
SG-GH	15.3%	16	13.6%	18	17.8%	26	14.0%	22	9.4%	22
ABG	17.9%	17	7.7%	12	3.9%	7	1.7%	2	2.6%	10
ADB	28.5%	18	23.6%	27	23.1%	29	15.4%	23	7.7%	20
UBA	31.1%	19	13.8%	20	7.2%	15	6.9%	16	2.3%	6
TCB	0.0%	-	0.0%	1	0.0%	-	0.0%	-	0.0%	-
BOB	0.0%	-	1.4%	4	1.0%	2	2.9%	6	1.2%	2
UMB	0.0%	-	6.9%	9	4.6%	11	5.9%	13	0.0%	-
BSIC	0.0%	-	11.6%	16	9.6%	19	16.4%	24	25.5%	25
OBL	0.0%	-	12.6%	17	14.3%	23	0.0%	-	0.0%	-
TRB	0.0%	-	17.7%	23	8.6%	17	0.5%	1	0.0%	-
ECB	0.0%	-	18.4%	24	15.0%	25	21.3%	26	0.0%	-
PRB	0.0%	-	21.9%	26	10.4%	21	0.0%	-	0.0%	-
NIB	0.0%	-	0.0%	-	0.0%	-	21.5%	27	10.5%	23
SBL	0.0%	-	0.0%	-	0.3%	1	0.0%	-	0.0%	-
GNB	0.0%	-	0.0%	-	2.9%	6	4.6%	10	1.0%	1
UGL	0.0%	-	0.0%	-	4.1%	9	1.7%	3	1.7%	4
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	2.2%	5
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	5.6%	15
HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
CBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	9.8%		10.7%		8.6%		7.9%		4.9%	

Appendices

List of banks in Ghana as at June 2019

The list of banks operating or issued with Class 1 banking license as at June 2019 is presented in the table below. For purposes of our financial analysis, we were able to obtain the audited financial accounts for 19 out of the total of 23 banks, with the audited accounts for the remaining banks unavailable as at the time of conducting our financial analysis.

Also, a total of 14 banks participated in our qualitative survey, which was administered through survey questionnaires and face-to-face interviews.

Name of Bank	Year bank commenced business	Majority ownership	No. of branches
Access Bank (Ghana) Limited	2008	Foreign	47
Agricultural Development Bank Limited	1965	Local	83
Bank of Africa Ghana Limited	1997	Foreign	26
Barclays Bank Ghana Limited	1917	Foreign	52
CalBank Limited	1990	Local	30
Consolidated Bank Ghana Limited	2018	Local	110
Ecobank Ghana Limited	1990	Foreign	67
FBNBank Ghana Limited	1996	Foreign	20
Fidelity Bank Ghana Limited	2006	Local	75
First Atlantic Bank Limited	1994	Foreign	37
First National Bank	2015	Foreign	8
GCB Bank Limited	1953	Local	184
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	34
National Investment Bank Limited	1963	Local	49
OmniBank Ghana Limited	2016	Local	46
Prudential Bank Limited	1993	Local	40
Republic Bank Ghana Limited	1990	Foreign	42
Société General Ghana Limited	1975	Foreign	40
Stanbic Bank Ghana Limited	1999	Foreign	40
Standard Chartered Bank Ghana Limited	1896	Foreign	22
United Bank for Africa (Ghana) Limited	2005	Foreign	25
Universal Merchant Bank Limited	1971	Local	34
Zenith Bank (Ghana) Limited	2005	Foreign	34

B Appendix

Glossary of key financial. Terms, equations and ratios

Capital adequacy ratio: is the ratio of adjusted equity base to risk adjusted asset base as required by the Bank of Ghana (BoG)

Cash assets: includes cash on hand, balances with the central bank, money at call or short notice and cheques in course of collection and clearing

Cash ratio: (Total cash assets + Total liquid assets)/ (Total assets - Net book value of fixed assets - Investments in subsidiaries and associated companies)

Cash tax rate: Actual tax paid/ Net operating income

Cost income ratio: Non-interest operating expenses/ Operating income

Current ratio: (Total assets - Net book value of fixed assets– Investments in subsidiaries and associated companies)/ (Total liabilities - Long term borrowings)

Dividend pay-out ratio: Proposed dividends /Net profit

Dividend per share: Proposed dividends/ Number of ordinary shares outstanding

Earnings per share: After-tax profits before proposed profits/ Number of ordinary shares outstanding

Financial leverage ratio: Total assets/ common equity

Liquid assets: includes cash assets and assets that are relatively easier to convert to cash, e.g., investments in government securities, quoted and unquoted debt and equity investments, equity investments in subsidiaries and associated companies

Loan loss provisions: (General and specific provisions for bad debts + Interest in suspense)/ Gross loans and advances

Loan portfolio profitability: (Interest income attributable to advances - Provisions for bad and doubtful loans)/ Net loans and advances

Loan loss rate: Bad debt provisions/ Average operating assets

Net book value per share: Total shareholder's funds / Number of ordinary shares outstanding

Net interest income: Total interest income - Total interest expense

Net interest margin: Net interest income/ Average operating assets

Net operating income: Total operating income – Total noninterest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits

Net operating (or intermediation) margin: [(Total interest income + Total non-interest operating revenue) / Total operating assets] - [Total interest expense/ Total interest-bearing liabilities]

Net profit: Profit before tax - Income tax expense

Net spread: (Interest income from advances/ Net loans and advances) - (Interest expense on deposits/ Total deposits)

Non-interest operating expenses: includes employee related expenses, occupancy charges or rent, depreciation and amortisation, directors' emoluments, fees for professional advice and services, publicity and marketing expenses

Non-interest operating revenue: includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service charges

Non-operating assets: comprises net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets, including prepayments, sundry debtors and accounts receivable

Operating assets: includes cash and liquid assets, loans and advances, and any other asset that directly generates interest or fee income

Profit after tax margin: Profit after tax/ Total operating income

Profit before tax margin: Profit after extraordinary items but before tax/ Total operating income

Quick (acid test) ratio: (Total cash assets + Total liquid assets)/ (Total liabilities - Long term borrowings)

Return on assets: Profit after tax/ Average total assets

Return on equity: Profit after tax/ Average total shareholders' funds

Shareholders' funds: comprise paid-up stated capital, income surplus, statutory reserves, and capital surplus or revaluation reserves

Total assets: Total operating assets + Total non-operating assets

Total debt ratio: Total liabilities/ Total assets

Our Business School

PwC Ghana Business School:

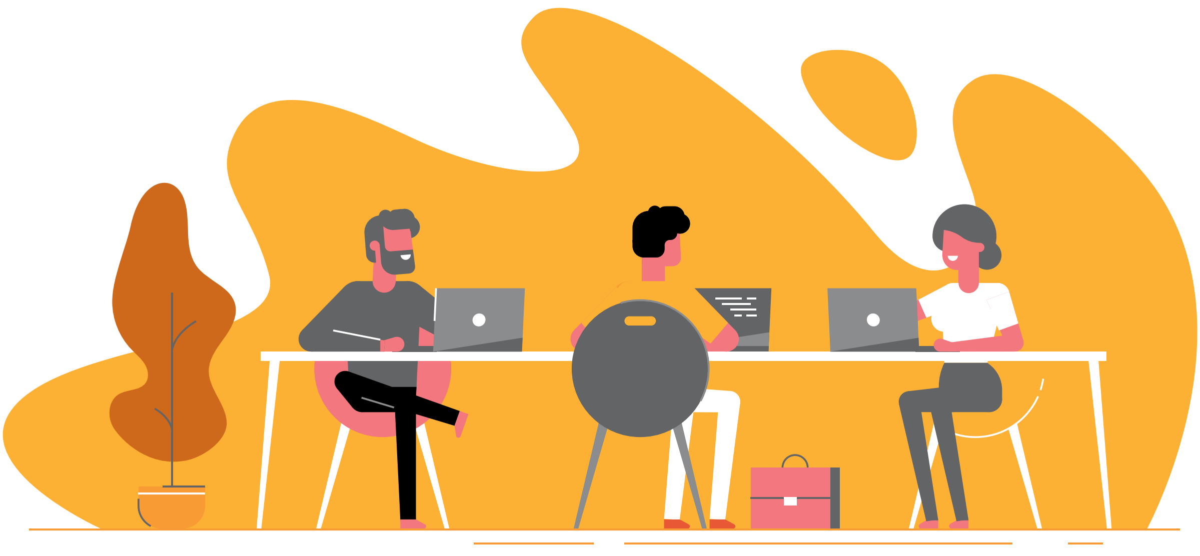
For PwC, developing people and sharing knowledge are central to how we do business. We believe it is pivotal to the achievement of growth in our firm, our clients' businesses, industries and the broader economy.

The focus of PwC's Business School is to:

- Enhance the skills of our people;
- Provide relevant development offerings to our clients;
- Contribute to our profession; and
- Help uplift the communities we are embedded in.

PwC's Business School is not a traditional learning institution. Due to our deep experience within our industry and our knowledge of our clients and the industries in which they operate, we are subject matter experts in a variety of areas.

PwC's Business School is therefore focused on delivering relevant learning and development solutions based on this knowledge, as well as offering public courses on selected topics and a wide range of bespoke training solutions tailored to the needs and capacity of organisations. For more information on the Business School please visit our website http://www.pwc.com/gh/en/business-school.html



Our FS Leadership Team

Vish Ashiagbor

Country Senior Partner

vish.ashiagbor@pwc.com

Michael Asiedu-Antwi

Partner, Assurance Leader

michael.asiedu-antwi@pwc.com

Oseini Amui

Partner, Assurance

oseini.x.amui@pwc.com

Destiny Attatsitsey

Associate Director, Assurance

destiny.s.attatsitsey@pwc.com

Enoch Kumi

Associate Director, Advisory

enoch.kumi@pwc.com

Dzidzedze Fiadjoe

Associate Director, Tax

dzidzedze.fiadjoe@pwc.com

List of abbreviations

Abbreviation	Definition
ADB	Agricultural Development Bank Limited
BBGL	Barclays Bank Ghana Limited
BDC	Bulk Distribution Company
BOA	Bank of Africa Ghana Limited
BOB	Bank of Baroda Ghana Limited
BoG	Bank of Ghana
BSIC	Sahel Sahara Bank Ghana Limited
CAGD	Controller and Accountant Generals Department
CAL	CalBank Limited
CBN	Central Bank of Nigeria
CBG	Consolidated Bank Ghana Limited
C-G	Commissioner-General
CIPS	Consumer and Industrial Products and Services
CRD	Capital Requirement Directive
CSP	Country Senior Partners
EBG	Ecobank Ghana limited
ECB	Energy Commercial Bank Limited
ESLA	Energy Sector Levy Act
EUR	Euro
FABL	First Atlantic Bank Limited
FBL	Fidelity Bank Ghana Limited
FBN	FBNBank Ghana limited.
Fintech	Financial Technology Companies
FNB	First National Bank
FX	Foreign Exchange
GAB	Ghana Association of Bankers
GBP	Great Britain Pound
GCB	GCB Bank Limited
GDP	Gross Domestic Product
GHL	GHL Bank Limited
GHS	Ghana Cedi
GIRSAL	Ghana Incentive-Based Risk-Sharing System for Agricultural Lending
GNB	GN Bank Limited
GRA	Ghana Revenue Authority
GRR	Ghana Reference Rate
GTB	Guaranty Trust Bank (Ghana) Limited
HBL	Heritage Bank Limited
IFRS	International Financial Reporting Standards

Abbreviation	Definition
IMF	International Monetary Fund
IP	Intellectual Property
IPO	Initial Public Offer
IT	Information Technology
KYC	Know Your Client
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
N	Naira
NDIC	Nigeria Deposit Insurance Corporation
NEIP	National Entrepreneurship and Innovation Plan
NGO	Non-Governmental Organisation
NIB	National Investment Bank Limited
NIM	Net Interest Margin
NPL	Non-Performing Loans
OBL	OmniBank Ghana Limited
OECD	Organisation for Economic Cooperation and Development
PBL	Prudential Bank Limited
PBT	Profit Before Tax
PRB	Premium Bank Ghana Limited
RBL	Republic Bank Ghana Limited
ROA	Return on Assets
ROE	Return on Equity
SBG	Stanbic Bank Ghana limited
SBL	Sovereign Bank Limited
SCB	Standard Chartered Bank Ghana Limited
SG-GH	Societe General Ghana Limited
SME	Small and Medium Scale Enterprises
SOX	Sarbanes-Oxley Act
SSC	Shared Services Centre
TBB	The Beige Bank
T-bills	Treasury Bills
TCB	The Construction Bank (Gh) Limited
TIN	Tax Identification Number
TP	Transfer Pricing
TRB	The Royal Bank Limited
TSA	Treasury Single Account
UBA	United Bank for Africa (Ghana) Limited
UGL	UniBank Ghana Limited
UMB	Universal Merchant Bank Limited

Abbreviation	Definition
US$	United States Dollars
VAT	Value Added Tax
WEO	World Economic Forum
WHT	Withholding Tax
ZBL	Zenith Bank (Ghana) Limited
1D1F	One District, One Factory