BitKE

Post-DDEP: how do banks intend to build back?

2023 PwC Ghana Banking Survey Report

Table of contents

I
CSP's message

II
GAB CEO's message

III
Tax leader's message

The economic environment 12

Survey analysis 19

Banking industry overview 40

How banks assessed the impact of DDEP 42

Quartile analysis 46

Market share analysis 62

Profitability and efficiency 69

Return to shareholders' funds 76

Liquidity 81

Asset quality 89

BitKE

CSP’s message

The banking industry continues to play a critical role within the economy of Ghana. Therefore, we at PwC continue to dedicate time to study the yearly financial results of the banks in the industry and in doing so take the opportunity to conduct a survey on a topic relevant to the industry, soliciting views of bank executives on our informed topic of choice. This year we chose to focus on the Domestic Debt Exchange Programme (DDEP).

In the third quarter of the year 2022, Ghana’s debt stock was assessed as having reached unsustainable levels. The world economy was just recovering from the COVID-19 shock, when Russia attacked Ukraine. The resultant shock to the supply chains of major commodities sent world prices on an inflationary trajectory.

Ghana’s economy was not spared. A strong US Dollar and increasing US interest rates made it increasingly difficult for the government to service its debt. The debt service challenges prompted international rating entities to downgrade the country’s credit ratings throughout 2022. And this caused further anxiety among investors, which put even more pressure on the Ghana cedi. Having been locked out of the international financial market in late 2021, the Ministry of Finance (MoF) eventually, in December 2022, had no option but to announce a suspension of payments on selected external debts and then launched the DDEP.

Ghana’s Domestic Debt Exchange Programme (DDEP)

The DDEP was a voluntary invitation to holders of selected GoG debt instruments to voluntarily surrender them in exchange for new bonds issued at new rates and maturities by the Finance Ministry. The new rates and maturities meant a value loss for investors, including banks.

After several engagements with MOF and assurances of some regulatory forbearances, the banking industry signed up to the DDEP. The direct impact of the bond exchange by banks meant their assets were now impaired and significant impairment losses needed to be recognised by the affected banks.

Banks needed to deal with uncertainties associated with signing up for the bonds including deciding on how much impairment losses should be recognised as well as the possible liquidity challenges that may be associated with the exchanges. These have been challenging to the industry.

The theme, this year, for our annual survey of the banking industry explores banks’ assessment of the DDEP on their business and spotlights their evaluation of their industry’s prospects in the short and medium terms. Post-DDEP: how do banks intend to build back shares some interesting views of what banks consider important for business resilience, given the lessons from the DDEP—arguably, an economy-wide event of cataclysmic scale.

Vish Ashiagbor
Country Senior Partner

BitKE

How banks intend to build back—our survey of views of selected bank

You will find the survey questions interesting. The questions forced our bank executives to think about their decisions and actions before the DDEP, prompting them to consider if they would have done things differently (knowing better now), assess how they perceived the impact of the DDEP, and sought to tease out their level of optimism for growth in the future.

The responses were candid. I touch on these two reflective responses which I found insightful:

- most banks wished that they had taken a less significant position in government securities…
- banks thought they should have used more robust economic policy analysis and market research to improve their ability to predict economic risks…

There are other responses shared in the survey section of the report.

From the survey we realised that the impact of the DDEP on banks' businesses were varied and far-reaching: profitability, liquidity management, solvency, investor perceptions, and asset portfolio quality dominated the responses on impact.

Bank executives continued to predict that there would be challenging economic hurdles in the future, but they remained confident in their full and quick comeback. We felt that these positive views set the tone for our key takeaways in the survey, which we termed: hardwiring resilience and agility into banks' business models. You will find our suggestions towards the concluding parts of the survey.

An analysis of the industry's historical performance—spotlighted by the results of 22 banks

Banks publish their audited financial results every year and various financial analysts share insights to the published numbers. In the industry analysis section of this document, we have shared a study of the results of 22 (out of 23) banks.

In addition to our regular financial analysis, we have also included a report on how banks assessed the impact of the DDEP with regards to impairment recognition by the banks.

Second phase of DDEP

Second phase of the DDEP is currently underway with memorandum of exchanges issued by the Ministry of Finance on the domestic dollar instruments and Ghana Cocoa Board on the cocoa bills. Unlike the first, the tenor under the second phase for the eligible instruments are much shorter with arguably improved returns. The response of the banking industry on the second phase of the DDEP appears to be calm. Industry players believe the impairment already taken on this round two eligible instruments will be more than enough for any modification loss required given the improved terms when these eligible instruments eventually are exchanged for the new ones.

Bitke

> "I hope that this report will provide some fresh insights for your decisions as the industry steers towards growth. I also hope that we have been able to convey, through the report, the positive outlook that bank executives hold about the future of banks. To the participating banks, we are grateful for your participation and for the financial information and insights you shared with us by completing the survey questionnaire.

Visit www.pwc.com/gh for more publications on pertinent trends and developments in the banking industry in our sub-region, African continent and globally.

Message from Ghana Association of Banks

The banking sector remained profitable and liquid in the first three quarters of the year in spite of the challenging economic environment, which was predominantly influenced by the COVID-19 pandemic, high national debt levels, inflationary pressures amongst others; in aggregate, resulting in higher market interest rates and failures in other macro fundamentals. Key performance indicators such as return on assets, return on equity, total assets and deposit levels improved up to the third quarter of 2022.

BitKE

Through the third to the fourth quarter of 2022 Ghana's economy was embroiled in a mega-crisis comprising the lingering effects of COVID-19, the Russia-Ukraine war which caused systemic shocks to the energy sector, inflation, aggressive depreciation of the cedi, emerging potential recession, rising public debt distress and sustained sovereign credit rating downgrades. This development created a perfect storm for the imminent economic crisis and necessitated the 17th trip to the International Monetary Fund (IMF) for an Extended Credit Facility to move the country towards debt sustainability and to stabilise macroeconomic fundamentals over the programme period.

It is a fact that heavy indebtedness has become the bane of most developing economies in the 21st century, and Ghana is no exception. Consistently, Ghana's total debt stock has been on a rising trajectory, plunging the country into a debt trap and distress. The total debt stock at the end of 2022 amounted to GH₵546.15 billion, which constitutes 88.77% of GDP (105% of GDP with inclusion of key SOEs and allied debts), and it is projected to reach a staggering GH₵863.5 billion at the end of 2023 if a hawkish policy pivot is not taken to curb rising debt levels, which is a contrarian predictor of growth.

Needless to point out that the government can finance its budget and development efforts through borrowing or taxation. However, taxes have the tendency to distort the structure of relative prices, and increasing the tax rate beyond a particular threshold may cause a reversal of its revenue generating capacity as depicted in the Laffer curve. Further, higher taxes tend to result in elevating risks to survival of politicians as it predisposes them to unpopularity; hence, they find solace in borrowing, giving them the opportunity to shift the current burden to the future. Nonetheless, borrowing, if pushed beyond the carrying capacity of an economy, creates problems of intergenerational inequity and can cause inordinate transfer of resources that tends to undermine growth.

John Awuah
Chief Executive Officer
Ghana Association of Banks
(GAB)

Accessing the IMF credit facility comes with preconditions, amongst which are reducing government debt to a sustainable level, enhancing revenue mobilisation, fiscal discipline, the introduction of strategic policies towards reducing inflation, preserving financial stability and enhancing resilience to external shocks, improving market confidence, protecting the most vulnerable, creating space for growth, and improving the coverage and efficiency of social spending.

Considering the fragility of the economy, kowtowing to the conditionalities of the IMF became inevitable, hence the need to embark on the DDEP. As the largest holder of the government's domestic debts, the implementation of the DDEP had significant implications for the banking sector in various ways. Even though the DDEP was voluntary and contained no compulsion to participate by the banking sector, the banks prioritised the stability of the economy, knowing that the banking sector is a subset of the economy and anything that would destabilise it would invariably affect the sector. To this end, the sector took a very difficult decision and supported the government in the DDEP to get the economy back on track swiftly. This sacrificial feat had direct and indirect implications for the sector.

Directly, the banking sector's own analysis of the economic and accounting impact of the DDEP was assessed as huge, resulting from the volume of exposure to government securities (some of which were loans and advances at origination but received settlements in government bonds). The DDEP involved the exchange of existing qualifying government debt instruments, specifically bonds, for new ones with modified terms and conditions. This directly impacted banks' balance sheets and profitability, as the value, yield, and maturity of the exchanged securities changed significantly. Banks experienced significant losses due to the impairment losses resulting from the expected credit losses on the old bonds for the 2022 financial year. Available data on 22 universal banks from the Ghana Association of Banks revealed, net impairment losses on financial assets in the sector surged from GH₵1.43 billion in 2021 to a colossal GH₵19.5 billion in 2022, which negatively impacted the sector's financial performance and position.

Again, alterations in the interest rates, and maturity of the new bonds resulting from the DDEP gives a lower future cash flow generating capacity for the bonds and potential liquidity pressures. Collectively, the industry's earning assets-to-total assets ratio dipped from 65.6% in the preceding year to 60.3% in 2022, and the industry slipped from profitability of GH 4.99 billion in 2021 to a loss of GH 6.02 billion by the end of the 2022 financial year. The average minimum ratio of capital to risk-weighted assets for the banking industry in 2022 dipped slightly from 28.07% to 15.6%. This ratio, however, remained above the minimum thresholds of 10% (as a result of the application of the regulatory measures introduced by the Bank of Ghana in response to the DDEP).

Like profit, industry return on assets (ROA) and return on equity (ROE) were pole-axed by the huge impairment loss incurred by the banks through the DDEP which caused the aforementioned variables to slip by 5.68% and 48.5%, respectively in 2022. Liquidity and solvency were also negatively impacted. While it may sound exaggerated that losses incurred and the fall in ROA, ROE, and other performance indicators are caused by the DDEP rather than operational inefficiencies, evidence from the net impairment losses and a thorough review of the banks' financials affirm the latter. The negative impact notwithstanding, total assets, net interest income, and total operating income in the sector inched up by 18.8%, 26.1% and 31.2% respectively.

BitKE

Aside from the direct impact of the DDEP on the banking sector, the sector was also indirectly impacted. Firstly, market stability and investor sentiment were negatively impacted just by the mere announcement of the DDEP. Existing investors' confidence in the economy appeared to have a downward slope, while capital flight was perceived as a potential option. Mark-to-market losses for fund managers were already estimated in billions of United States dollars. Furthermore, most customers rushed to various fund management houses to liquidate or demand their investments. The mark-to-market assessment of portfolios has also triggered investor sentiment, with a vast majority finding any means possible to close their investment accounts in order to avert any further potential loss. These market sentiments resulted in a close to non-functioning secondary market during the period. The economic hardship resulting from a challenged economy perhaps from participation of other bondholders may have contributed to the increase in the recorded non-performing loans from 13.77% to 15.57% in 2022 as individuals and businesses experienced sharp declines in their investments and business performance.

Additionally, the downgrade to Ghana's credit ratings resulted in restricted access to the capital markets which further put pressure on the Cedi.

In the midst of the challenges, banks' major concerns were mainly on how to fine-tune operations to preserve capital, more rigorous management of liquidity, regulatory compliance, forging closer bonds with key stakeholders and above all, ensuring relative market stability and confidence.

After experiencing adverse impacts from the DDEP, banks considered several recovery options to mitigate the effects and expedite their recovery. Amongst them are; following through to ensure a faster establishment of the financial stability fund; core focus on other revenue streams; providing support for small and medium-sized enterprises (SMEs); banks focusing on building more efficiencies in core business infrastructure; strengthening risk management to reflect the operating environment; aggressive emphasis on loan recoveries and stringent review of cost drivers and innovative expenditure containment measures; leveraging technology as driver of automation and growth in wallet share of digital revenue sources; staying closer to the customer and corporate governance; maintaining regulatory compliance; and a centralised communication plan that seeks to protect and promote the stability of the banking sector.

The banks are accelerating their collaboration with Fintech companies to facilitate development and deployment of new banking products and services that would address identified gaps in the market. Increased public confidence and trust could potentially lead to the attraction of more foreign direct investments (FDIs) and local investments to the banking industry.

After a bruising setback in the banking sector in 2022 and the implementation of mitigating measures announced by the industry regulator, the sector exhibited a strong rebound and recovery in the first quarter of 2023, raising optimism amongst investors and customers. The first quarter industry financial report revealed that the industry's profit after tax increased by 45.8% to GH₵2.8 billion, compared to a 21.5% increase in April 2022, net impairment loss dropped to GH₵944 million; and total assets increased sharply by 22.6% to GH ₵238.2 billion, compared with 24.8% growth in April 2022. These were however unaudited numbers for the first quarter of 2023. The industry liquidity position remained strong in the first quarter with core liquid assets to total deposits increasing to 38.0% compared to 33.1% in April 2022. However, the ratio of broad liquid assets to total deposits declined to 83.2% from 98.9% a year ago. Industry non-performing loan (NPL) ratio rose marginally to 18.0% compared to 14.3% in April 2022; and capital adequacy ratio adjusted for regulatory reliefs was 14.8% which is lower than the 21.3% attained in the previous year. Though financial soundness indicators decreased marginally compared to similar time periods a year ago, they have exhibited a strong sign of recovery considering the values obtained at the end of 2022 financial year.

Aside from the strenuous efforts being made by the banking sector to bounce back from this challenge, it is important to take note of the following key hurdles that may revive similar predicament in the sector and how the sector can weather a semblance of these storms in the near future.

BitKE

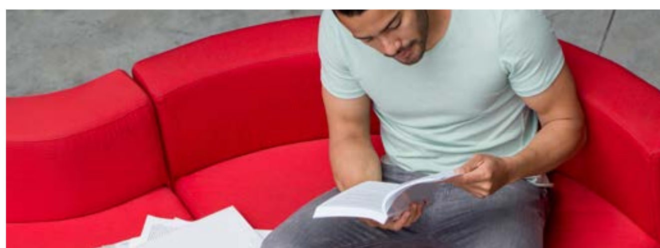
Top of the list is **government debt dynamics**: Banks' exposure to government debt remains a significant risk factor. The dynamics of government debt, including its issuance, interest rates, and sustainability, can impact banks' balance sheets and profitability. Banks must closely monitor government debt levels, fiscal policies, and debt management practices to proactively manage their exposure and mitigate potential risks.

Economic and regulatory environment: Banks are influenced by the overall economic and regulatory environment in which they operate. Changes in economic conditions, such as recessions or inflationary pressures, can impact credit quality, asset values, and customer repayment capabilities. Regulatory changes and requirements can also impact banks' operations, capital adequacy, and risk management practices. Banks will anticipate and adapt to these external factors to ensure resilience and compliance.

Risk management and governance: Effective risk management and robust governance frameworks are essential for banks to avoid similar situations in the future. Banks would continually enhance their risk management practices, including credit risk assessment, stress testing, reputation risk and monitoring of market and liquidity risks. Improving corporate governance, internal controls, and risk oversight mechanisms is crucial to minimise the chances of concentration risk or inadequate risk mitigation mechanisms.

Liquidity management: Maintaining adequate liquidity is critical for banks' stability and ability to meet obligations. Banks will ensure they have effective liquidity risk management frameworks in place, including robust liquidity contingency plans and diversified funding sources. Accurate cash flow projections, stress testing, and prudent access to the central bank liquidity facilities are crucial for banks to avoid any liquidity shortfalls.

Cybersecurity and technology risks: The increasing reliance on technology exposes banks to cybersecurity and technology-related risks. Cyberattacks, data breaches, and technological disruptions can have severe consequences for banks' operations, reputation, and customer trust. Banks will continue to invest in robust cybersecurity measures, ensure compliance with the Cyber Security Directives and the requirements of the Cybersecurity Act, conduct regular vulnerability assessments, and stay vigilant against emerging threats in the digital landscape.



Compliance and regulatory changes: The banking sector is subject to evolving regulatory requirements, aimed at enhancing stability, transparency, and customer protection. Banks need to stay abreast of regulatory changes, ensure compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations, and implement effective compliance monitoring systems. Failure to comply with regulatory standards can result in penalties, reputational damage, and legal repercussions.

Market competition and innovation: The banking industry is highly competitive, with emerging fintech companies and non-traditional financial players disrupting the market. Banks will continually innovate, deepen digital transformation and collaborations, and offer personalsed, customer-centric services to remain competitive. Keeping pace with technological advancements and customer preferences is crucial to avoid losing market share and relevance.

Macroeconomic factors and external shocks: Banks are susceptible to macroeconomic factors and external shocks beyond their control. Changes in interest rates, foreign exchange rates, or global economic conditions can impact banks' profitability, asset quality, and lending activities. Banks will maintain focus on monitoring macroeconomic indicators, stress test their portfolios, and build resilience to withstand economic downturns or external shocks.

Reputation and customer trust: Maintaining a strong reputation and customer trust is vital for banks' long-term success. Any failure in meeting

Bitke

customer expectations, ethical lapses, or breaches of trust can lead to reputational damage and customer attrition. Banks will continue to prioritise transparency, ethical conduct, and robust customer protection measures to retain trust, enhance confidence, deepen loyalty and facilitate customer recourse mechanism.

> “ In summary, addressing these hurdles requires a proactive and adaptive approach from banks. They need to foster a culture of risk awareness, continuous learning, and rigorous strategic planning to avoid similar situations in the future. Collaborating with regulatory bodies, investing in technological capabilities, and aligning their strategies with evolving market dynamics will be key to navigating these challenges successfully.
>
> Furthermore, public debt sustainability and liquidity would be restored if credible debt consolidation plan intended for implementation is strategically structured to restore macroeconomic stability; ensure tremendous improvement in the country's primary balance, access to market; and place the country's debt on a declining trajectory. The complementary role of banks in the national cause towards debt sustainability and economic freedom is exemplified in their commitment to anchor the recovery and the implementation of internal mechanisms that would assure the industry's robustness and resilience to internal and external economic shocks.

Bitke

Tax leader's message

The DDEP has dominated Ghana's economic conversations from the last quarter of 2022. Banks are arguably the entities most impacted by the DDEP because they, together, held a significant proportion of the Government bonds. We observed though that not much was discussed about the tax implications of the DDEP at the outset. This did not surprise us because most businesses, from experience, have often only considered asking tax questions after they have established or taken a clear position on the business or operational transaction in question. Banks were no exception during the DDEP.

BitKE

We however do acknowledge that the Ghana Association of Banks took some proactive steps to reach out to the Ghana Revenue Authority seeking some forbearance around the timing of their fulfilment of compliance obligations as there was uncertainty around the profitability of banks for the year 2022. Predicting whether the banking enterprise will be profitable or not was important. Let me quickly share some insight on why profitability mattered to tax.

The DDEP and impact on taxable profit and tax payable

In determining taxable business profit (which is referred to as Chargeable Income under Ghana's Tax Laws), an enterprise is required to first determine its accounting profit before tax in accordance with International Financial Reporting Standards (IFRS), and then make required adjustments to the accounting profits to determine the amount taxable.

At the outset, it was unclear to the banks what will become the final accounting profit to report in the financial statements due to expectations of significant impairment expense recognitions because of the DDEP.

While DDEP-related impairment dominated discussions on the accounting and financial reporting front, not much of the discussions were about the tax treatment of the same impairment until it was time to estimate taxes payable by the banks.

In the end, impairment reduced accounting profits and were reversed when calculating taxable profits. We can argue that for most banks taxable profit and tax payable (i.e. the current tax component of tax expense) was determined as if we were in normal times—as if there was no impact of DDEP.

As disturbing as this conclusion may sound, that tax payable was determined as if in normal times, we observed that the impact of having to pay taxes now (the current tax expense) even though banks were in loss positions due to impairment was mitigated by a recognition of deferred taxes when it came to financial reporting. The overall tax expense therefore appeared to be a somewhat reasonable figure which may not have drawn the attention of management and shareholders of banks. This may be why tax

Ayesha Bedwei Ibe
Tax Leader

was still not topical in the DDEP even at the time of reporting tax in the financial statements.

The year 2022 from a tax perspective

Now let's look at the year 2022, at least how it started, before DDEP dominated the conversation. As is the case for every fiscal year, the Government's 2022 Budget Statement came with a number of tax proposals—the most controversial of which was the introduction of 1.5% electronic transactions levy.

Government passed the eLevy law in March 2022 and implementation started in May 2022. The eLevy took off at a rate of 1.5% with optimism of raising significant tax revenue by the end of the year. As we now know, the Government was unable to achieve their target by the end of the year.

Apart from the eLevy, there were other tax initiatives in the 2022 budget which were later implemented. Some of the topical ones were review of benchmark (discount) policy for imported vehicles and selected general goods and the passage of the Tax Exemptions Bill into law.

The mid-year budget review introduced some notable tax changes and general administrative/ revenue measures. The end of capital gains tax exemption for GSE-listed companies; amendment of tax laws on e-commerce, betting, and gaming; extension of the Penalty and Interest Waiver to December 2022 and the introduction of e-VAT (GRA's introduction of electronic invoicing system) were among the changes and measures introduced.

Tax changes for the year 2023

A number of tax changes were also introduced for the year 2023.

In November 2022, the Government rolled-out its plans for the fiscal year 2023. The budget made some new tax proposals which were rolled out. I share summaries of them below and invite you to refer to our PwC 2023 Budget Digest publication for details. I am aware that the business of banking places the burden on you of having to think about how taxation affects your customers in as much detail as you study how tax impacts your own business.

Direct Tax

- Introduction of a 35% marginal income tax rate for individuals and revision of the upper limits for vehicle benefits.
- Introduction of a minimum chargeable income system.
- Unification of the provisions on carry forward of tax losses.
- Restriction of foreign exchange loss deduction to actual losses.
- Conversion of the National Fiscal Stabilisation Levy ("NFSL") to Growth and Sustainability Levy ("GSL") to cover all entities.
- Increase the 1% concessional income tax rate to 5%.
- Modification of the regime for taxing capital gains.

Indirect Tax

- Increase in the standard Value Added Tax ("VAT") rate from 12.5% to 15%.
- Review of VAT registration threshold.
- Reduction in the Electronic Transfer Levy ("E-Levy") rate from 1.5% to 1% of transaction value and removal of daily threshold.
- Withdrawal of benchmark discount policy on imported goods.
- Introduction of a self-clearance system for imports of goods at the ports.

General administrative and other revenue measures

- Freeze on new tax waivers for foreign companies.
- Review of tax exemptions for free zones and extractive industries.
- Electronic VAT invoicing to cover all VAT taxpayers by 2024.
- Introduction of electronic Tax Clearance Certificate ("TCC").

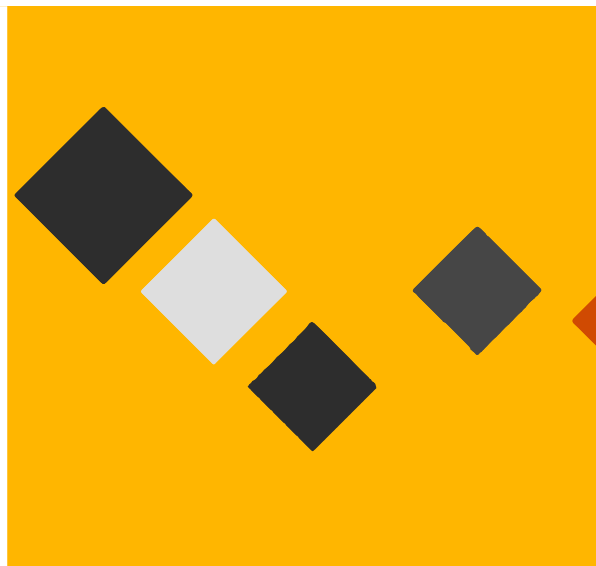
Closing

I am excited about the theme of this year's banking survey Post-DDEP: how do banks intend to build back. We are already hearing some positive news about the industry and look forward to our continuous engagement to build the right structures for growth within the banking industry.

I trust you find this report insightful, and I welcome having further discussions with you on taxation as it relates to, and should drive growth, in the banking sector.

BitKE

The economic environment: reflecting on 2022 and outlook for 2023 and beyond



BitKE

The Economic Environment: reflecting on 2022 and outlook for 2023 and beyond

Global economic trends

Events in the Ghanaian markets are reflective of the occurrences in the global economy. In 2023 the global economy is expected to grow at 2.8%. This is a reduction from the reported growth of 3.4% in 2022. Analysts anticipate that global economic growth will stabilise at 3.0% in 2024. Economic growth in advanced economies is predicted to fall sharply from 2.7% in 2022 to 1.3% in 2023. In a probable alternative scenario with additional financial sector stress, global growth may fall to c.2.5% in 2023, with advanced economies growing at around c.1%.[1]

The International Monetary Fund indicated that as central banks have increased interest rates, inflation has been on the decline. However, there are persistent price pressures due to tight labour markets in several economies. The rapid increase in policy rates is starting to have unintended consequences, as concerns about the banking sector's vulnerabilities and contagion risks across the broader financial sector, including nonbank financial institutions, have emerged.

The global headline inflation is set to fall from 8.7% in 2022 to 7.0% in 2023 on the back of lower commodity prices, but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases. Also, the natural rate of interest is important as it's a good gauge of the stance of monetary and fiscal policies and a key determinant of the sustainability of public debt.[2]

The world economy in 2022 was influenced by various factors, and these forces are expected to continue in 2023, albeit with some changes. Debt levels remain high, which limits the ability of fiscal policymakers to address new challenges. Commodity prices, which initially spiked due to Russia's invasion of Ukraine, have now stabilised. However, the war and geopolitical tensions persist. There were widespread outbreaks of new infectious COVID-19 strains last year, but countries like China, which were heavily affected, are showing signs of recovery, leading to improved supply-chain operations. However, there are still significant risks and uncertainties, particularly due to the banking sector turmoil in Europe and America in Q1 of 2023.

The war in Ukraine significantly impacted the global economy, hampering access to European gas imports from Russia and disrupting trade flows, particularly for energy and food.[3] The magnitude of these interruptions is determined not only by the decline in exports resulting from the conflict but also by the global supply and demand elasticity.

The Ghanaian Economy

The Ghanaian economy appears to have been impacted significantly by happenings in the global economy. In the first quarter of 2023, Ghana's domestic economy showed signs of weakness, with a slowdown in GDP growth despite renewed confidence among consumers and businesses.[4] The approval of the IMF Extended Credit Facility (ECF) package, in the amount of USD3.0 billion, during the second quarter of 2023 bolstered recovery efforts aimed at restoring macroeconomic stability and debt sustainability. This also assisted in restoring investor confidence in the domestic economy.

[1] International Monetary Fund IWorl Economic Outlook I April 2023 I https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023
[2] World Economic Outlook I July 2022 I https://www.imf.org/en/Publications/WEO
[3] World Economic Forum I April 2022 I https://www.weforum.org/agenda/2022/04/ukraine-war-global-trade-risk/
[4] Bank of Ghana I Bank of Ghana Monetary Policy Committee Press ReleaseI May 22, 2023

Bitte

The table below shows Ghana's historical and forecast GDP growth rates. The forecast growth rates are on the assumption that the Government will successfully implement the ECF programmes' fiscal and structural reforms necessary to achieve macroeconomic stability in the medium to long term.

Real GDP Growth (percent) per sector

Sectors	Actual			Provisional	Projections*			
	2019	2020	2021	2022*	2023	2024	2025	2026
Agriculture	4.7%	7.3%	8.5%	4.2%	2.6%	2.8%	4.7%	6.1%
Industry	6.4%	-2.5%	-0.5%	0.9%	3.9%	6.1%	5.1%	6.0%
Services	7.6%	0.7%	9.4%	5.5%	1.7%	2.4%	4.8%	5.0%
Real GDP Growth	6.5%	0.5%	5.1%	3.1%	2.8%	3.9%	4.9%	5.6%

*Real GDP for 2022 is based on data from Ghana Statistical Service as at May 2023
Source: 2023 Budget Statement, Ministry of Finance

The structure of the economy in 2023 is predicted to remain largely similar to the prior year. The agriculture sector is anticipated to grow by 2.6% in 2023 and by an average of 4.0% over the medium term, i.e. from 2023 to 2026.

Industry sector growth is anticipated to increase in 2023, but still be favourable at 3.9%. Over the medium term, the sector is anticipated to have a consistent and strong average growth rate of 5.4%.

With a predicted growth rate of 1.7% in 2023, the services sector is projected to slow down. However, over the medium term, it is anticipated to progressively accelerate and record an average growth rate of 3.5%.[5]

Composition of GDP by Economic Sectors

Sectors	Actual			Provisional	Projections*			
	2019	2020	2021	2022*	2023	2024	2025	2026
Agriculture	19.9%	21.2%	21.8%	21.9%	21.2%	21.0%	20.9%	21.0%
Industry	39.2%	37.9%	35.8%	34.9%	37.0%	37.8%	37.8%	38.0%
Services	40.9%	40.9%	42.4%	43.2%	41.8%	41.2%	41.3%	41.0%

*Projections from 2023 to 2026 is based on data from MoF 2023 Budget Statement
Source: 2023 Budget Statement, Ministry of Finance

BitKE

[5] Ministry of Finance I The Budget Statement and Economic Policy of the Government of Ghana for the 2023 Financial Year I November 24, 2022 I https://mofep.gov.gh/budget-statements/2023

Inflation

Headline inflation in Ghana is gradually decreasing, attributed to synchronised monetary policy tightening and improved supply chain conditions. From March 2023 to April 2023, Ghana's headline inflation dropped from 45.0% to 41.2%. This represents a cumulative decline of 12.9% since the beginning of the year. Notably, both food and non-food inflation decreased by 11.1% and 14.5% respectively.[6] The easing of inflation can be attributed to monetary policy tightening, exchange rate stability, and declining international crude oil prices, which have facilitated downward adjustments in ex-pump petroleum prices. However, despite the decline, the headline inflation rate remains high, further eroding the purchasing power of the average Ghanaian.

The IMF ECF programme is expected to further bolster the Government's efforts to reduce inflation to reasonable levels. The programme includes the implementation of structural reforms on tax policy, revenue administration, and public financial management. These measures will potentially help address underlying issues that contribute to inflationary pressures, such as excessive government spending, unsustainable debt levels, or structural inefficiencies in the economy.

In the short term however, the IMF programme reforms could potentially lead to temporary price increases or inflationary pressures. This hinges on the Government's efforts to reduce fiscal imbalances or implement structural reforms that may affect prices in certain sectors.

The IMF programme notwithstanding, various other factors, such as external shocks, global commodity prices, and domestic demand dynamics, can also influence inflation outcomes. Government is targeting a headline inflation rate of 18.9% at the end of December 2023 and 8.0% ± 2 in the medium-term. To achieve this will require lots of discipline and hard work.

[6] Bank of Ghana I Bank of Ghana Monetary Policy Committee Press Releasel May 22, 2023

BitKE

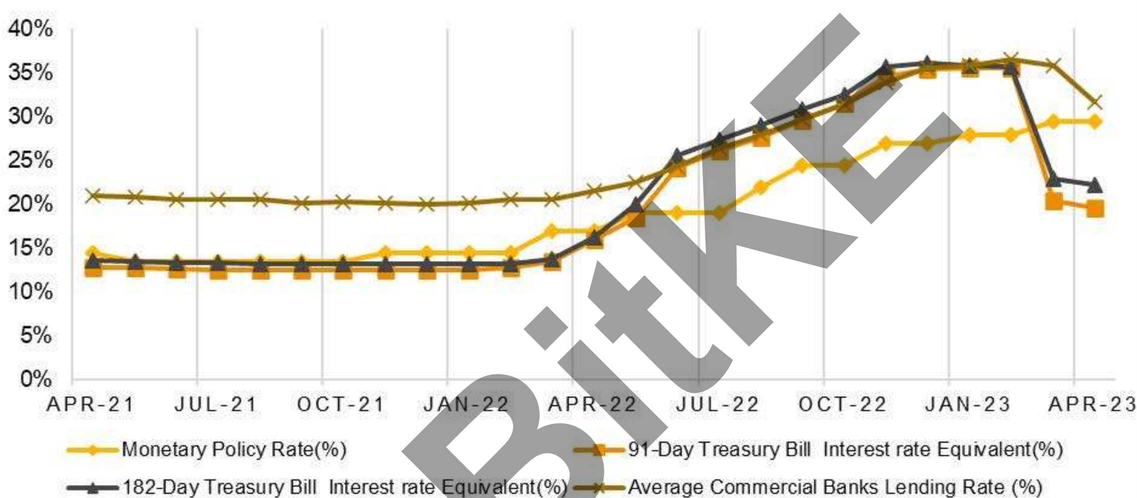
Interest Rates

The Monetary Policy Rate (MPR) rose significantly from 17.0% as of April 2022 to 29.5% as of April 2023, signifying close to a 74% increase in the MPR within a space of one year. The Monetary Policy Committee (MPC) of Bank of Ghana increased the MPR on a regular basis in 2022 in response to general price increases. Although the rate of price increases started to trend downward at the start of 2023, the MPC continued to review the MPR upward with a 100bps increase in January 2023 and 150bps increase in March 2023, aimed at achieving price stability.

Similar to the MPR, treasury bill rates increased significantly in 2022. In view of the strong inflationary pressure in the economy in 2022, interest rates on treasury bills increased substantially. As at December 2022 interest rates on the 91-day and 182-day Treasury bills were 34.48% and 36.23% respectively. The upward trajectory continued into 2023 with interest rates on 91-day and 182-day Treasury bills registering 35.4% and 35.6% as at 27 February 2023. In a bid to force down the rates, the Government, on 03 March 2023, rejected all the bids for the sale of Treasury bills from investors. This reduced interest rates on 91-day and 182-day Treasury bills to 24.2% and 26.6% respectively as at 06 March 2023. The average commercial banks lending rate has a positive correlation with the treasury bill rates.

As a result of the reduction in inflation in 2023, interest rates on treasury bills have also started to decline. Expectations are that the IMF ECF will spur the rate decline in interest rates in the long term as the macroeconomy begins to record stability.

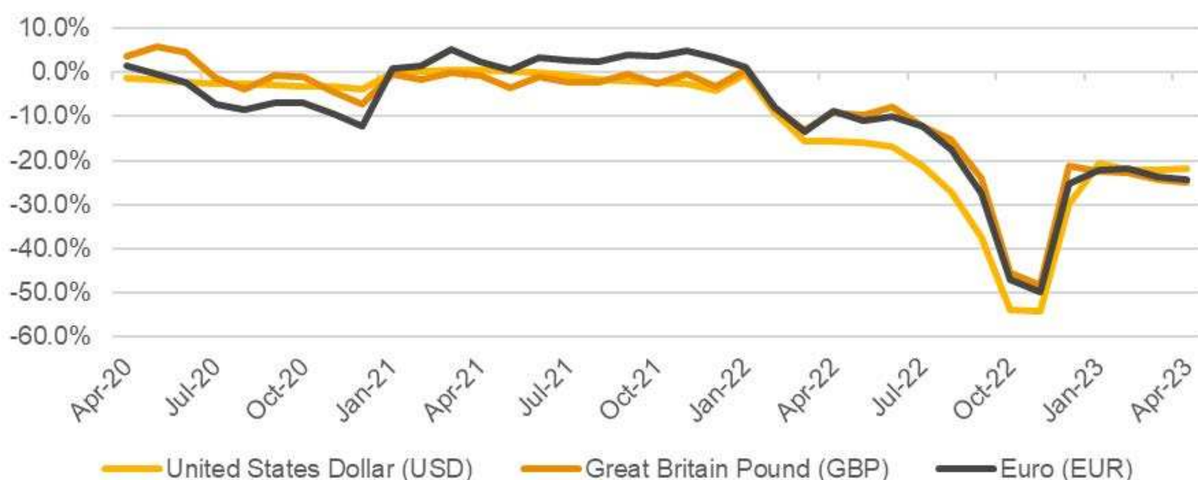
Interest rates: Apr 2021- Apr 2023



BitKE

Exchange Rates

Year-to-date appreciation (+) / depreciation (-) of GH₵ against foreign currencies



Over the course of 2022, the Ghana Cedi depreciated against major trading currencies. While the Ghana Cedi to United States Dollar exchange rate was GH₵6.02/USD in January 2022, it ended the year at GH₵8.6/USD in December 2022. This represents 42.8% depreciation. The trend was similar for other major foreign trading currencies. The Ghana Cedi recorded depreciation of 26.8% and 34.8% to the Great British Pound (GBP) and the Euro (EUR) respectively in the same period. The Ghana Cedi recorded relative stability following the IMF ECF staff level approval in December 2022.

The local currency has been fairly stable against the dollar in the first quarter of 2023, with an average dollar rate of GH₵10.9/USD. The currency is expected to remain fairly stable for the rest of the year given the Board approval of the IMF bailout programme.

The table below shows the year-on-year depreciation rates of the Ghana Cedi against its major trading currencies.

Year-on-year depreciation of GH₵ (%)				Year-to-date
	Dec-20	Dec-21	Dec-22	Apr-23
United States Dollar (USD)	3.93%	4.09%	42.79%	21.69%
Great Britain Pound (GBP)	7.08%	3.11%	26.81%	25.07%
Euro (EUR)	12.07%	-3.46%	34.79%	24.34%

Source: Bank of Ghana

BitKE

The impact of the Domestic Debt Exchange Programme (DDEP) on the Economy and Financial Sector

In 2022, Ghana's total public debt reached unsustainable levels. As at November 2022, the country's total public debt was GH₵575.7 billion representing 94.3% of GDP (Summary of Economic and Financial Data, 2023, Bank of Ghana). The economy was at the verge of collapse. Government consequently resorted to the IMF for a bailout.

To meet IMF's requirements for a bailout, Ghana needed to reduce its existing debts to sustainable levels and this necessitated a restructuring of the country's debt which started with the Domestic Debt Exchange Programme ("DDEP" or "the Exchange"). DDEP was launched on 5 December 2022. Under the DDEP, debt holders were invited by Government [the issuer] to voluntarily accept to exchange their previous bonds and notes for a package of new bonds under new terms and conditions including much lower interest rates and longer tenors. The Exchange involved a total of GH₵137 billion of domestic notes and bonds, including E.S.L.A. and Daakye bonds. We note that the DDEP excluded Treasury Bills in totality, and notes and bonds held by individuals (natural persons).

The first round of DDEP closed on Friday 10 February 2023 with about 85% participation of eligible bonds, according to a Ministry of Finance website publication on 14 February 2023. On 24 February 2023, S&P Global Ratings raised Ghana's local currency sovereign credit ratings from selective default (SD) to 'CCC+/C'. This suggests that default risk associated with the old bonds have been substantially addressed.

Similarly, on 09 June 2023, Moody's Investors Service ("Moody's") upgraded Ghana's sovereign local currency (LCY) long-term issuer rating to "Caa3" from "Ca". According to Moody's, the rating upgrade was due to the successful domestic debt exchange programme (DDEP), which has yielded some fiscal reliefs to the Government. Moody's added that the upgrade notwithstanding, the "Caa3" rating continues to capture elevated redefault risk, which remains significant until the LCY debt that has not been restructured is settled and until the foreign currency debt is restructured. In particular, the "Caa3" rating is consistent with default events leading to losses for private creditors in the range of 20.0% – 35.0%.

The second round of DDEP is underway, based on a Reuters' publication on 28 June 2023. According to the publication, the Government has advanced the process to restructure another GH₵123 billion ($11.18 billion) of public debt to qualify for the next disbursement under the IMF ECF programme. The debt to be restructured comprises domestic dollar bonds, cocoa bills, pension funds and debt owed to the central bank. According to Reuters, the

Government and the lenders have agreed to convert domestic U.S dollar bonds totalling $808.99 million into two term loans with lower rates. Cocoa bills amounting to GH₵7.93 billion will also be converted into a new bond at 13% yield.

Response to the DDEP by the Financial Sector

Prior to completion of DDEP, we understand that financial sector regulators conducted stress tests of their respective sub sectors to assess the potential impact of the Exchange on banks, specialised deposit-taking institutions (SDIs), insurance firms, asset managers, collective investment schemes, pension fund trustees, and regulated pension schemes.

Based on the stress tests, financial sector regulators deployed relevant regulatory and supervisory tools to mitigate risks to financial stability. Financial sector regulators temporarily reduced regulatory capital and liquidity requirements for regulated firms and schemes that voluntarily participate in the debt operation. For instance, Bank of Ghana relaxed the regulatory minimum capital adequacy ratio (CAR) to 10% from 13% in pre-DDEP era. The cash reserve ratio was reduced from 14% to 12% in December 2022. The Central Bank reversed the change in the cash reserve ratio in April 2023.

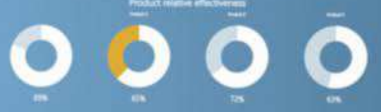
The forbearances notwithstanding, we note that the impact of the DDEP has not been even across the banking industry. Some banks have had to make substantial impairment provisions on their bonds and notes holdings and this has resulted in capital erosion and CAR falling below the revised regulatory minimum. According to the Bank of Ghana, financial sector regulators continue to assess the impact of the Exchange on a regular basis in order to quickly address any evolving risks.

BitKE

Ghana Financial Stability Fund (GFSF)

The Government and Bank of Ghana announced in December 2022 that the Ghana Financial Stability Fund ("GFSF" or "the Fund") would be set up with a target size of GH₵15 billion to be provided by the Government of Ghana and its development partners. The objective of the Fund is to provide liquidity to financial institutions that participate fully in the Debt Exchange. According to the Bank of Ghana, all banks and other financial institutions can access the GFSF for liquidity support, with effect from the date of completion of the Debt Exchange. However, as at June 2023, that is, five months after successful closure of the DDEP, the Fund has not been established. Additionally, the framework and operational guidelines for the Fund have not been finalised. We understand that, if set up, the Fund would be managed by the Bank of Ghana.

Survey analysis



BitKE

Survey analysis

Post-DDEP: how do banks intend to build back?

Background

2022, most likely, will be remembered as a watershed in the history of Ghana's banking industry. Many actors in the industry believe that the year may be mentioned in analyses or commentary on the domestic banking industry in similar ways as 2008/ 2009 is referred to in discussions about global financial crises. 2022 is the year in which Ghana's banking industry reported a whopping net loss position of GH₵6.6 billion. This represents a massive deterioration in financial performance (i.e., a 238% dip) compared to prior year, with the DDEP being cited as the key driver.

The MoF, on 5 December 2022, announced the launch of the DDEP. While still reeling from the shock of the COVID-19 pandemic, the world economy was thrust into significant headwinds generated by the Russia-Ukraine war. This set major commodity markets on an inflationary trajectory. For most economies, but especially for Emerging Markets and Developing Economies (EMDEs), an appreciating US dollar made the inflation even more difficult to tame as central banks across the world adopted a hawkish stance and resorted to quantitative tightening to try and bring the inflationary pressure to within control.

Ghana's economy was not spared. Locked out of the international financial market, Ghana could not mobilise external resources to meet its maturing debt/ liabilities. The strong US dollar, a hawkish US Fed that kept raising US interest rates, and a plummeting Ghana cedi [7] also meant the Ghanaian authorities increasingly found it difficult to mobilise sufficient resources domestically to service their external debts, in particular. International rating agencies tracking the government's performance at debt servicing, continuously downgraded the country's credit ratings throughout 2022.[8] This made investors flee the economy in search of more stable investments. The resultant spiked demand for the US dollar led to a depletion of the central bank's reserves, severely constrained its ability to intervene in the domestic forex market, and worsened the quandary the government found itself in.

The Domestic Debt Exchange Programme (DDEP)

In the last quarter of 2022, Ghana's debt stock was assessed as having reached unsustainable levels. On 19 December 2022, MoF announced a suspension of payments on selected external debts[9] noting that the government would engage its creditors and agree on a debt restructuring plan. Ahead of the external debt restructuring, the Government launched the DDEP.

In its original form, the DDEP entailed an invitation by MoF for holders of selected GoG debt instruments[10] to voluntarily surrender them in exchange for four new bonds issued by the Finance Ministry. These new bonds were to mature in 2027, 2029, 2032, and 2037. While participation in the DDEP was presented by MoF as voluntary, analysts and commentators argued that investors did not really have any viable alternative options. Coupon payments on the old instruments could not be assured and their tradability on the secondary market was expected to diminish. The new rates and maturities offered by MoF represented a significant value loss for investors, including banks, which prompted the industry – working through its association, the Ghana Association of Banks (GAB) – to engage with MoF to review and revise the terms of the new bonds.

BitKE

[7] At the end of October 2022, the Ghana cedi was assessed as the world's worst performing currency, having depreciated by >45% over the course of the year.
[8] On 21 January 2022, Fitch downgraded Ghana's LTFC IDR from B to B- with a negative outlook. On 10 August, there was a further downgrade of the LTFC IDR from B- to CCC. Further, on 23 September, Ghana's LTFC and LTLC IDR were both downgraded from CCC to CC. On 8 December, the LTLC IDR was further downgraded from CC to C.
[9] The suspension affected payments related to Eurobonds, commercial term loans, most bilateral debt
[10] These include certain domestic notes and bonds of the Republic of Ghana, E.S.L.A Plc., and Daakye Trust Plc.

After a series of intense engagements with MoF and receiving assurances of some regulatory forbearance from the industry's regulator, the banking industry signed up to the DDEP. Banks' participation in the DDEP resulted in the exchange of their old GoG bonds for 12 new bonds. The direct impact of the exchange on banks' financial performance was a significant deterioration of the value of their investment portfolios as they revalued and accounted for the affected securities in accordance with guidelines issued by the Institute of Chartered Accountants, Ghana (ICAG) and agreed by the CFO Association for banks.

Indirectly, banks had to recognise further attrition to the value of their financial assets through loan losses as some of their customers struggled to service their obligations due to their respective cash flow challenges, having also been adversely impacted by the DDEP.

Overall, it is estimated that the DDEP, which is reported to have achieved an 85% participation rate, has resulted in investors losing about 55% of the worth of their original bonds in net present value (NPV) terms. The extent of the loss dominated discussions and narratives about the Ghana banking industry and prompted us to explore how industry players perceive prospects of industry recovery.

Survey methodology

PwC conducted an online survey that targeted the C-Suite of banks. The survey was completed by chief executive officers, chief finance officers, chief risk officers, chief operating officers, deputy finance officers, and heads of strategy. We designed the survey questions to assess how key decision-makers in banks identified and measured the risk posed by the DDEP, its impact on their businesses and prospects, and to generate an understanding of their plans for recovery.

Bank executives' responses to the survey questions were very illuminating. They shared good insights into how they plan to pivot their businesses in the short and medium terms. Further, they provided perspectives on how they intend to recalibrate their strategies to achieve resilience even as they continue to pursue growth, profitability, and returns for their investors.

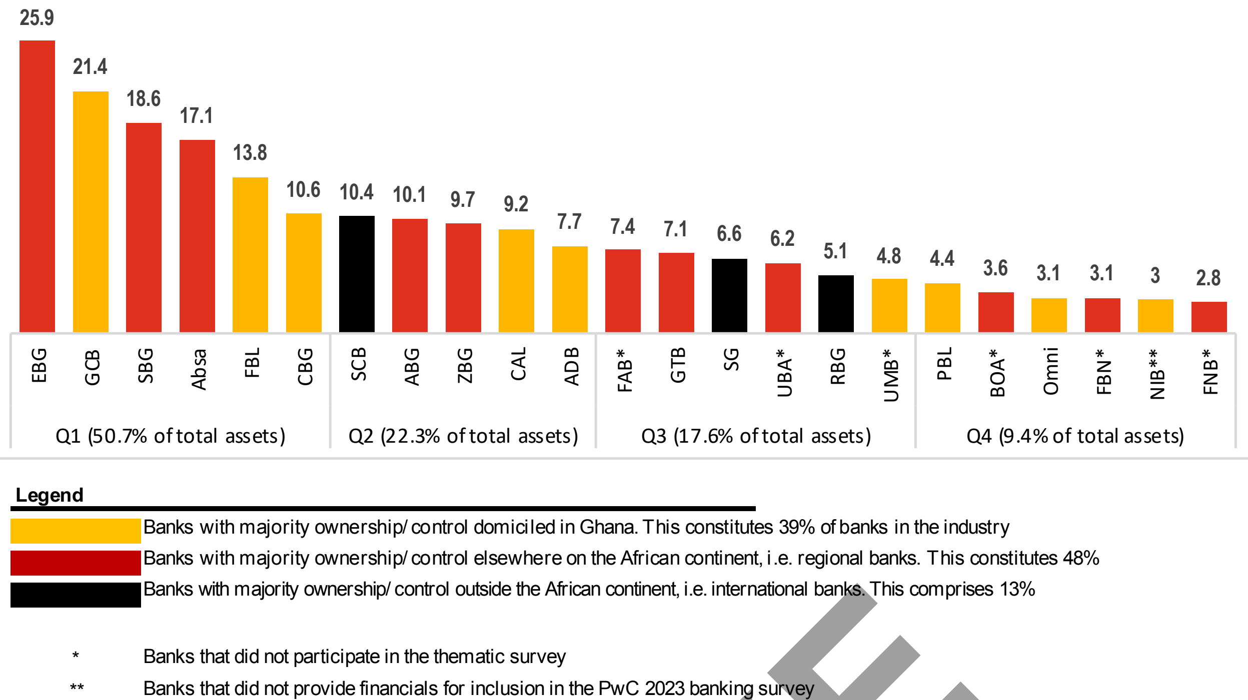
Survey demographics

16 out of the 23 banks in operation in 2022 participated in the survey, representing a response rate of approximately 70%. All the banks in the first and second quartiles participated in the survey, i.e., the Q1 and Q2 banks. The 11 banks in these two quartiles controlled 73% of the industry's total reported assets in 2022. Participation by banks in Q3 and Q4 was comparatively lower - 50% for Q3 and 33% for Q4. 100% of international banks, 67% of local or Ghanaian-owned banks, and 55% of regional banks participated in the survey. Further, 67% of banks in which GoG is a significant shareholder participated in the survey, as well as 71% of banks in the industry that have little or no government equity.

BitKE

The graph below provides various views of the profile of banks that participated in the survey as well as were in operation in 2022.

Fig. 2.1: A demographic profile of the banks in Ghana



Legend

- Banks with majority ownership/ control domiciled in Ghana. This constitutes 39% of banks in the industry
- Banks with majority ownership/ control elsewhere on the African continent, i.e. regional banks. This constitutes 48%
- Banks with majority ownership/ control outside the African continent, i.e. international banks. This comprises 13%

* Banks that did not participate in the thematic survey

** Banks that did not provide financials for inclusion in the PwC 2023 banking survey

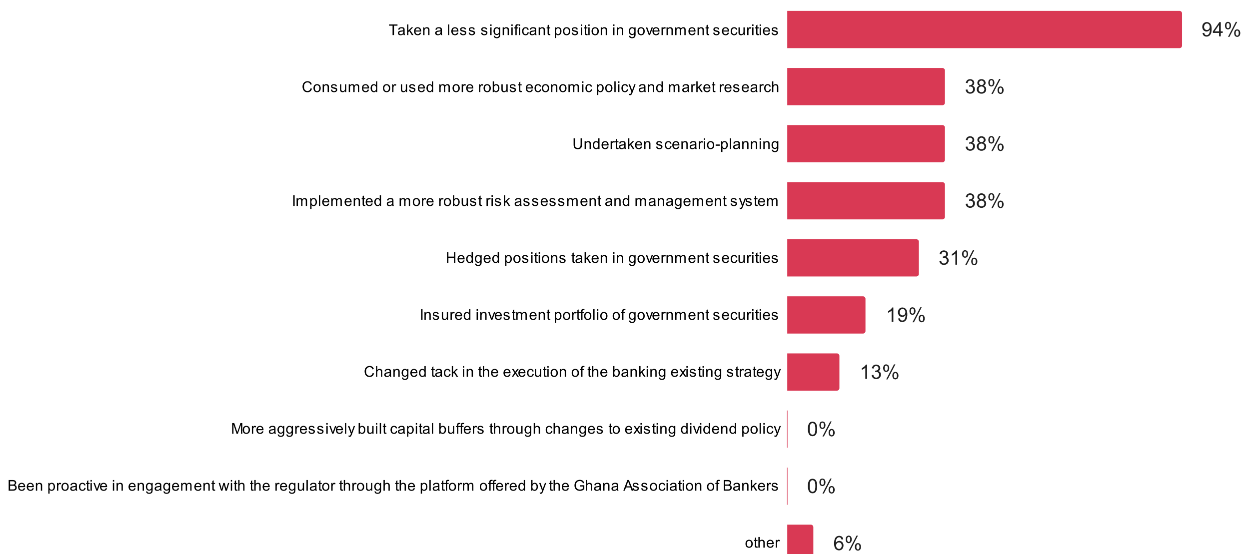
BitKE

Key survey findings

Banks were caught wrong-footed...

We understand that the final DDEP terms that the banking industry signed up to, followed active engagement of the MoF by the GAB. However, despite what arguably was a swift response by GAB, individual banks' responses to survey questions suggest that they were unprepared, or ill-prepared, for the DDEP. Banks seem to have missed critical signs that should have given them a hint that their investments in government securities were at risk. For instance, as noted earlier, in 2022, ahead of the announcement/ launch of the DDEP by MoF in December, Fitch Ratings had downgraded Ghana's issuer default rating (IDR) for its long-term local currency (LTLC) and long-term foreign currency (LTFC) debt instruments four times.

Fig. 2.2: Percentage responses of what banks say they could/ should have done differently on hindsight



When asked what they could (or should) have done differently before the implementation of the DDEP, now that they have the benefit of hindsight, an overwhelming majority (~94%) of respondent banks answered that “they could/ should have taken a less significant position in government securities”. An analysis of banks’ published financial statements indicate that, at the end of 2022, banks’ holdings of government securities averaged 32.7% of total assets.[11] At the end of 2021, this was 46.2%. These statistics confirm the banking industry’s direct and significant exposure to government’s fiscal policy and performance, and the crowding out effect on the private sector.

In response to the same question, more than a third of the respondent banks (37.5%) admitted, in each case that, they could/ should have:

- Consumed or used more robust economic policy and market research
- Undertaken scenario-planning, scenario-testing and/or stress-tests more regularly
- Implemented a more robust risk assessment and management system

These additional responses by banks further reinforce the notion that the industry was not prepared for the shock the DDEP introduced to their business.

A closer, drilled-down look at the response data revealed some interesting patterns, which give a peek into how different categories of banks are likely to structure their build-back journeys to bake resilience into their businesses and operations:

- For local banks that participated in the online survey, it was not clear if they would have done anything remarkably different: only 29% of these banks said they would have taken less significant positions in government securities. Another 29% stated that they would pay more attention to reviewing robust economic policy and market intel as part of managing their business. An even lower proportion of 14% of participating local banks suggested that they would strengthen their risk assessment and management system, or conduct stress tests/ scenario testing more regularly.

- 100% of the regional banks that participated were absolutely sure that they would take softer positions in government securities. 50% would implement more robust risk assessment and management systems, while a third of these banks would consider more robust economic research as a management tool

- Two-thirds of international banks (67%) would take a less significant position in government securities. 33% of this class of banks stated that they would implement a more robust risk assessment and management system, or undertake stress-tests and/ or scenario-testing more regularly

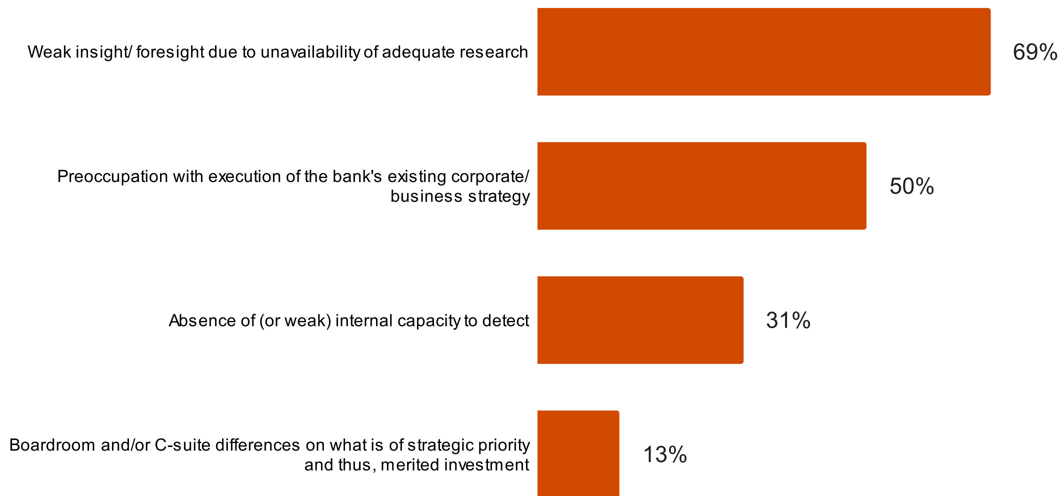
- 100% of banks with insignificant or no government shareholding that participated in the survey said that they would take smaller positions in government securities. 50% each noted that they would implement more robust risk assessment and management systems and utilise more robust economic policy and market research in business decisions

- For each quartile category, the dominant position of banks is that they would reduce their investments in government securities. Next, banks indicated that they would focus on implementing more robust risk assessment and management systems, followed by increasing their use of professionally researched economic and market reports.

Bitike

[11] Source: PwC analysis. This reflects the post-DDEP implementation situation.

Fig. 2.3: Percentage responses of what banks say prevented them from being proactive ahead of the DDEP



In a follow-up/ related question that sought banks' views on what made them unprepared or ill-prepared, more than two-thirds of respondent banks (~69%) admitted to having "weak insight/ foresight due to unavailability of adequate research".

A closer look at the responses data showed that, of the different categories of participating banks, it was Q3 and Q4 banks that admitted the most to this fault—100% of the participating banks in these subcategories conceded this.

- 92% of banks where the government has little or no equity investment admitted to lacking sufficient adequate research.
- 92% of all banks that participated in the survey selected that unavailability of data was the main reason they were unprepared for the DDEP.
- 83% of regional banks and 67% of international banks also cited this as their principal challenge. A much smaller percentage of local banks (29%) recognised this as a potential weakness that contributed to blinding them to the DDEP.

BitKE

In response to the same question, 50% of banks that took the survey responded that "they were preoccupied with executing their existing strategy".[12]

A further slice of the responses data showed that relatively smaller banks were less agile in reviewing and pivoting their strategies to respond to changing circumstances:

- 100% of Q4 banks identified this to be a contributory factor which blinded them to the emergence of the DDEP; 67% and 60% of Q3 and Q2 banks, respectively, admitted to this fault. However only 17% of Q1 banks cited this as a key problem that contributed to them not spotting the DDEP risk before it crystallised.
- 67% of international banks suggested that they have low agility when it comes to pivoting their strategies locally.
- 57% of local banks also conceded they were preoccupied with executing existing business strategies.
- In contrast, only 33% of regional banks held this view relative to the execution of strategies

BitE

Almost a third of the respondents (31.3%) acknowledged "the absence of (or weak) internal capacity to detect, measure and respond to systemic risks posed by events leading to/ related to the DDEP" as a key reason for their current predicament. Analysed from a quartiles angle, 50% each of Q1 and Q4 banks highlighted this as contributing to them missing signals of the DDEP threat. 43% of participating local banks and 33% of regional banks also flagged this as a key obstacle.

These admissions by banks that participated in the survey have highlighted some critical needs that banks would have to address to better build agility and resilience into their business and operating models. Possessing the potential for being such huge anchors and levers for the country's economic stability and growth, banks have a responsibility that goes beyond their shareholders to invest in strategic tools that enable them to detect and analyse early warning signals and consider them for prompt business decisions.

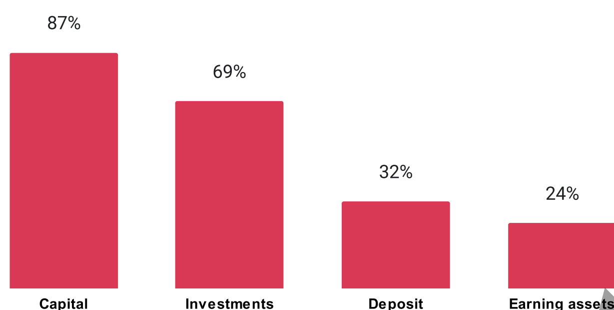
From a direct observation of their responses, we are confident that banks would benefit from investing in a robust research function that is resourced by competent personnel including economists. This could help to enhance the effectiveness of the risk shield that banks operate to protect the interest of their stakeholders. An additional suggestion would be for bank boards to regularly consider the trends of key macroeconomic and macro-financial variables and ask their executive teams to explain the actions they are considering or have taken in respect of observed trends. Alongside other risk management tools, risk registers must document, monitor and update leading indicators in the macro-operating environment to ensure that banks routinely prime themselves for emergent threats.

[12] Indeed, 12.5% of the banks that took the survey agreed that "if they had changed tack in the execution of their existing strategy", they just might have reduced the impact of the DDEP on their business.

The impact on banks' businesses is as varied as is far-reaching…

The 2022 financial results of the banking industry underscore the disruptive impact of the DDEP. The industry reported a total loss of GH₵6.6 billion in 2022. A year earlier (2021), the industry reported a profit of GH₵4.8 billion. Similarly, key prudential and regulatory metrics/ indicators of the industry deteriorated in 2022 relative to 2021, with these adverse movements attributable to the DDEP. For example, capital adequacy ratio (CAR) for the industry fell from 19.6% (December 2021) to 16.6% at the end of 2022.

Fig. 2.4: Percentage of banks reporting that the DDEP-related impairment was equivalent to more than 20% of various asset classes or balance sheet items



Asked about the impact of the DDEP on their businesses, capital and solvency matters towered above the gamut of concerns keeping bank executives awake at night. About 87% of banks that participated in the survey estimated that DDEP impacted 20% of their 2022 year-end capital.[13] Indeed, 19% of the respondent banks noted that the size of the impact is estimated to exceed their capital!

Of the 87% of banks that reported this impact on capital, half of them were local or Ghanaian banks, 38% were regional banks, and 12% were international banks. Applying a quartile lens, Q1 banks constituted the dominant share (i.e., 48%) and Q4 banks the least (12%).

The industry has similar concerns about how the DDEP has impacted the value of its investments and earning assets. 69% of banks estimate the impairment arising from the DDEP is equivalent to a minimum of 20% of their investments.

About 60% of banks reporting this were regional banks. Local banks constituted 29% and international banks were 11%.

In the case of the 24% of banks that asserted that the DDEP impact is equivalent to at least 20% of their earning assets, **75% were regional banks and 25% were local banks. Similarly, Q1 comprised 75% and Q2 banks made up the remaining 25%.**

These statistics forebode the possibly bumpy road ahead in the industry's journey back to profitability. As a matter of fact, 88% of bank executives concede that profits/ profitability is their biggest nightmare following the implementation of the DDEP. Only five[14] of the 23 universal licence-holding banks in operation in 2022, reported profits at the end of the year. The profits of these banks totalled GH₵241.8 million. In 2021, the same banks reported GH₵788.5 million in profits, denoting a contraction of 69% in one year, compared to a CAGR of 16% over the preceding five years, i.e., 2017–2021.

With the views offered by the drill-down analysis, it would not be odd to find regional and Q1 banks leading the industry's charge to develop innovative solutions to shore up capital, insulate their respective businesses against future exogenous shocks, and restore profitability.

[14] These are BOA, FBN, GTB, SG, and UBA

BitkE

Fig. 2.5: Percentage responses of banks to what keeps/ kept their CEOs awake at night post-DDEP

Perhaps, it is not by accident that profit/profitability beat capital/solvency concerns, liquidity, and top line income growth to sit atop the list of nagging issues keeping bank executives awake at night—executive performance and compensation is likely to be wound closely to the profits they make for their banks and shareholders.

BitKE

A further perspectives analysis revealed the following insights:

- 100% of the executives of participating Q2, Q3 and Q4 banks admitted that profits/ profitability has become their worst nightmare. In comparison, 67% of the executives of participating Q1 banks acknowledged that (the lack of) profits kept them awake.
- 92% of participating non-government-owned or -controlled banks concede that losses are their biggest pain. In comparison, 75% of the government-owned and/or government-controlled banks share this view
- 100%, 83%, and 67% of local, regional and international banks, respectively, that participated in the online survey flagged profits/ profitability as their major concern post the implementation of the DDEP

In the short and medium terms, however, capital/ solvency, liquidity and income growth, as well, remain near top of mind for most bank executives across board. Each of these business areas were noted as key areas of concern by 75% of bank executives responding to the survey, making them rank #2 to #4 on the list of executives' nightmares. 56% of bank executives express concern about investor perceptions (market value or business value) ranking it the fifth worst nightmare. Interestingly, asset portfolio quality had only 50% of bank executives concerned, ranking it as the sixth worst nightmare. Perhaps, 2023 would provide a test case for banks to assess whether they have adequately measured the full impact of the DDEP as transmitted through the finances of borrowers that hold government debt exchanged under the DDEP and reflected it in their 2022 financial results.

Slicing the responses data up further, we discover some slight differences in what different classes of banks focus on in their anxiety:

- **Liquidity concerns**: regional banks and Q4 banks were the most concerned (100% of participants in these sub-categories), followed by local banks (86%) and Q1 banks (83%)
- **Capital adequacy/solvency concerns**: local banks were the most anxious (100% of participating banks), followed by regional and Q1 banks (83% each)
- **Interest income/income growth concerns**: Q2 banks showed the most anxiety (80%) followed by international banks and Q3 banks (67% respectively). Next, local banks (57%) also seemed worried this would be a challenge with the implementation of the DDEP
- **Concerns about investor perceptions**: international banks and Q2 banks[15] seemed to be the two main categories/ sub-categories that exhibited concern for what investors might perceive as the worth of their businesses, i.e. 67% and 60% respectively.

BitKE

The crisis that banks seem to have been thrown into with the implementation of the DDEP is evident in the focus of the concerns of the bank executives. Very few bank executives seem to have any worries that plans or initiatives that might have a medium-term implementation horizon were at risk. For instance, a relatively lower percentage of bank executives (31%) reported that they are concerned over investments in future growth opportunities. An even lower proportion of executives (19%) are troubled that potential M&A opportunities might be at risk, while only 12.5% noted some alarm that their investments in customer experience (CX) systems might be threatened.

When asked further to describe the extent of impact of the DDEP on their top five areas of concern, bank executives responded as follows:

[15] 60% of Q2 banks are either international banks or regional banks.

1. **Profits/ profitability:** 43% of bank executives assert that the impact on their profits is fairly significant[16], while another 43% (totalling 86%) assess the impact to be very significant[17].

2. **Capital adequacy/ solvency:** 39% of executives note that the impact on capital is fairly significant, 15% see the impact to be very significant, while another 15% consider it to be extremely significant[18]. Altogether, this comprised 69% of bank executives evaluating the impact as significant.

3. **Liquidity:** 71% of bank executives identifying this among their top five headaches assess the impact of the DDEP to be fairly significant. The remaining 29% say the impact is relatively insignificant[19].

4. **Interest income:** almost two-thirds of bank executives (64%) hold the view that the DDEP's impact on interest income is fairly significant, while 29% note the impact to be very significant.

5. **Investor perceptions of business value:** 83% of bank executives concerned about this appraise the impact to be significant; 67% of executives state that the impact is fairly significant and 16% say it is very significant. An interpretation of this would be that banks expect to face some challenges in securing the capital needed to restore them to within regulatory benchmarks.

In addition to the above, bank executives also indicate that they have observed some changes in customer behaviours that are attributable to the DDEP and which could—if not managed successfully—negatively impact on the industry's prospects. That said, some of these changes also present banks with opportunities.

The most conspicuous was a depressed demand for securities issued by the government; 69% of bank executives responding to the survey noted that they had noticed this. This was reported mainly by regional banks (100% of participating banks), Q1 banks (83%) and Q2 banks (80%).

A review of data published by Central Securities Depository (CSD) suggests that there were no trades in GoG-issued bonds for the first four months of 2023. Comparatively, for the same period in 2022, trades in GoG-issued bonds amounted to GH₵5.26 billion. All the regional banks that participated in the online survey confirmed observing this trend in the market. 57% of local banks corroborated this assertion. A high proportion of Q1 and Q2 banks—83% and 80%, respectively—also indicated that they have noticed this trend among banking customers. This development presents the industry with an opportunity to address an existing market need. Arguably, there exists/ persists a demand for relatively safe money market investment instruments with reasonable yields, and agile banks can develop innovative products to attract and keep these investible funds within the banking industry.

Bitkee

25% of bank executives contend having witnessed a slower-than-forecasted growth in customer deposits, while 19% remark having seen higher-than-expected withdrawals. A report by Fitch Solutions Country Risk & Industry Research forecasts deposits to grow by 20% in 2023, markedly lower than deposits growth in 2022, which the report estimates at 30.5%. In their report, Fitch Solutions argue the drivers of the expected growth of deposits would be currency depreciation (positively impacting foreign currency deposits upon conversion) and higher interest rates. They further note that tough economic conditions are likely to cause residents to draw down on savings to compensate for the loss in income.

[16] Fairly significant impact was defined as "potentially possible to deal with in the short term, if carefully approached and managed".
[17] Very significant impact was defined as "possible to deal with, but unlikely within the short term".
[18] Extremely significant was defined as "immediately posing existential threats and requiring immediate attention".
[19] Relatively insignificant impact was defined as "easy to deal with in the short term (i.e., in less than 12 months)".

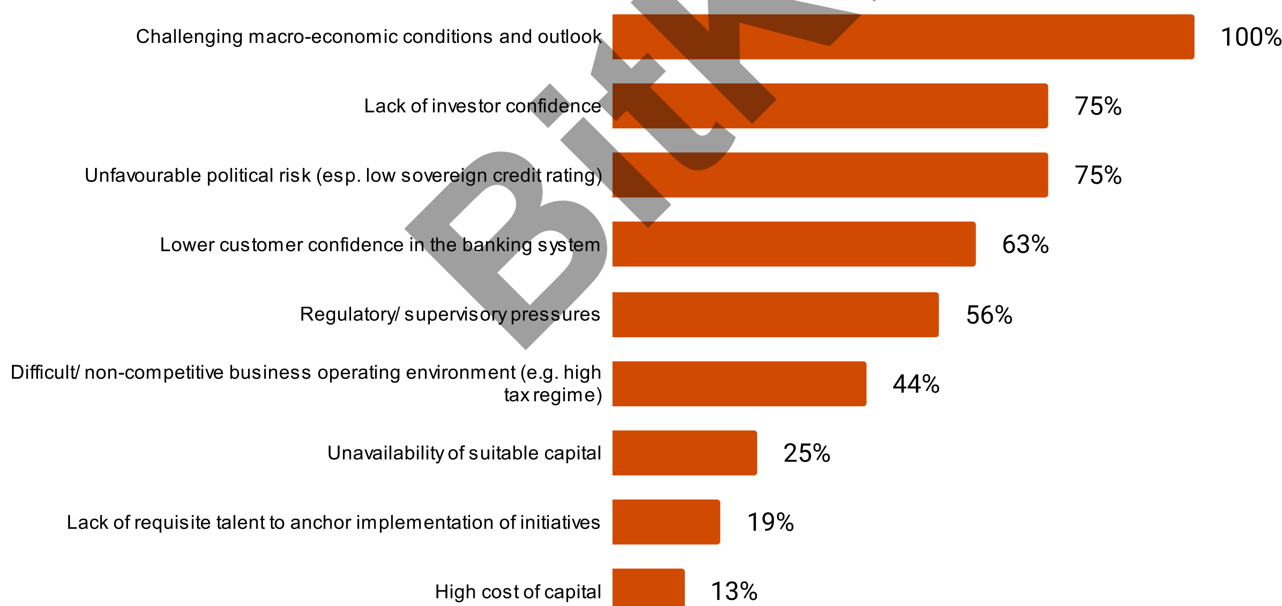
However, BoG's MPC's press release, dated 22 May 2023, paints a livelier picture. It reports a quick turnaround of the banking industry over the first four months of 2023, suggesting that bank executives might have been excessively apprehensive of the lasting nature of the DDEP impact on the industry's prospects. In summary, the MPC made the following observations in its press release:

- **Profits/ profitability:** the MPC reported that the industry has already turned a corner and is already headed for the profit zone. It stated that "…the industry's net income or profit-after-tax increased to GH₵2.8 billion… in April 2023".
- **Capital adequacy/ solvency:** again, the MPC suggested that, in the face of regulatory reliefs, the industry remains financially sound. It stated, "the industry's CAR, adjusted for regulatory reliefs, was 14.8% in April 2023, higher than the revised prudential minimum of 10%".
- **Liquidity:** this risk has not materialised. The MPC further observed that "The industry's liquidity indicators have … improved…" suggesting that the liquidity risk that executives were anxious about did not materialise.
- **Interest income:** finally, the MPC recorded in its press release that "banks returned to profits… broadly reflecting higher operating income".

Banks acknowledge that the road back won't be smooth sailing…

In their response to the survey, bank executives are unanimous in their expectation of a challenging macroeconomic outlook over the near-to-medium term. This is not unexpected considering the austerity that is believed would accompany the IMF programme[20]. The World Bank, in its Global Economic Prospects report issued in June 2023, has cut 2023 real GDP growth forecast to 1.6% from the 2.7% that was forecasted earlier in January. For the most part of 2023, it is expected that economic headwinds will remain elevated.

Fig. 2.6: Percentage responses on banks' expectations regarding key hurdles to be encountered in the future



BitKE

For instance, while consumer prices of goods and services appear to have returned to a disinflationary path, having shed 12.9% in the first four months of 2023[21], the rate of change of prices of some core household expenditure items, e.g., food, clothing, housing, utilities, transport, and non-alcoholic drinks, remain relatively raised. This could mean that the return to the single digit target band could take longer than projected with its attendant economic malaise. Additionally, BoG is being cautious in the easing of its monetary policy stance. The central bank maintained the monetary policy rate (MPR) at 29.5% at the end of the last session of the MPC in May. We expect the effects of the foregoing to be further accentuated by the results of recently introduced policies related to taxes and tariffs, as they get transmitted into the economy from the third quarter of 2023.

[21] According to Ghana Statistical Service (GSS), consumer inflation was 41.2% in April 2023, but inched up to 42.2% in May 2023. It was 54.1% in December 2022.

75% of executives also caution that unfavourable political risk (manifested in low sovereign credit ratings) and a reduced investor confidence—both being fallouts of the DDEP and the apparent difficulties Government is facing with its debt restructuring efforts—will set up further roadblocks for banks in their journey back to a “pre-DDEP normal”.

Bank executives bemoan additional possible tests from the market and the regulator in their journey back. For instance, 63% of bank executives responding to the survey say they expect to be confronted with lowered customer confidence in the banking system. In the wake of the DDEP, there were a few scattered stories of customers complaining that they had purchased government bonds upon the advice of their bankers, or that they had acquired bonds, all the while believing they were purchasing treasury bills. However, these stories were very few and in no way able to impact the fortunes of the banking industry negatively. Besides, at present, there are a few (if any) alternatives to the banking industry, when it comes to the provision of financial intermediation and ancillary/ related services at scale.

When drilled down further, the responses data show how different bank classes map out the industry’s future risks landscape:

- Local banks seem more concerned about investor confidence (86% of participants) than political risk and lower customer confidence (71% in each case).
- Many regional banks (83% in each case) seem anxious that these three obstacles—low investor confidence, low customer confidence, and high political risk—could equally set up stiff roadblocks in the path of the industry’s recovery from the impact of the DDEP.
- In addition to fears that the country faces a weak macroeconomic outlook, international banks are more concerned about an unfavourable political risk (67%) and less troubled about the threats of reduced levels of investor and customer confidence (33% each).
- Q1 banks—50% of which are regional banks—are more worried about political risk ahead of investor and customer confidence.
- Q2 banks are more concerned about customer confidence in the banking system plummeting (80%) and less anxious about political risk and investor confidence (60% for each risk)—the membership of Q2 banks is as follows: 20% international banks, 40% regional banks, 40% local banks, of which 50% has material government shareholding.
- Participating Q3 banks are regional and international banks only. They are most concerned about investor confidence (100%), political risk (67%), and least worried about customer confidence (33%).

BitKE

56% of bank executives also feel that regulatory/ supervisory pressure from BoG, if that materialises, will erect additional barriers in their journey back to pre-DDEP industry soundness. To the contrary, BoG—as an incentive for banks' voluntary participation in the DDEP—has exercised regulatory forbearance and relaxed the minimum regulatory capital and liquidity requirements. The central bank, in the wake of the DDEP, dropped the capital adequacy ratio (CAR) from 13% to 10%. The banking industry, at the end of 2022, posted an average of 15.7% CAR, compared to 16.6% in 2021.[22] This reflected the regulatory reliefs granted by BoG to ease the distress the DDEP has thrusted the industry into. In the case of liquidity, BoG temporarily relaxed cash reserve requirements, but increased it again, concerned that it might unravel the results of its monetary tightening.

To avoid or, at least, minimise regulatory bumps along the road back, some bank executives propose that BoG considers the following:

Manage the interest rate regime to support bank lending leading to economic growth

- Manage inflation to ensure that costs within the banking industry are contained
- Revise the reserve ratio downwards again
- Continue to provide liquidity support to the industry
- Maintain close and regular dialogue with the industry through the GAB for the benefit of the industry and broader economy

Other hurdles identified by bank executives in their response to the survey include expectations of being faced with a difficult/ non-competitive business operating environment (e.g., a high tax regime), as GoG pushes towards aggressive fiscal consolidation under the IMF programme. 44% of bank executives highlighted this as their concern. It is to be recalled that, on 31 March 2023, Parliament passed three revenue bills into law. This was one of the prior actions the government needed to complete for the IMF Executive Board to consider Ghana's application for the USD3 billion facility. 31% of bank executives also noted that suitable capital—its availability and its cost, respectively—could be a challenge for some banks in the build-back journey.

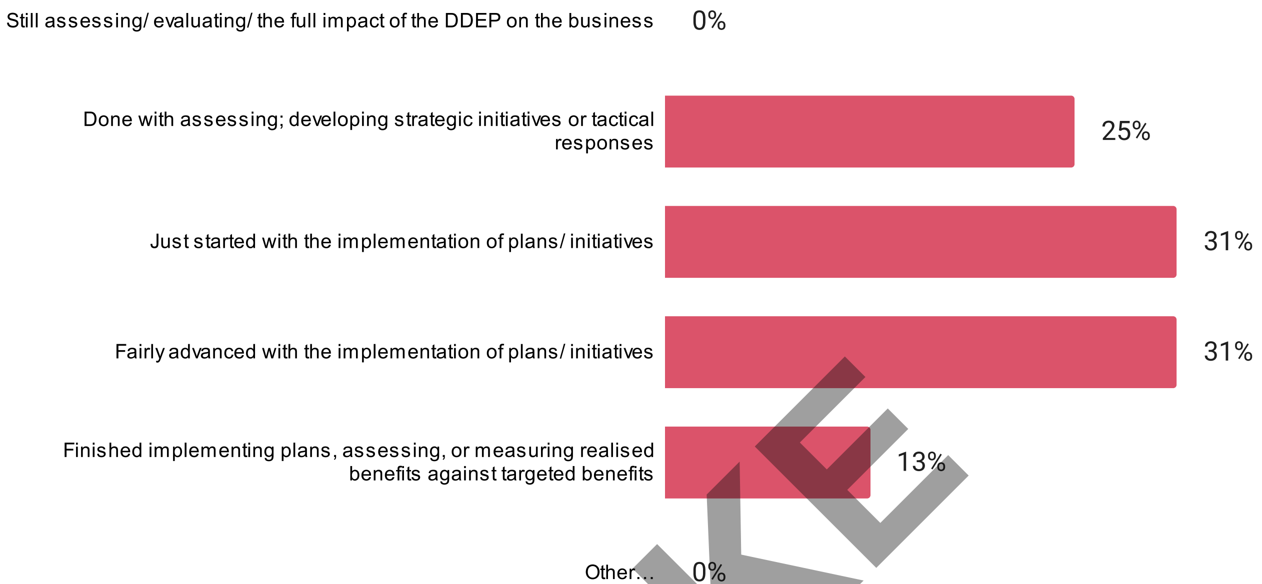
BitKE

[22] Source: https://www.bog.gov.gh/wp-content/uploads/2023/02/Monetary-Policy-Report-January-2023.pdf

However, they remain confident in their full and quick comeback…

Despite the bumps bank executives enumerate as expecting on their way back, many confirm that they are advanced in their respective journeys, emphasising the conviction banks have in their abilities and their trust that opportunities exist despite the market turbulence. In fact, the MPC's May 2023 report stated that there is "…a 47% increase in profit before tax [of banks] in April 2023 compared with 26.3% growth recorded during the same period a year ago… the industry's net income or profit after tax increased to GH₵2.8 billion from GH₵1.9 billion, representing 45.8% increase in April 2023."[23]

Fig. 2.7: Percentage responses of banks on what stages they are in the post-DDEP build-back journey



BIIKE

31% of the banks participating in the survey note that they are fairly advanced with the implementation of their plans/ initiatives to return them to the pre-DDEP trajectories for growth and profitability. Another 31% also indicate that they have just started with the implementation of their plans/ initiatives. 25% say that they have completed an assessment of the DDEP's impact on their business and are in the process of developing strategic initiatives or tactical responses. And half that number assert that they have finished implementing the plans they developed following implementation of the DDEP and are assessing or measuring the realised benefits against targets.

[23] The figures quoted in the MPC report are typically derived from unaudited financial statements of industry players.

Drilling further into the responses data, the following insights are laid bare:

- 43% of local banks participating in the survey indicated that plan implementation just started. 29% say they are fairly advanced with plan implementation, while another 29% note that they are developing strategic initiatives following completion of an assessment of their current state

- 17% of regional banks asserted that they have finished implementing their remedial plans and are already measuring realised benefits against targeted benefits. The rest of the banks in this category are equally (33%) distributed across the three stages of **(i) assessment, (ii) just started on plan implementation, and (iii) fairly advanced in implementation**

- 67% of participating international banks indicated that they have finished implementing post-DDEP remediation plans and were evaluating the realised benefits against targets. The remaining 33% were fairly advanced with plan implementation.

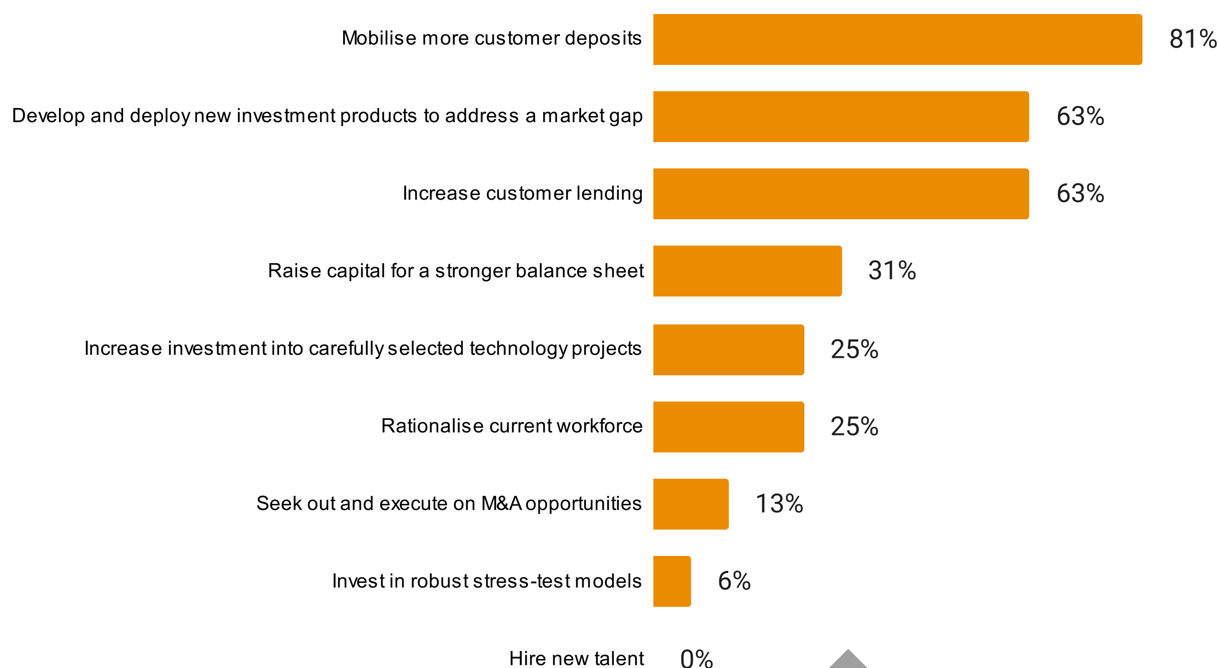
- 50% of Q1 banks stated that they just started implementing plans, 33% were fairly advanced with implementation, while 17% had just completed an assessment of their options and were developing plans

- Q2 banks were either fairly advanced (60%) or just started on plan implementation (40%)

- 100% of Q4 banks that participated in the survey were still developing strategic initiatives/ tactical responses, having just completed an assessment of the impact of the DDEP on their business.

BitKE

Fig. 2.8: Percentage responses of banks indicating the quickest post-DDEP recovery routes available to them



BitKE

Among banks, mobilisation of more customer deposits remains the sharpest tool in their toolbox as they push to find the path to pre-DDEP business and financial performance levels. Four out of every five bank executives agreed this is their quickest recovery option. Local banks are the frontrunners of this school of thought—all of the local banks that participated in the online survey agreed that aggressive customer deposits mobilisation drives is one of the quickest/ surest paths to recovery. 83% of regional banks agreed. However, international banks seem to have a dimmer view of this approach, as only 33% cited this among their quickest routes. The majority of participating Q4 banks (100%), Q1 banks (83%), and Q2 banks (80%) all appear aligned on the notion that successful customer deposits mobilisation is one sure, quick route to business recovery. Q3 banks hold a damper view with 67% of participating banks selecting this option. This, however, is not strange as the participating Q3 banks are mostly international banks.

In any case, the industry in general, has not done badly with regard to customer deposits mobilisation. Indeed, in the MPC press release dated 22 May 2023, it is stated: "In the first four months…, broad money supply recorded strong growth… Annual growth in broad money supply was 45.6% in April 2023, compared with 19.9% growth in April 2022". This should be a reminder for banks that are behind the customer experience (CX) curve to continue to explore opportunities or implement projects to make the customer journey experience for deposit transactions as painless as possible.

Next, in their response to the question to point up their bank's quickest or available recovery option, 63% of bank executives said they would, in the following 12–24 months:

- Develop and deploy new investment products to address a market gap
- Increase customer lending

Banks' ability to successfully execute on these above-mentioned options requires a lot of creativity, as prevailing macroeconomic conditions have dampened appetite for investments and credit among households and businesses. Regional banks and Q2 banks appear the most bullish (100% and 80%, respectively) in their consideration of new investment products as a feasible post-DDEP business recovery option.

On the subject of credit, the MPC reported, following its last session in May 2023: "Private sector credit generally slowed in line with the tight monetary policy stance,… and moderation in economic activity. Nominal growth in private sector credit eased to 19.8% in April 2023, relative to 26.5% growth recorded in April 2022. In real terms, private sector credit contracted by 15.2%..." The rather tepid exuberance exhibited in the responses of banks across the various classes or categories corroborates the report of the MPC. For most classes, categories, or subcategories, e.g. regional

banks or Q1 banks, every two out of three banks agreed that customer lending offers a route out of the challenge the industry had been thrusted into by the DDEP. For a few other categories—specifically participating Q4 banks and government-owned or -controlled banks—only one out of every two banks (i.e. 50%) shared this view.

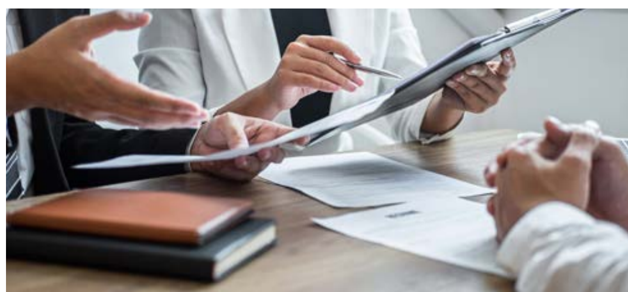
The fourth popular tool in bank executives' toolbox for the quickest recovery options is to raise capital for a stronger balance sheet—31% of executives responding to the survey agree this is important to their plans in the short-to-medium term. The central bank has directed banks with CARs of less than 10% to provide it with recapitalisation plans noting that such banks would have until the end of 2025? to return their capital to regulatory compliance levels.

Hardwiring resilience and agility into banks' business models: key takeaways...

Reflecting on the disquiet that erupted in the wake of the announcement/ launch of the DDEP, the intense focus on the financial sector (in particular, the banking industry), the intensive engagements between the industry, its regulator, and the managers of the economy, there leaves no doubt that the financial services sector is a very important tool in any country's socio-economic development and management.

That noted, there is a limit to which any group of socio-economic development actors—either at an individual or collective level—can influence or direct how national socio-economic policies and programmes that impact their fortunes are designed or implemented. This is equally applicable to the banking industry and individual banks. The DDEP has demonstrated that the impact of such socio-economic policies and programmes could be far-reaching and, sometimes, pose existential risks.

Banks recognise that they have limitations on how much influence they can exert on state actors that manage the macro-environment within which they operate. However, they also understand that they can reduce their risks by strengthening their own



business and operating models. With the lessons of the DDEP, banks have been sharing thoughts on what they are considering to ensure that they hardbake resilience and agility into their businesses. We have categorised these thoughts into two main forms of interventions—strengthen risk shields, and enhance agility—but recognise that these two are closely interwoven.

Banks must strengthen their risk shields...

Banks are very sensitive organisations. They hold, for safekeeping and management, significant volumes of financial resources and wealth of governments, businesses, households, and individuals. They also orchestrate financial flows within and across borders to help facilitate the execution of commercial transactions and deliver socio-economic development.

Often, when banks consider risk management, it is from the perspective of minimising exposure to losses due to deliberate, malicious activities by unscrupulous characters. Thus, banks have—by themselves and/or been compelled by regulators as conditions attached to their operating licences—invested in a wide range of risk assessment and management systems, including cybersecurity with the ever increasing presence of technology. The focus has been on acquiring and operating "hard infrastructure" and implementing training programmes to provide their employees with the skills and mindset shifts to ensure successful operation of these risk management systems.

However, in responding to the online survey, bank executives acknowledged that the DDEP has taught the industry to think about making slight, but very important, behavioural changes that will help to further strengthen the culture at the very top of the organisation—at c-suite and board levels. Here are some key things bank executives have indicated as worth doing more of:

1. **Regularly undertake or consume more robust research and analysis on economic policies and market trends**. Some bank executives admit that they should have picked up and responded to the economic and financial markets indicators that signalled that the government was in distress. Banks' response would entail regularly compiling, presenting, and dispassionately evaluating relevant economic and financial data and trends in c-suite and boardroom discussions to determine their implications for banks' assets, capital, liquidity, and profitability.

Bitke

2. **Regularly review and update the information used in profiling and categorising various assets into different risk categories.** Bank executives are kicking themselves for not having exited or reduced their holdings of government securities affected by the DDEP. Some regret that they did not hedge the positions they took in government securities. An analysis of banks' financial statements confirms that many banks were exposed to the government in amounts that would have breached single obligor restrictions if such resources had been lent to third parties under conventional commercial lending arrangements. In responding to the survey, banks appear to now suggest that in spite of government's preferential risk profiling in the computation of the regulatory capital adequacy ratio (CAR), they would consider more conservative approaches in measuring concentration risks and other prudential positions relative to government securities.

3. **Build and maintain capital and liquidity buffers well beyond regulatory prudential requirements.** Banks try their hardest to comply with BoG's regulatory requirements related to cash reserves and capital adequacy. Indeed, even with the impact that the DDEP had on capital, the industry's CAR at the end of 2022 was computed as 16.6%, higher than BoG's required minimum of 13%.[24] Encouraged by the low risk profile associated with GoG securities for CAR computation, and attracted by the high yields offered on these securities, banks had taken fairly aggressive positions in government securities.

   Arguably, these aggressive positions, historically, helped to contribute to the industry's profitability and high returns on equity, and—perhaps—on dividend payouts. Though it does not appear to be a popular option, some bank executives conceded that banks may have to be more creative to enable them retain sufficient liquidity and capital buffers without layering on too much opportunity costs through forfeited returns.

[24] In the wake of the DDEP, BOG - as part of statutory forbearance - reduced CAR to 10%. As at the end of April 2023, CAR is reported to be 14.8% (https://www.ceicdata.com/en/indicator/ghana/capital-adequacy-ratio)

BitKE

Banks must constantly seek to improve their risk agility…

Bank executives admitted that there are things they could have done to reduce the impact of the DDEP on their businesses. Additionally, they highlighted some internal factors that served as a drag on their agility. High on the list of these internal factors include:

- Weak insight/ foresight due to unavailability of adequate research—69% of bank executives agreed
- Preoccupation with the execution of the existing strategy—50% of bank executives agreed
- Weak internal capacity to detect, measure and respond to systemic risks, such as posed by events that led to the DDEP—31% of bank executives agreed

Banks recognise that by making some simple and inexpensive changes to the ways in which they conduct business, they could realise some positive benefits that could materially improve their risk agility, in particular.

1. **Review the business strategy regularly and make recalibration decisions based on the most current relevant information.** Many banks are all too often keen and quick to delve into the details of strategic initiatives, product/ service offerings, route to markets, competitor profiling, etc. during planning sessions and/ or plan reviews. However, bank executives recognise that more time should be spent by their boards and the c-suite to consider relevant macroeconomic data and trends, as well as examine more closely the behaviours of the government. They acknowledge that, currently, most of the banks do not operate a very well resourced chief economist office to ensure that relevant macroeconomic research is conducted and updated regularly.

   By tracking leading indicators, such an office or function will generate valuable insights that can be used by the rest of the c-suite and the

board to make more strategic decisions, and more timeously too.

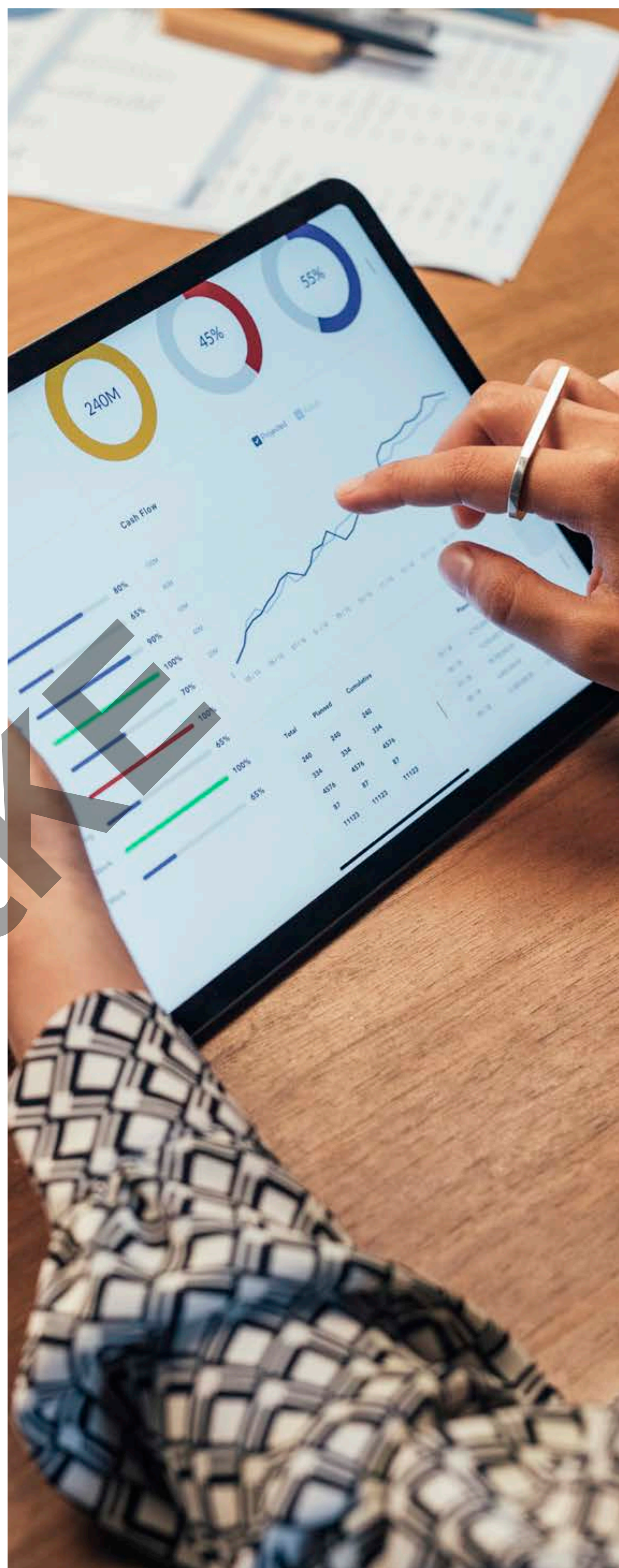
2. **Use scenario planning/ stress testing models for business decisions, not simply to meet regulatory compliance.** Many bank executives noted that their banks have procured various risk management models. However, it would seem that the principal use of most of these tools is to generate reports and plans for the regulator. Bank executives generally concede that they must revisit the purpose and use of these tools to realise the expected benefits, which include to make their banks niftier in the detection of and response to emergent risks to capital and liquidity.

In conclusion…

Banks have demonstrated that they are determined to build the industry back to its pre-DDEP financial soundness and firmly restore it to the path of growth and profitability. Financial performance data reported in the first quarter of 2023 partially confirms that this has started. They, however, recognise that they would need to make some internal improvements to strengthen their risk shields and enhance their risk agility, and help them to withstand future shocks that are similar to the DDEP in effect.

While they consider the investments to make to increase their resilience, bank executives highlighted a few key actions they would like to see the government, through its economic managers and the industry's regulator, do to complement their own efforts. These include:

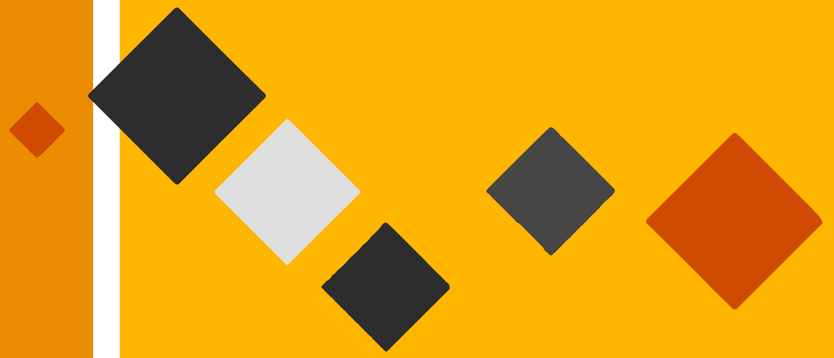
- The government should work towards and achieve a rapid implementation of the Ghana Financial Stability Fund
- Good macroeconomic and macro-financial sector management to help bring down interest rates, inflation, and currency depreciation to within levels that encourage bank commercial lending to the real economy to fuel economic growth
- The government must quickly and rigorously implement policies to bring the country's debt-to-GDP ratio to within sustainable levels and maintain it within an acceptable sustainability band to improve investor confidence and help to secure a broad-based economic recovery
- Aside the BoG that is the industry's regulator, the MoF should establish a permanent framework to facilitate regular or periodic dialogue with the banking sector



BitKE

The survey revealed the impact of the DDEP on the performance of Ghanaian banks in 2022, highlights how bank executives remain optimistic about their future performance and acknowledges the need to do things differently in future. The next section of this report shares an analysis of the impact of the DDEP from a financial reporting view.

Banking Industry Overview



Banking Industry

An overview of the Reporting Requirements in the Banking Industry

In this section we provide highlights of changes to Ghana's banking industry in the past year.

Changes to reporting requirements for 2022 results

Forbearances by Bank of Ghana:

The DDEP has significantly affected the banking industry given that banks account for about a third of the Exchange's bonds. Generally, the Exchange disrupted normal banking business and it has made it difficult for some banks to meet the minimum regulatory benchmarks expected by the Bank of Ghana. Accordingly, in December 2022, the Bank of Ghana provided forbearances to commercial banks that were impacted by the programme while the affected banks explored options to restore their financial strength.

- Minimum regulatory Capital Adequacy Ratio ("CAR")reduced from 13% to 10%. Additionally, losses from the DDEP are to be reflected in the computation of CAR over a period of up to three (3) years. CAR generally measures a bank's ability to withstand shocks.

- Cash Reserve Ratio ("CRR")reduced from 14% to 12%. The CRR on foreign currency-denominated deposits was however maintained at 12%. CRR indicates the amount of deposits that banks are required to maintain in reserve as cash rather than lending it out. The Monetary Policy Committee ("MPC") of Bank of Ghana, in its first quarter sitting, reserved the CRR, effective in April 2023. We understand that the reversal was part of the central bank's liquidity management measures to address excess liquidity conditions in the market.

- Deadline for filing audited accounts revised from 31 March 2023 to 30 April 2023. This was necessitated by prolonged discussions around estimation of an appropriate discount rate to be used in discounting expected cash flows from the newly issued bonds. The Exchange resulted in the crash of the secondary bonds market, thus, there were no indicative discount rates.

Banks to submit Recapitalisation Plan to the central bank.

The Bank of Ghana has directed banks whose CAR are below the regulatory minimum to submit their plans for recapitalisation by the end of Q3 2023. The directive for recapitalisation follows the capital erosion that has resulted from the significant impairments that banks have taken in relation to their holdings in Government of Ghana bonds. As at 31 December 2022, Consolidated Bank Ghana Limited and Universal Merchant Bank Limited were the only banks with a CAR of below 10%.

BitKE

How banks assessed the impact of DDEP

BitKE

How banks assessed the impact of DDEP

Following the Government of Ghana's announcement of the Domestic Debt Exchange Programme, entities, including banks, were required to assess the impact of the Programme on their government securities holdings in line with the requirements of the relevant accounting standards.

Given the unprecedented nature of the Programme, the Institute of Chartered Accountants Ghana (ICAG) together with a working group from the Big Four Accounting Firms issued various papers to guide the accounting for the impact of the Programme and to ensure consistency. Consequently, after deliberations with the Ghana Association of Banks (GAB) and other stakeholders a consistent approach was agreed to be applied by all banks. In this section, we discuss the key accounting decisions used in assessing the impact of the Programme on banks.

To begin, the terms of the Programme as announced by the Government through its Exchange Memorandum was assessed against the requirements of IFRS 9 – Financial Instruments, the accounting standard which deals with recognition, measurement and impairment requirements of financial instruments which include investment securities.

Two key accounting questions were addressed;

Whether or not the terms of the Programme constitute a substantial modification of the old arrangements between the lenders (bondholders) and the borrower (the Government of Ghana) which requires, on settlement date, the derecognition of the old instruments and the recognition of the new instruments under the new terms; and

Whether or not Government of Ghana instruments were deemed credit impaired in the light of the significant financial difficulty of the Government and the subsequent announcement of a domestic and external restructuring exercise.

Modification/Derecognition decisions

The guidance of IFRS 9 3.3.2 was applied to conclude that new terms constitute a substantial modification based to the following:

The new bonds had significantly different terms including different maturities and cash flow profiles, significant extension of the maturity date of the bonds and reduction of the coupon rates;

All bondholders received the same restructuring deal irrespective of the terms and conditions of their individual holdings indicating that the individual instruments, terms, and conditions were not taken into account but were instead replaced by a new uniform debt structure.

Even though the new terms were deemed to be a substantial modification, the Government's subsequent extension of the settlement date to February 2023 meant that the effect of the modification (derecognition of old instruments and recognition of new instruments) was deferred until the new settlement date. Consequently, banks did not derecognise the old instruments for the 31 December 2022 reporting period.

BitKE

Impairment decisions

The impairment provisions under IFRS 9 require entities to assess financial assets for impairment using a three- stage model which reflects the pattern of credit deterioration. These are:

- Stage 1 which includes those that have not had a significant increase in credit risk since initial recognition (performing assets);
- Stage 2 which includes those that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment (under-performing assets); and
- Stage 3 which includes those that have objective evidence of impairment at the reporting date (credit-impaired assets).

The factors under Appendix A of IFRS 9 were considered to conclude that there exist one or more events that have had a significant impact on the estimated future cash flows of government instruments. Specifically, the following were observed:

significant financial difficulty of the issuer or the borrower;

a breach of contract, such as a default or past due event;

the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;

it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

the disappearance of an active market for that financial asset because of financial difficulties; or

the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

On a financial asset that is credit-impaired at the reporting date, impairment is determined as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Given that the future cash flows of the old instruments were being replaced with the proposed cash flows from the new instruments, the present value of the estimated future cash flows were determined using the terms of the Exchange as announced by the Government.

Banks therefore calculated impairment on the instruments eligible for the Programme by comparing the carrying amounts of the old instruments to the present value of the estimated future cash flows using the terms of the Programme at an appropriate discount rate.

The ICAG Technical Committee advised on a range of discount rates to be used in the determination of the present value of the estimated future cash flows. Based on the complexities around the current market conditions in Ghana and the fact that the bonds were issued under a set of fiscal environments, a direct market valuation was unrealistic for which reason, proxy approaches needed to be considered. Technical modelling teams assessing the DDEP impact estimated a range of 15.67% to 21% as reasonable to reflect the effective interest rate to be used for the discounting. Most banks applied the lower band of 15.67% since it results in a more favourable outcome for their impairment assessment.

BitKE

Impairment considerations for Government of Ghana securities not eligible for the Programme

Banks held securities issued by the Government of Ghana but were not eligible for the Debt Exchange Programme. Since these securities are exposures from the same counterparty (the Government of Ghana) which is in significant financial difficulty, these instruments were deemed to have experienced an increase in credit risk. These instruments include but not limited to;

- Cocoa bills;
- USD denominated local notes;
- Other domestic non-marketable debt;
- Treasury bills; and
- Loans to State Owned Enterprises (SOEs) that are backed by the Government.

As a result of the increased credit risk of the counterparty, banks recognised higher impairments on these instruments for the 31 December 2022 reporting period.

Second phase of DDEP

The Government has advanced the process to restructure another GH₵123 billion ($11.18 billion) of public debt to qualify for the next disbursement under the IMF ECF programme via a second round of DDEP currently underway. The debt to be restructured comprises domestic dollar bonds, cocoa bills, pension funds and debt owed to the Central Bank as reported by Reuters. The Ministry of Finance has already issued a memorandum of exchange on the domestic United States Dollar instruments. Ghana Cocoa Board has also issued the memorandum of exchange on the cocoa bills.

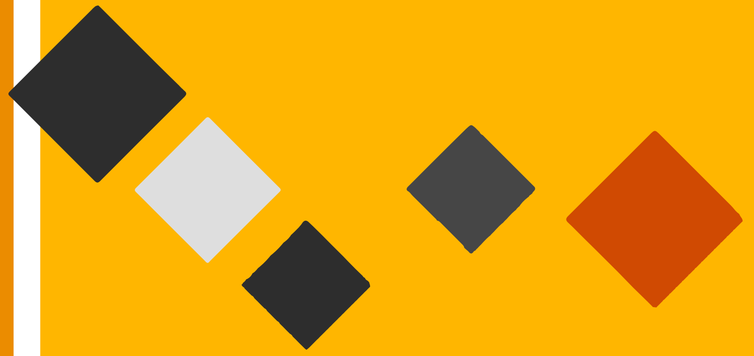
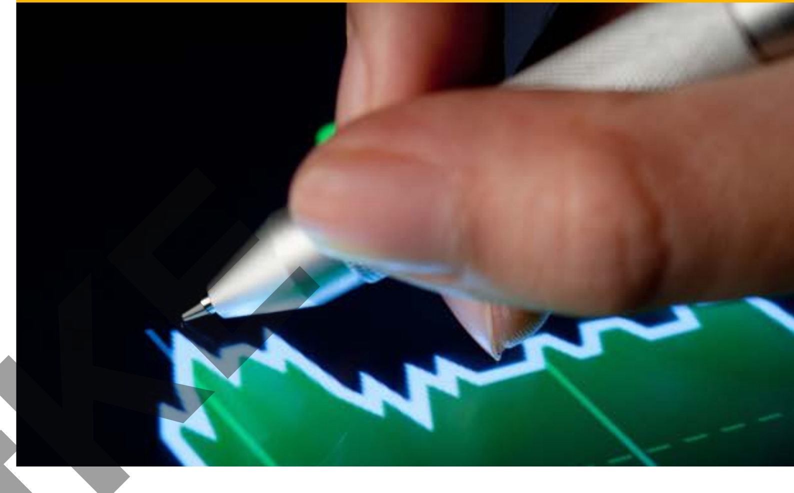
In all, a total of $808.99 million (GH₵8.9 billion) of the domestic dollar instruments and GH₵7.93 billion of the cocoa bills are to be exchanged. The United States Dollar are scheduled to be repaid in two equal instalments in 2027 and 2028 attracting interest of 2.75% p.a and 3.25% p.a for 2027 and 2028 respectively and the coupon proposed on the cocoa bills is 13% p.a with maturities ranging from 2024 to 2028.

Unlike the first, the tenor under the second phase for the eligible instruments indicated above are much shorter with arguably improved returns. The expectation of the banking industry on the second round of the DDEP appears to be calm. Industry players believe the impairment already taken on this round two eligible instruments will be more than enough for any modification loss required given the improved terms when these eligible instruments eventually are exchanged for the new ones.

As was the case during the first DDEP and given the collapse of the Ghanaian bond market, the issue of an appropriate discount factor to use in assessing fair values for initial recognition of the new instruments and thus the modification loss or gain to book remains material to the process. Level 1 and/or level 2 prices cannot be determined with the required objectivity needed and thus level 3 prices via discounted cash flow techniques will be relied upon. The industry awaits the completion of this second phase of DDEP to determine if the expectation of holding enough impairment to cushion the required modification losses will be upheld.

DtKE

Quartile analysis

Quartile analysis

The 22 participating banks have been segregated into four quartiles based on the size of their total operating assets. Banks within the same quartile are analysed and compared against each other.

Total operating assets

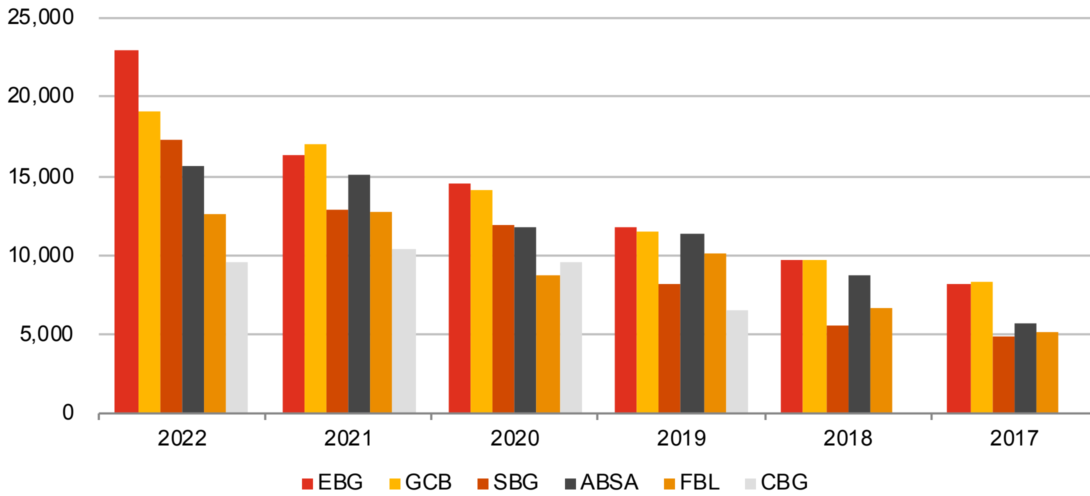
Operating assets (comprise cash balances and liquid assets including investment securities, equity securities and loans and advances) that generate interest or fee income. Investment in fixed assets and intangible assets are excluded as they do not of themself generate income but provide general support to the bank's business operations.

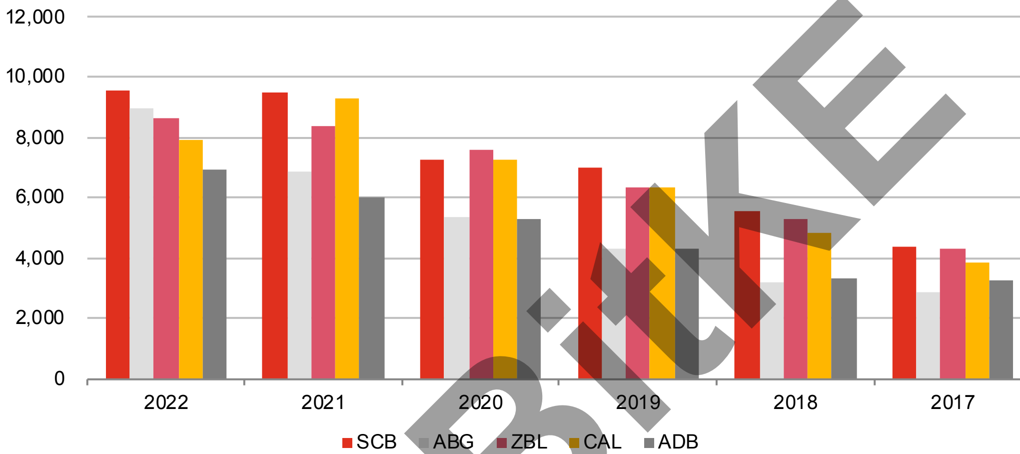
With the DDEP rolled out, liquidity has been a key focus area for banks in the country. The sustainability and growth of banks depend on balancing the liquidity and profitability of operating assets.

BitKE

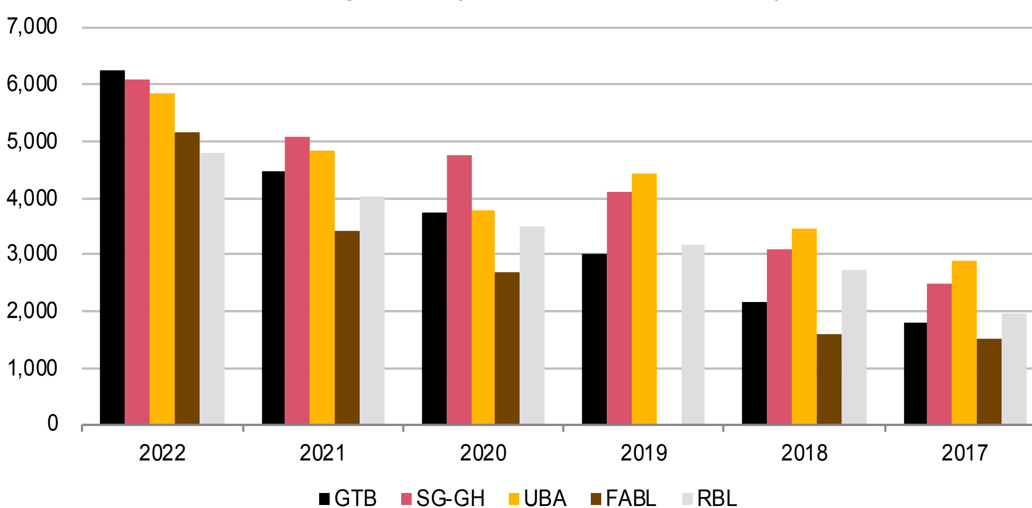
	2022	R	2021	R	2020	R	2019	R	2018	R
EBG	23,020	1	16,322	2	14,541	1	11,810	1	9,717	2
GCB	19,110	2	17,027	1	14,152	2	11,561	2	9,721	1
SBG	17,267	3	12,877	4	11,851	3	8,188	5	5,611	5
ABSA	15,597	4	15,036	3	11,786	4	11,296	3	8,757	3
FBL	12,596	5	12,799	5	8,798	6	10,093	4	6,663	4
CBG	9,612	6	10,366	6	9,526	5	6,579	7	-	20
SCB	9,577	7	9,466	7	7,271	8	7,005	6	5,556	6
ABG	8,954	8	6,894	10	5,355	10	4,339	11	3,195	11
ZBL	8,657	9	8,361	9	7,621	7	6,331	9	5,332	7
CAL	7,925	10	9,318	8	7,236	9	6,354	8	4,867	8
ADB	6,952	11	6,054	11	5,291	11	4,293	12	3,367	10
GTB	6,241	12	4,480	14	3,743	14	3,032	15	2,165	14
SG-GH	6,101	13	5,086	12	4,741	12	4,089	13	3,082	12
UBA	5,839	14	4,855	13	3,782	13	4,418	10	3,450	9
FABL	5,140	15	3,424	17	2,689	18	-	-	1,582	16
RBL	4,793	16	4,042	16	3,483	16	3,187	14	2,744	13
PBL	4,681	17	4,083	15	3,663	15	2,894	16	2,111	15
UMB	3,559	18	-	21	2,735	17	-	n/a	-	n/a
BOA	3,286	19	2,949	18	1,893	20	1,896	17	1,153	17
OBL	2,836	20	1,773	20	1,183	21	-	n/a	-	n/a
FNB	2,752	21	2,297	19	2,140	19	913	18	603	19
FBN	2,700	22	1,844	-	1,741	-	1,209	-	962	18

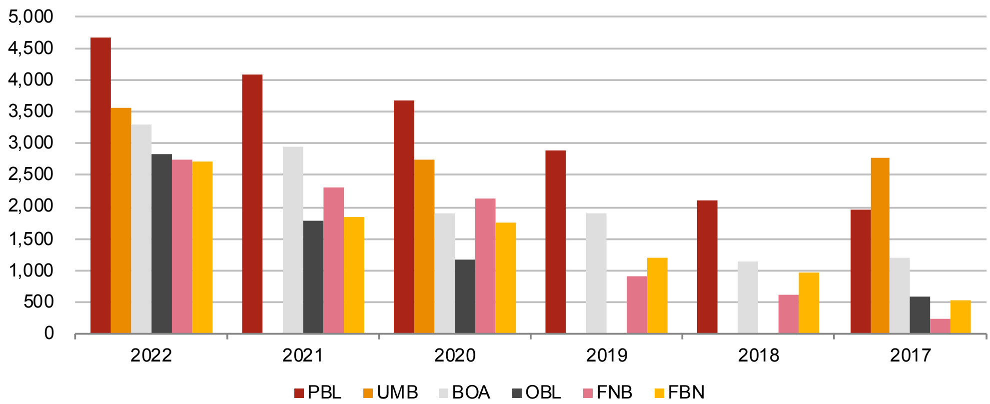
Operating assets of the industry grew by 15% year on year despite the significant impairment charge recorded on investment securities and loans and advances.





BiKE





Most banks maintained their quartiles from the previous year except for PBL who declined from third quartile to fourth quartile and ADB, who move from the third quartile to second quartile and CBG who joined the first quartile banks from second quartile in 2021.

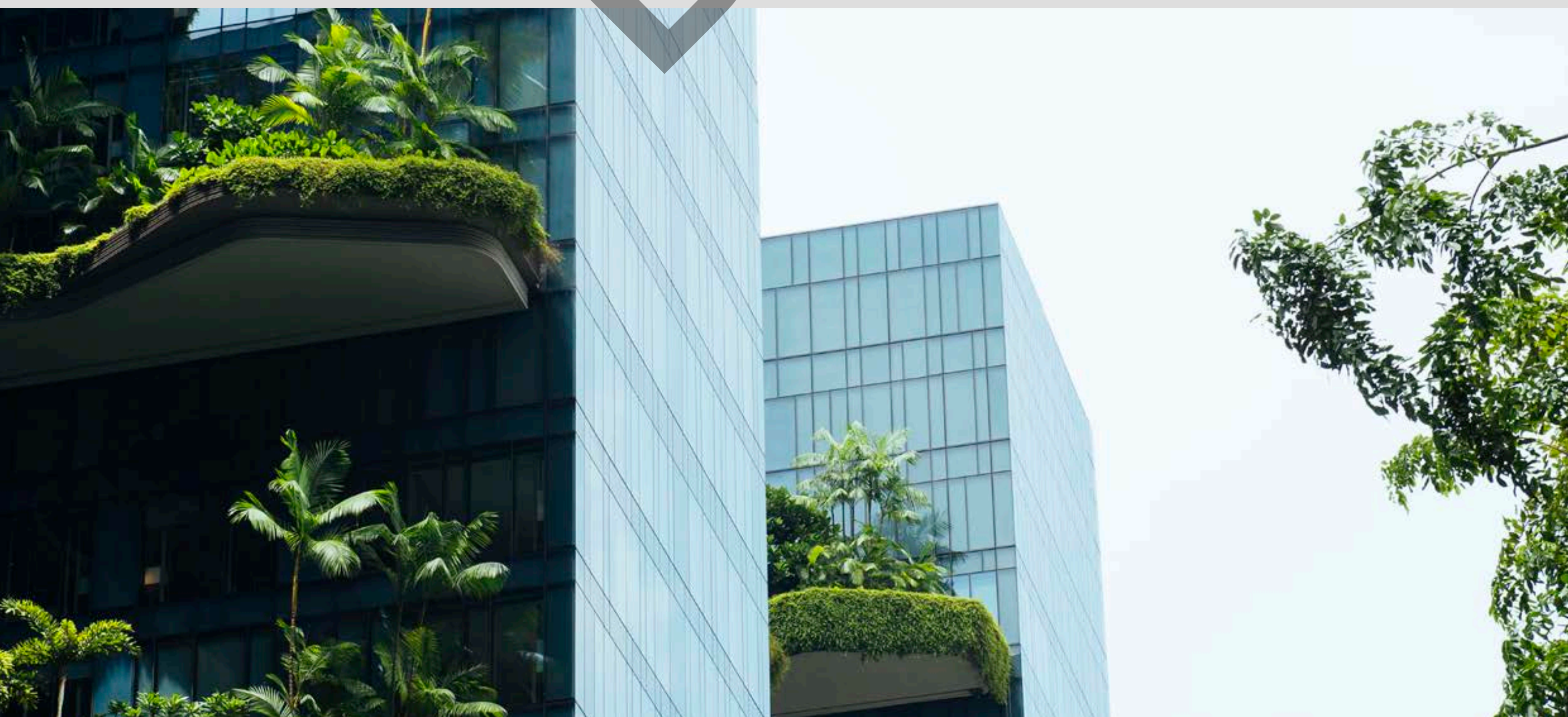
The total operating assets for banks in the first quartile grew by 15% year on year to GH₵97 billion. The growth rate is lower than the previous year which was 21.2%. This can be attributed to the increased impairment charge on the investment securities and loans and advances. The growth in this quartile can be attributable to the EBG, GCB and SBG. SBG recorded the highest increase from GH₵12.8 billion in 2021 to GH₵17billion in 2022 representing a 32% increase. CBG and FBL are the only banks in the first quartile that recorded 8% and 2% declines in operating assets respectively.

All the other quartiles also recorded growth in their total operating assets of 5%, 28% and 53% for the second, third and fourth quartile respectively with loans and advance being the main driver. Loans and advance recorded an industry growth of 27.7% as compared to investment securities which declined by 19% as result of industry impairment charge of GH₵15 billion.

The second quartile recorded an average growth of 5% in operating assets. Within the second quartile, CAL was the only bank in this quartile to record a decline of 15% which was also the highest decline amongst the participating banks.

FABL and GTB recorded the highest growth of 46% and 39% respectively in the third quartile while OBL and FBN in the fourth quartile recorded the highest growth of 60% and 50% in operation assets.

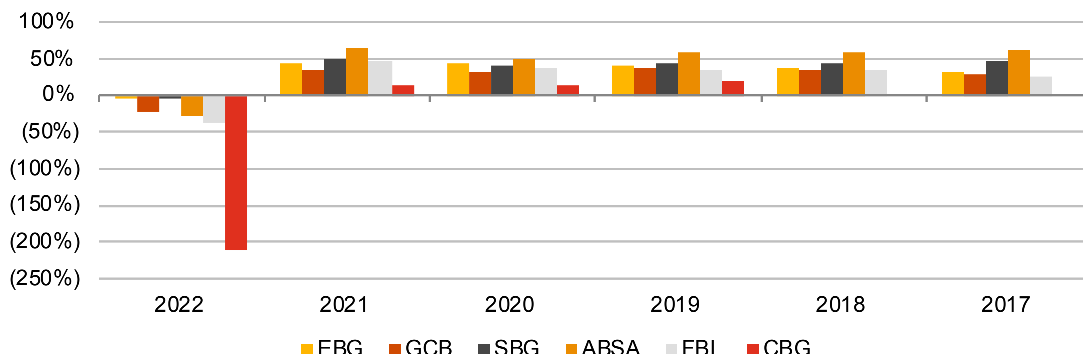
BitKE



Profit before tax (PBT) margin

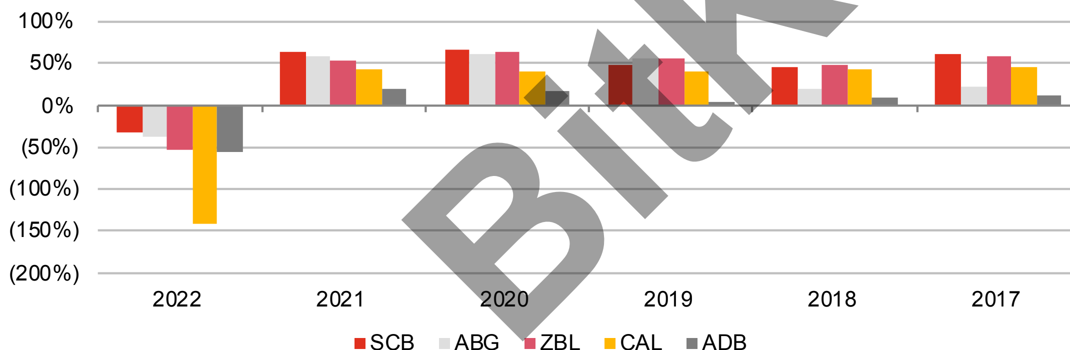
The banking industry recorded an overall Loss Before Tax (LBT) margin of 32.9% in 2022 which represents a significant decline from the 44.3% PBT recorded in 2021. Out of the 22 banks that participated only six banks namely GTB, UBA, SG-GH, FABL, FBN and BOA recorded PBT margins; the remaining banks recorded LBTmargins.

First Quartile-Profit before tax margin



All banks in the first quartile recorded a LBT margin averaging -50.6% in 2022 as compared to PBT margin of 41.8% in 2021. CBG recorded the highest LBT margin of -212% and EBG recording the lowest LBT margin of 1.8%. Impairment on investment securities and loans and advances were the main drivers for the LBT with CBG and EBG recognising impairment charges of GH₵2.1 billion and GH₵1.6 respectively.

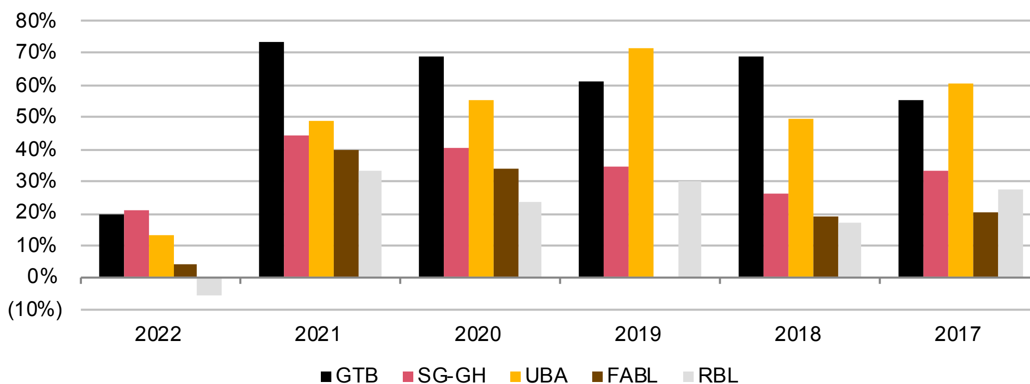
Second Quartile-Profit before tax margin



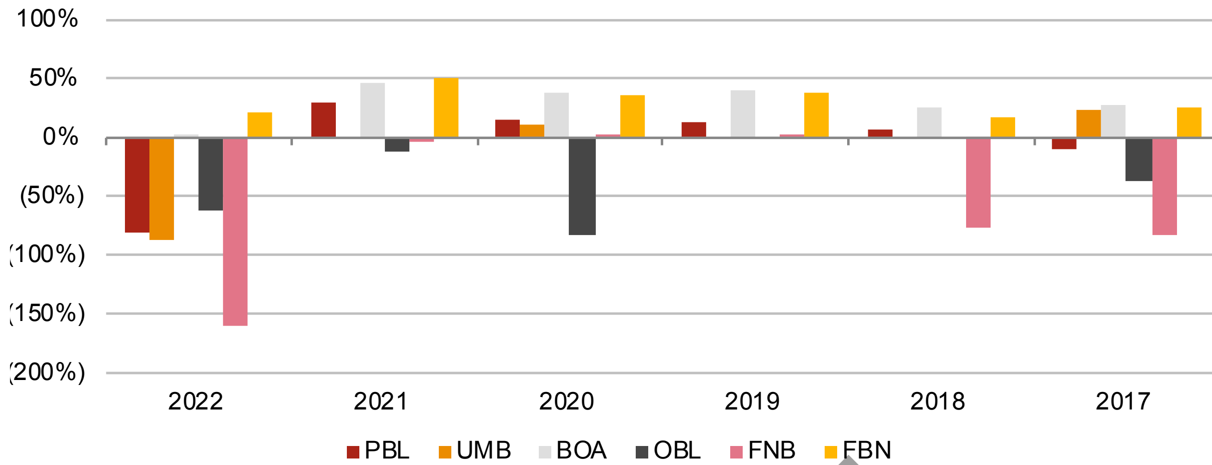
BitKE

Banks in the second quartile were no different from the first quartile banks with none of the banks recording PBT margin. The average LBT margin was -63.9% in 2022 as against the PBT margin of 48.4 in 2021. CAL and ADB recording the highest LBT of -141% and -56% respectively.

Third Quartile-Profit before tax margin



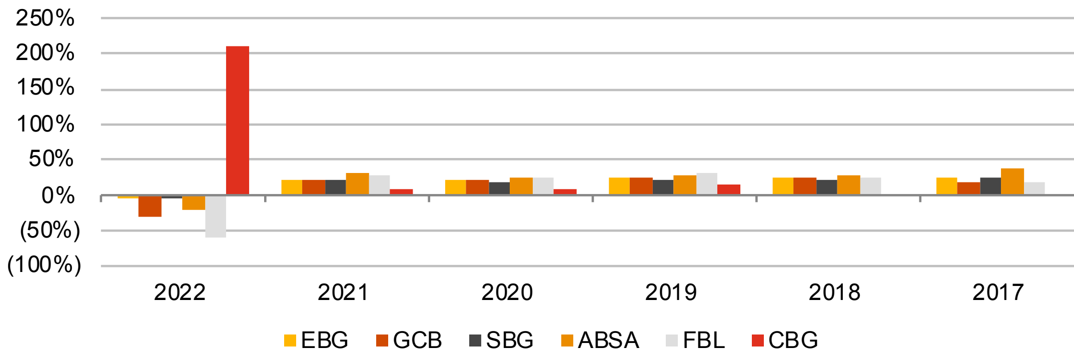
Banks in the third quartile performed well compared to the first and second quartile in terms of PBT margins. The average PBT was 10.6%, though lower than 2021 average of 47.9%, the performance of the banks in this quartile is better than the remaining participating banks.

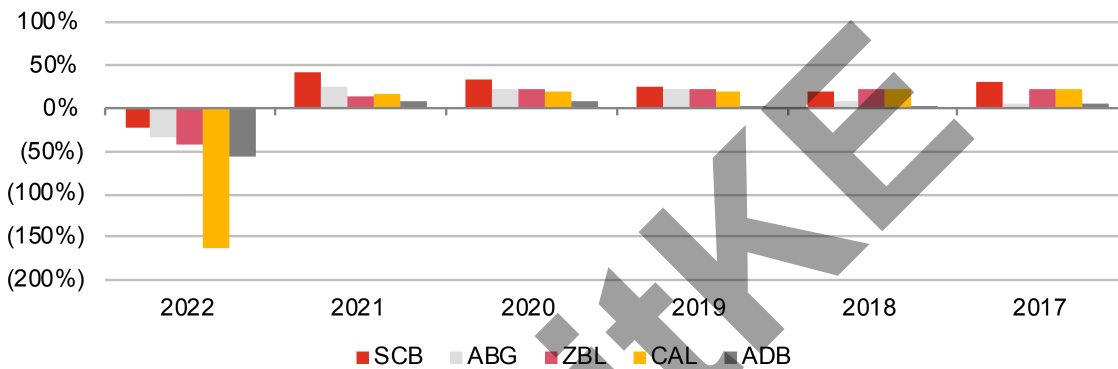


BitKE

Return on Equity

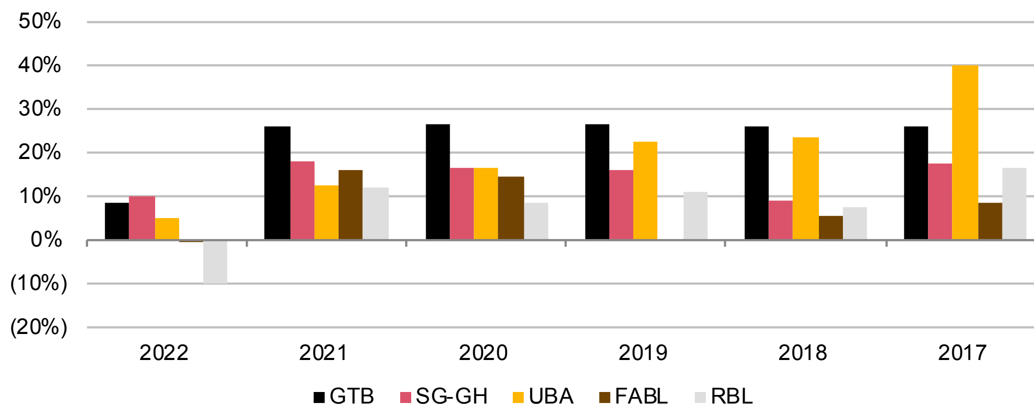
As a result of the losses recognised during the year, the industry's return on equity dropped drastically from 18.9% in 2021 to -29.3% in 2022.



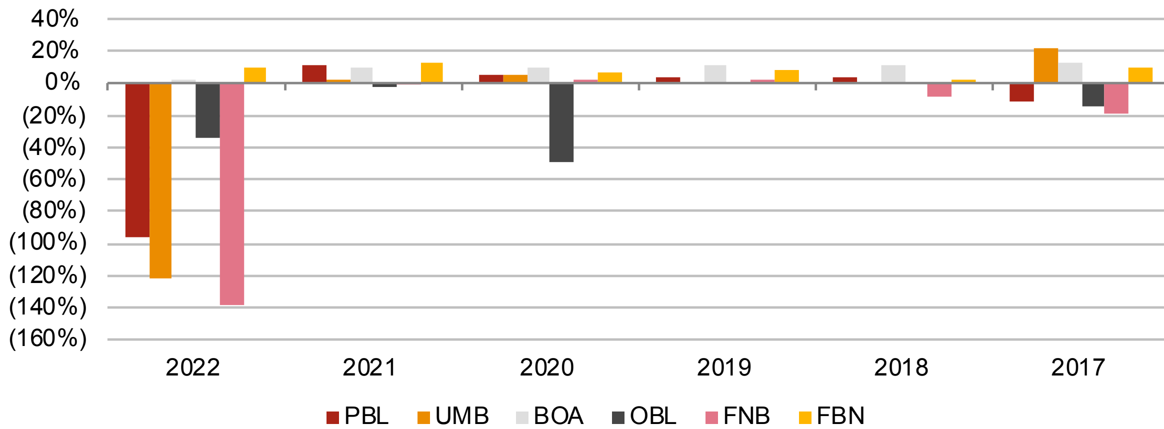


BitKE

Like the PBT margin, none of the banks in the first and second quartile recorded growth in the ROE. The average return on equity for the first quartile and second declined from 21.83% in 2021 to -54.27% in 2022 and from 21.28% in 2021 to -63.84% in 2022 respectively. The decline is largely due to the banks recording loses which was mainly driven by the DDEP during the year. CBG and CAL are the banks in the first and second quartiles with the lowest return on their equities being -211% and -164% respectively.



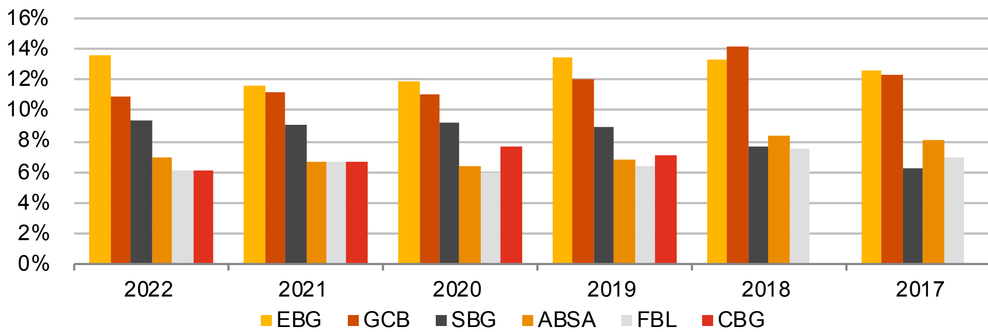
Fourth Quartile - Return on equity



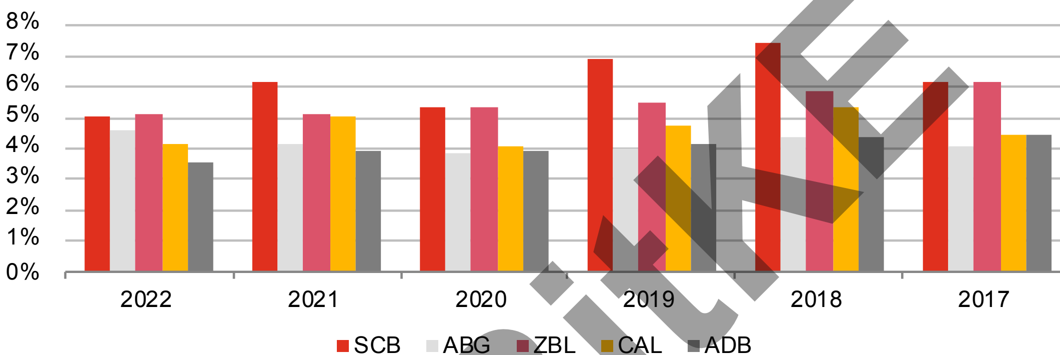
RBL was the only bank that recorded negative ROE in the third quartile. Within the fourth quartile FBN and BOA recorded the highest return on their equities being 9.5% and 0.8% respectively. Although, some banks recorded positive returns in the fourth quartile, the average return on this quartile was -63.57% which represent a significant decrease from the 33.5% recorded in 2021. UMB and FBN are the banks with the lowest return on its equity being -122% and -138% respectively.

BitKE

Share of industry deposits

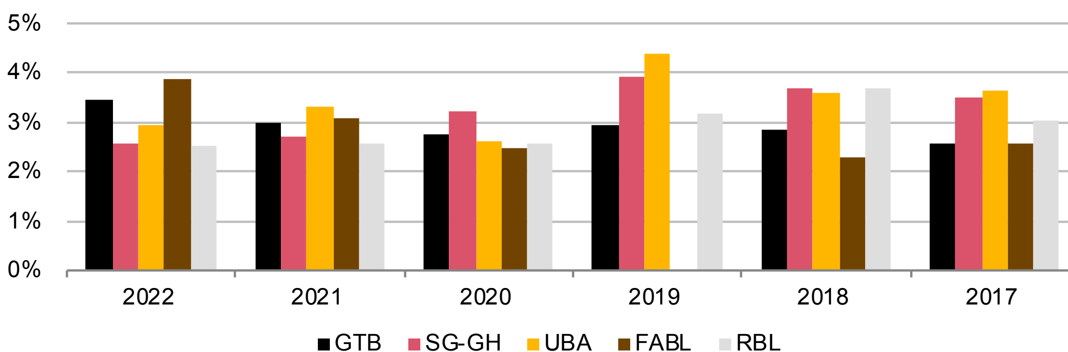


The banks in the first quartile continue to exhibit their dominance in the industry with regards to the deposits held. Banks in this quartile holds 53% of the total deposit of the industry compared to 51.8% in 2021. EBG continues to be the market leader with 13.6% share which represents a 1.9% increase from 2021. ABSA, SBG and ABSA are also gainers in this quartile whiles CBG, FBL and GCB shares of the industry's deposits declined marginally.



BitKE

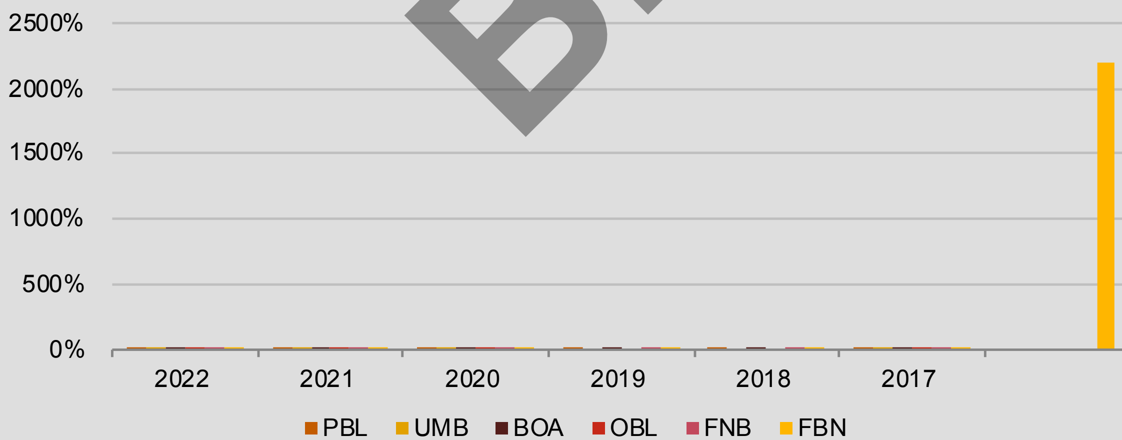
The market share of the second quartile banks declined marginally from 24.4% in 2021 to 22.5% in 2022. SCB and CAL shares of the industry's deposit decreased by 1%, from 6.1% in 2021 to 5.1% in 2022 and 5.1% in 2021 to 4.1% in 2022 respectively. ABG is the only bank in the second quartile that made a gain increasing its share from 4.2% in 2021 to 4.6% in 2022.



Banks in the third quartile held 15.3% of the market's deposit. This is a marginal increase from the 2021 share of 14.7%. FABL and GTB are the major drivers for the marginal increase with both increasing their shares by 0.4% and 0.8% respectively.

BitKE

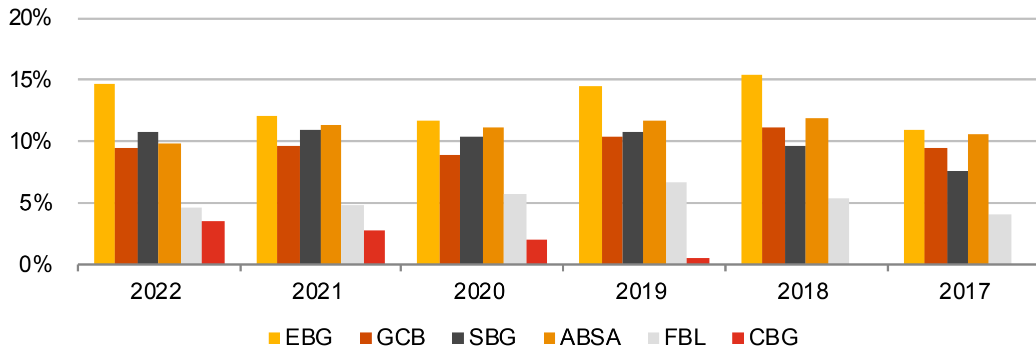
Fourth Quartile - Share of industry deposits



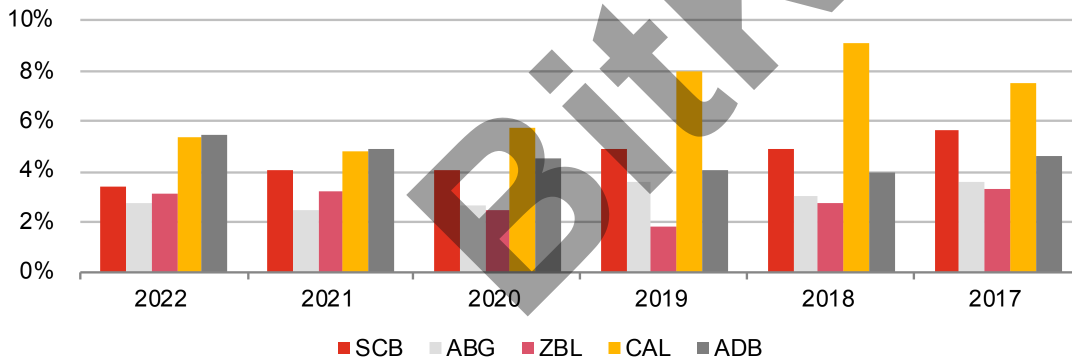
The market share of the banks in quartile was stable marginally increasing by 0.2%.

Share of industry advances

The industry recorded an increase in loans and advances from GH₵49.41 billion in 2021 to GH₵65.62 billion to 2022. This resulted in a 32% growth in loans and advances. Loans to the service industry recorded the highest growth of 45% from 2021.



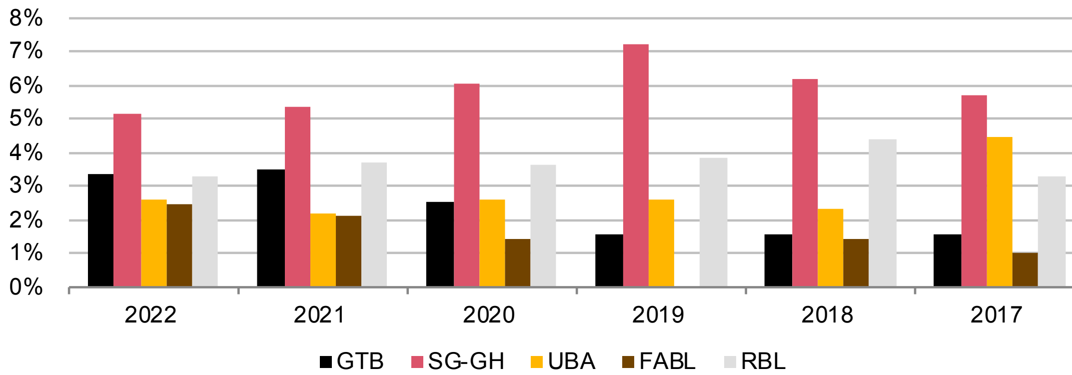
The six banks in the first quartile hold 53% of the total portfolio of the industry's loans and advances. EBG continues to have the biggest portfolio of 14% of the total industry's loans and advance which represents an increase from the prior year's 12% and CBG increased its share of the market portfolio of loans and advances from 3.4% to 2.8%. The remaining banks saw a marginal decrease it their share of industry advances.



The total share of industry advances for the second quartile banks increases marginally from 19.3% to 20%. CAL and ADB were the drivers for the marginal increase; growing by 0.5% each.

BitKE

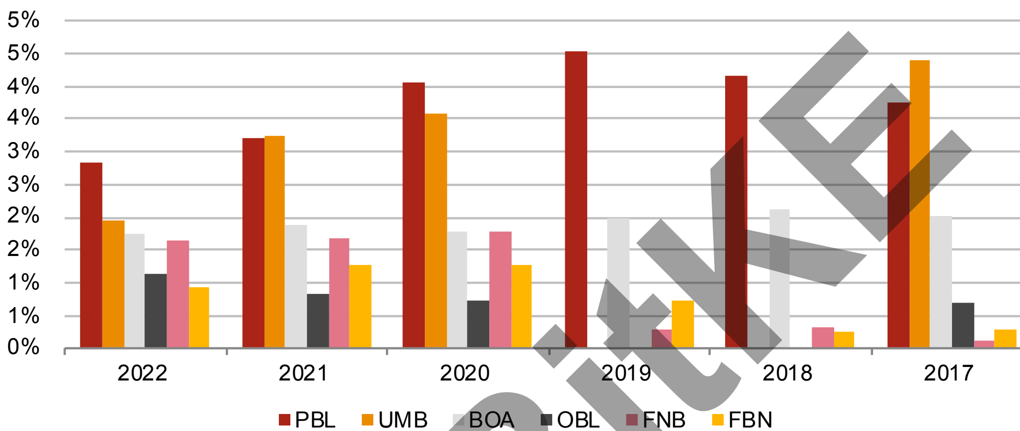
Third Quartile - Share of industry advances



The banks in the third quartile were stable in terms of their market share of the industry's loans and advances maintaining their market share at 16.9%. There was however marginal declines for some banks and marginal growths for other banks with FABL increasing its market share of loans and advances from 2.2% to 2.5 %.

GTB SG-GH UBA FABL RBL

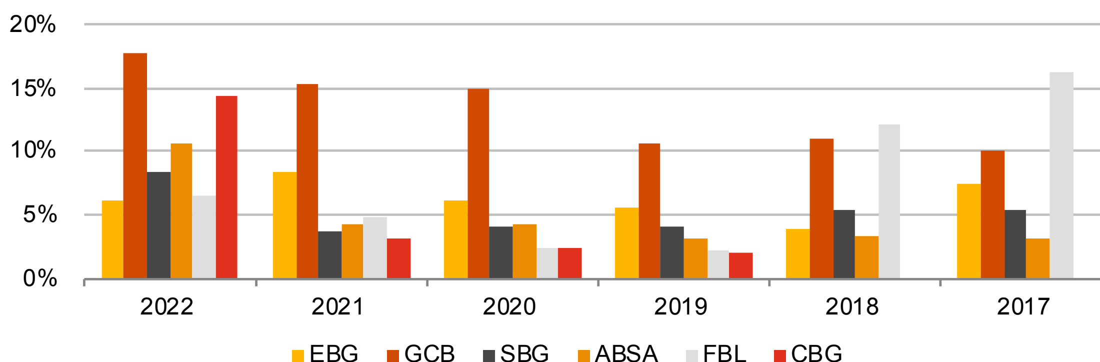
Fourth Quartile - Share of industry advances



BitKE

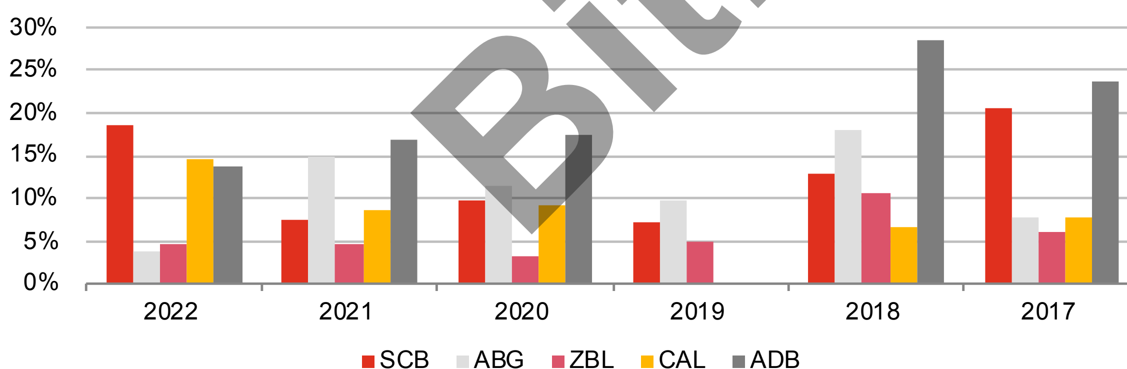
The fourth quartile banks recorded a decline in market share by 1.9% from 2021. None of the banks in the fourth quartile gained any market share during the year.

Impairment allowance/ gross loans and advances

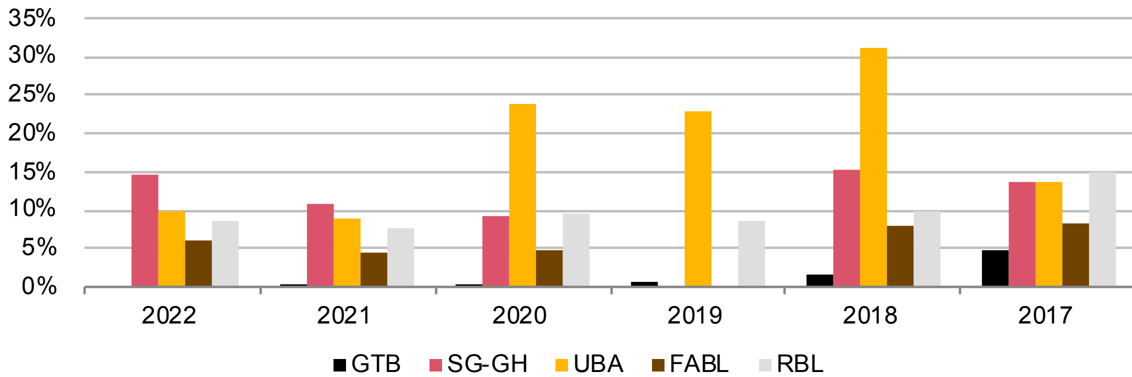


The impairment allowance as a percentage of the loan book for ABSA, CBG and SBG increased by 6.4%, 11.2% and 4.6% between the comparative years. ABSA, CBG and SBG loan books increased by 11.3%, 54.5% and 24% from 2021 and impairment allowance for all three also increased by over 100% each. The increase in the impairment allowance is as result of the DDEP and a decline in the general macro-economic indicators of the country. For EBG, there was general increase in the asset quality as the growth in the loan book was 56% whiles loan allowances increased by 10%. The remaining banks in this quartile experienced a marginal decline in asset quality.

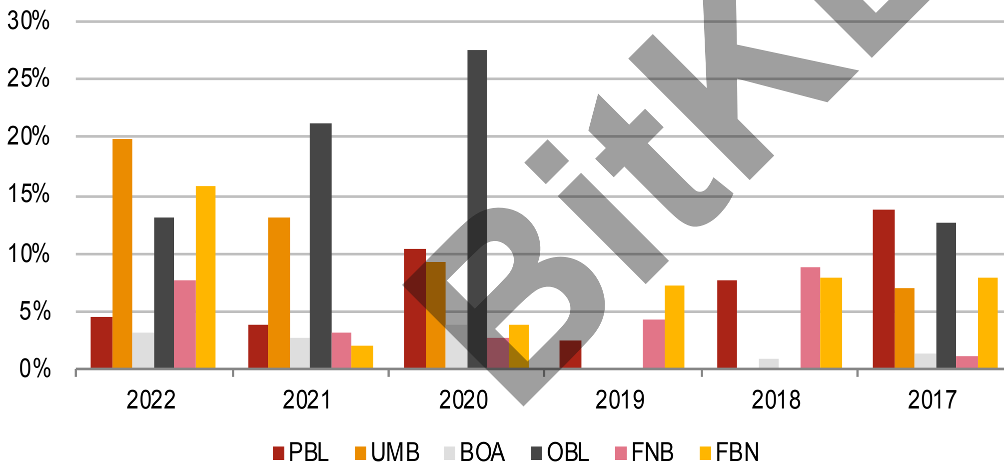
BitKE



The loan book quality for the second quartile decreased marginally with an average of 11.1% in 2022 as compared to 10.5% in 2021. SCB and CAL recorded a significant increase in impairment allowance to loan book of 11.1% and 6% respectively. Non-performing loans for SCB and CAL increased significantly by 254% and 74% respectively. This resulted in a correspondence increase in the provision for the banks increasing by 210% and 230%. ABG and ADB improved on the quality of their loan books with a reduction in the impairment allowance to gross loan book from 14.8% to 3.9% and 16.9% to 13.6% respectively.



The third quartile recorded an average decline in the quality of their loan book with average impairment to loan book increasing from 6.5% in 2021 to 8.1% in 2022. For the third quartile, SG-GH and RBL are the banks that mainly accounted for the increase in impairment allowance to gross loans and advances.

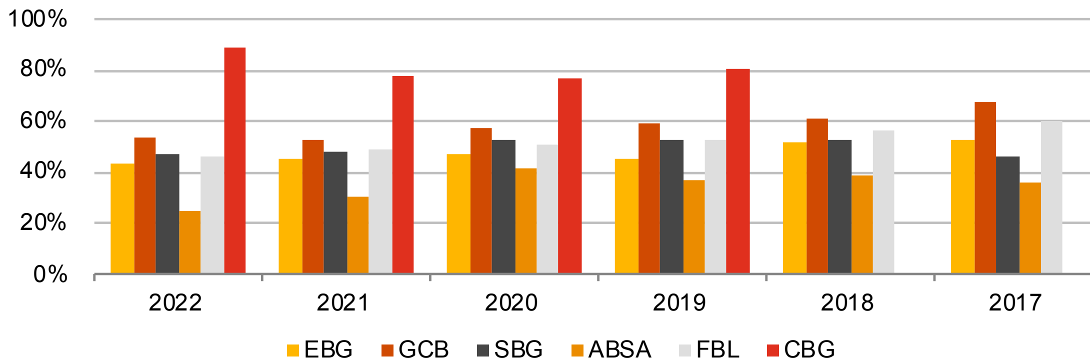


BitKE

The fourth quartile's impairment allowance to gross loans increased from 7.6% to 10.7%. FBN, FNB and UMB are the banks that mainly accounted for the increase in impairment allowance to gross loans and advances with each increasing by 13.8%, 4.5% and 6.9% respectively from 2021.

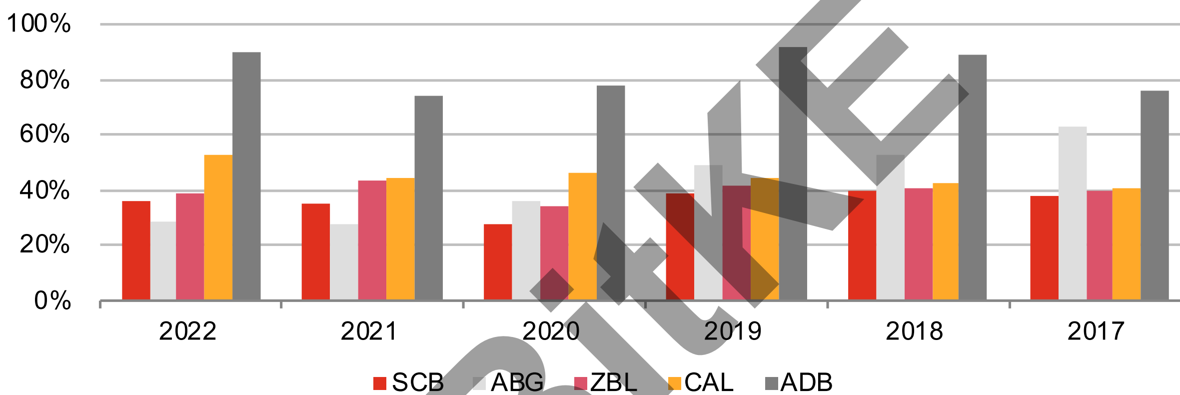
Cost to income ratio

First Quartile - Cost income ratio



The average cost to income ratio for this quartile showed a stable ratio 50.47% in 2022 compared to 50.5% in 2021. All the banks in the first quartile decreased their cost to income ratio except for GCB and CBG which recorded growth of 0.9% and 11.1% respectively.

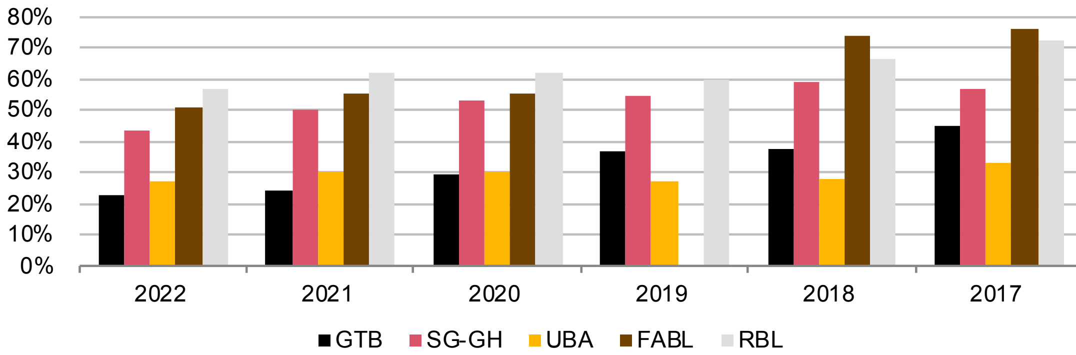
Second Quartile - Cost income ratio



BitE

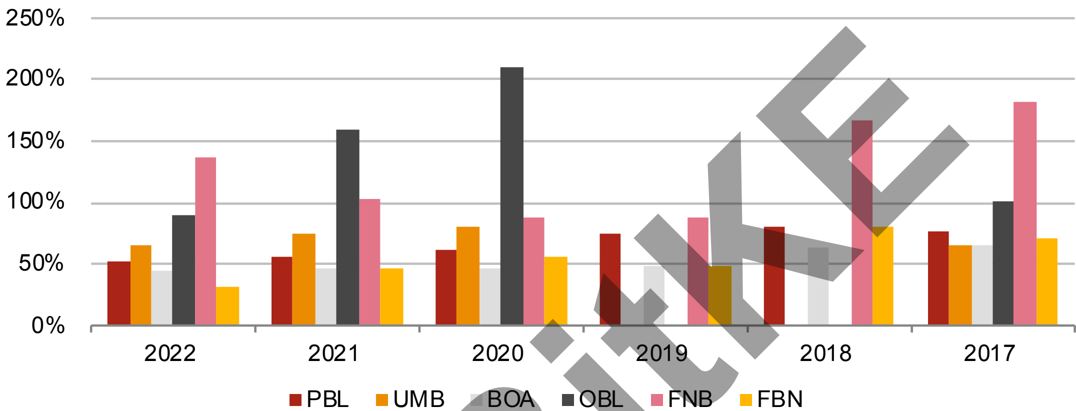
The second quartile saw an average increase in the cost to income ratio of 4.5% from 44.7% to 49.2%. None of the banks in this quartile saw a decline in their cost to income ratios except for ZBL whose cost to income decreased from 43.2% to 39.1%.

Third Quartile - Cost income ratio



All banks in this quartile recorded a decline in their cost to income ratios with the biggest decline being SG-GH and RBL. SG-GH and RBL cost to income ratios declined by 6.90% and 4.70% respectively. For both banks, there was an increase in both cost and income however, the increase in income exceeded the growth in cost during the period.

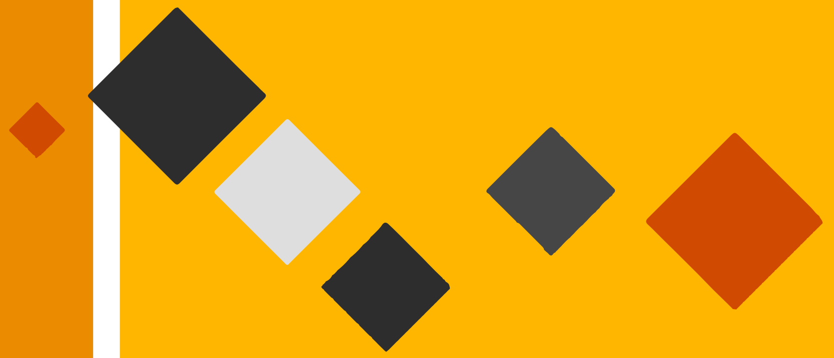
Fourth Quartile - Cost income ratio



BitKE

On the average, the cost to income for the fourth quartile decreased by 10%, from 80% to 70%. Apart from FNB that had a significant increase in terms of cost to income ratio by 34%, all other banks within this quartile recorded a decline in their cost to income ratio with OBL and FBN recording the highest declines of 69.60% and 15.08% respectively.

Market share analysis



BitKE

Market share analysis

Share of industry deposits

In spite of the Domestic Debt Exchange Programme (DDEP) by the Government of Ghana which had an adverse effect on the confidence of the general public, the deposits in the banking sector in 2022 remained irrepressible. Strong deposit growth was realised through initiatives effected to preserve consumer confidence in the banking industry.

The banking sector saw a jump in deposits growth by more than double the growth recorded in 2021. Compared to the 12.1% rise observed in 2021, growth in deposits was 31.3% as at the end of 2022. The notable increase in total deposits was influenced by aggressive deposit mobilisation strategies in the year and was supported by the motivation to advocate for digital and cashless transactions. The upward outlook of industry deposits indicates growing customer confidence in the banking industry. On the other hand, it could be as a result of customers uncertainty about the 'creditworthiness of' government instruments.

BitKE

GCB and EBG have sustained their dominance with respect to the industry's deposits over the past seven years. Together, both Banks, have kept up in retaining more than 20% of the deposits in the sector which has been predominately influenced by their joint network of over 250 branches, continuing initiatives to foster digital and electronic banking, and a client-focused outlook. The combined market share of GCB and EBG has increased marginally from 23.6% in 2021 to 24.4% in 2022.

SBG held its third place with regards to the industry's deposits from the preceding three years and continuously increased its market share of customer deposits year on year. This is similar to ABSA who also maintained their fourth position from the previous year. Both Banks increased their market share marginally by 0.08% and 0.1% respectively.

CBG improved its position and overtook FBL to 5th place from 6th place in 2021 although its total percentage of deposits to the total industry deposits decreased in 2022.

At the end of 2022, the other banks in the top 10 of industry deposits were FBL, ZBL, SCB, ABG and CAL. FABL sprung to the 11th position in 2022 from the 13th position in 2021, a notable improvement from the previous year.

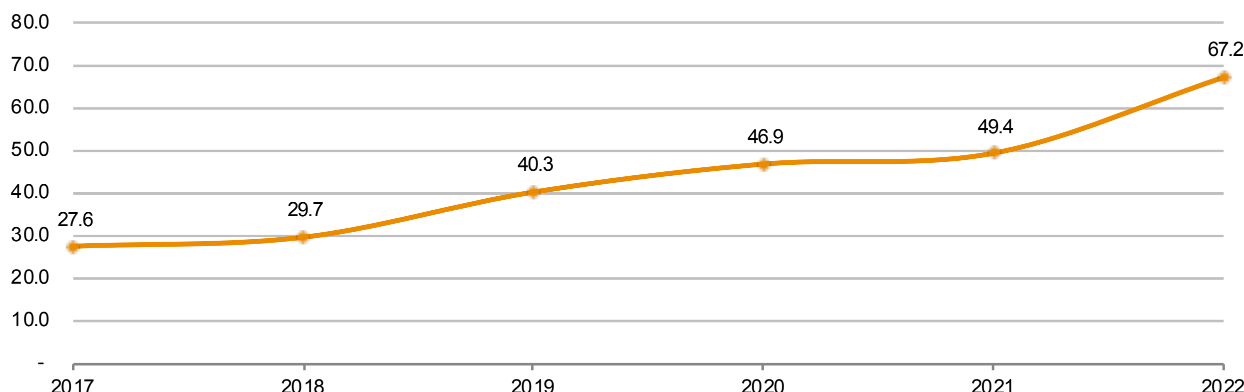
Share of industry deposits

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
EBG	13.58%	1	11.93%	1	11.85%	1	13.4%	1	13.3%	2	12.6%	1
GCB	10.87%	2	11.43%	2	11.01%	2	12.1%	2	14.2%	1	12.3%	2
SBG	9.37%	3	9.29%	3	9.26%	3	9.0%	3	7.7%	4	6.2%	5
ABSA	6.90%	4	6.80%	4	6.34%	5	6.8%	6	8.4%	3	8.0%	3
CBG	6.12%	5	6.78%	6	7.63%	4	7.1%	4	0.0%	-	0.0%	-
FBL	6.03%	6	6.79%	5	5.99%	6	6.4%	7	7.6%	5	7.0%	4
ZBL	5.15%	7	5.26%	8	5.36%	8	5.5%	8	5.8%	7	6.2%	6
SCB	5.07%	8	6.27%	7	5.37%	7	6.9%	5	7.4%	6	6.1%	7
ABG	4.58%	9	4.27%	10	3.81%	11	4.0%	12	4.4%	10	4.1%	10
CAL	4.12%	10	5.18%	9	4.07%	9	4.8%	9	5.4%	8	4.4%	9
FABL	3.85%	11	3.17%	13	2.48%	17	0.0%	-	2.3%	16	2.6%	17
ADB	3.58%	12	4.05%	11	3.94%	10	4.2%	11	4.4%	9	4.5%	8
GTB	3.44%	13	3.06%	14	2.76%	14	2.9%	15	2.8%	15	2.6%	15
UBA	2.94%	14	3.40%	12	2.63%	15	4.4%	10	3.6%	13	3.7%	11
SG-GH	2.59%	15	2.79%	15	3.21%	12	3.9%	13	3.7%	11	3.5%	12
RBL	2.50%	16	2.64%	16	2.55%	16	3.2%	14	3.7%	12	3.0%	14
UMB	2.18%	17	0.00%	-	2.09%	19	0.0%	-	0.0%	-	3.4%	13
PBL	2.07%	18	2.35%	17	2.27%	18	2.6%	16	3.0%	14	2.6%	16
OBL	1.62%	19	1.25%	18	1.09%	23	0.0%	-	0.0%	-	0.8%	22
BOA	1.27%	20	1.21%	19	1.11%	21	1.4%	17	1.3%	17	1.6%	18
FNB	1.17%	21	1.08%	20	1.10%	22	0.6%	19	0.3%	19	0.2%	26
FBN	1.00%	22	1.01%	21	1.12%	20	0.9%	18	0.8%	18	0.7%	23
TRB	0.00%	-	0.00%	-	0.00%	-	0.0%	-	0.0%	-	1.2%	19
NIB	0.00%	-	0.00%	-	2.95%	13	0.0%	-	0.0%	-	0.0%	-
BSIC	0.00%	-	0.00%	-	0.00%	-	0.0%	-	0.0%	-	0.9%	20
PRB	0.00%	-	0.00%	-	0.00%	-	0.0%	-	0.0%	-	0.9%	21
ECB	0.00%	-	0.00%	-	0.00%	-	0.0%	-	0.0%	-	0.5%	24
BOB	0.00%	-	0.00%	-	0.00%	-	0.0%	-	0.0%	-	0.3%	25
Industry	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

BitKE

Share of industry loans

Total industry loans and advances experienced a GH₵ 17.75 billion increase between 2021 and 2022 representing a growth of 35.9%. Notwithstanding the prudence in credit underwriting, this is the highest growth rate in the last six years.



Industry loans continue to be concentrated in the services, and commerce and finance sectors. These sectors make up 41% of total industry loans and advances with 24% and 17% respectively. The total loans and advances from these two sectors increased by GH₵ 6.61 billion.

Total Industry Loans & Advances - Sectoral analysis
(Billions of Ghana Cedis)

	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, forestry & fishing	1.11	1.24	1.56	1.12	2.22	1.93	1.61	2.58
Mining & quarrying	1.00	0.94	0.69	1.13	1.37	1.45	1.26	1.62
Manufacturing	2.81	2.68	2.94	3.16	3.18	5.08	5.96	7.71
Construction	2.66	2.73	2.16	2.21	1.30	3.34	3.53	4.90
Electricity, gas & water	3.96	3.80	2.06	1.89	2.39	3.97	3.48	4.98
Commerce & finance	6.97	7.48	6.46	7.56	7.63	8.22	10.07	11.68
Transport, storage & communication	1.20	2.60	2.18	1.46	3.22	5.07	4.75	6.35
Services	5.37	5.96	5.31	6.67	6.93	9.96	11.15	16.17
Miscellaneous	2.71	2.91	4.01	4.17	11.12	6.48	6.28	9.61
Housing	0.24	0.23	0.25	0.36	0.94	1.36	1.32	1.56
Total Industry Loans & Advances	**28.03**	**30.57**	**27.62**	**29.73**	**40.30**	**46.86**	**49.41**	**67.16**

EBG and SBG topped the market share ranking with 14.7% and 10.7% respectively. SBG overtook ABSA and moved from third place to second place in 2022. Market share of loans and advances for EBG increased by 0.2%. EBG witnessed a 61.1% growth in the value of its gross loans and advances. This increase demonstrates the Bank's efforts and strategies implemented to grow its loans portfolio.

ABSA took third place with a market share of 9.8%. GCB maintained its fourth place from the previous year with a market share of 9.5%.

The gross loans and advances for ABSA increased by 19.6% as the commerce & finance, services and miscellaneous sectors concentrated on aiding general trading and commercial activities.

CBG enhanced its place on the loans and advances market share by moving from the 14th position in 2021 to the 9th position in 2022 as part of its continuing endeavour to enhance its competitive position within the industry.

The services, commerce and finance sectors still remain the sectors receiving the highest proportion of loans and advances within the Ghanaian economy. Its market shares increased from 11.15% to 16.17% and 10.07% to 11.68% respectively.

Share of industry advances

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
EBG	14.7%	1	12.4%	1	11.7%	1	14.6%	1	15.4%	1	10.9%	1
SBG	10.7%	2	11.4%	3	10.4%	3	10.8%	3	9.6%	4	7.6%	4
ABSA	9.8%	3	11.7%	2	11.2%	2	11.8%	2	12.0%	2	10.5%	2
GCB	9.5%	4	9.9%	4	8.9%	4	10.4%	4	11.2%	3	9.4%	3
ADB	5.4%	5	5.0%	6	4.5%	8	4.0%	10	4.0%	11	4.6%	8
CAL	5.3%	6	4.9%	8	5.7%	6	8.0%	5	9.1%	5	7.5%	5
SG-GH	5.2%	7	5.5%	5	6.1%	5	7.3%	6	6.2%	6	5.7%	6
FBL	4.7%	8	5.0%	7	5.7%	7	6.7%	7	5.3%	7	4.2%	11
CBG	3.4%	9	2.9%	14	2.0%	17	0.6%	18	0.0%	-	0.0%	-
SCB	3.4%	10	4.2%	9	4.0%	10	4.9%	8	4.9%	8	5.6%	7
GTB	3.4%	11	3.6%	11	2.5%	15	1.6%	16	1.6%	16	1.6%	18
RBL	3.3%	12	3.8%	10	3.6%	11	3.9%	11	4.4%	9	3.3%	14
ZBL	3.1%	13	3.3%	13	2.5%	16	1.8%	15	2.7%	13	3.3%	15
PBL	2.8%	14	3.3%	12	4.1%	9	4.5%	9	4.1%	10	3.8%	12
ABG	2.7%	15	2.6%	15	2.7%	13	3.5%	12	3.0%	12	3.6%	13
UBA	2.6%	16	2.3%	16	2.6%	14	2.6%	13	2.4%	14	4.5%	9
FABL	2.5%	17	2.2%	17	1.4%	20	0.0%	-	1.4%	17	1.0%	20
UMB	1.9%	18	0.0%	-	3.6%	12	0.0%	-	0.0%	-	4.4%	10
BOA	1.7%	19	1.9%	18	1.8%	19	2.0%	14	2.1%	15	2.0%	17
FNB	1.6%	20	1.7%	19	1.8%	18	0.3%	19	0.3%	18	0.1%	26
OBL	1.1%	21	0.8%	21	0.7%	23	0.0%	-	0.0%	-	0.7%	21
FBN	0.9%	22	1.3%	20	1.3%	22	0.7%	17	0.3%	19	0.3%	25
TRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	3.1%	16
NIB	0.0%	-	0.0%	-	1.3%	21	0.0%	-	0.0%	-	0.0%	-
BSIC	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.1%	19
BOB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.6%	22
PRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.4%	23
ECB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.4%	24
Industry	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

BitKE

Share of industry operating assets

There was improvement in industry operating assets by 17.5% from GH₵159.4 in 2021 to GH₵187.2 in 2022. Loans and advances, other operating assets and cash assets were key drivers to the steady growth in operating assets in the current year: growing by 32%, 213% and 84.8%, respectively in 2022.

Composition of Industry Loans & Advances (%)	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, forestry & fishing	3.9%	4.1%	5.7%	3.8%	5.5%	4.1%	3.3%	3.8%
Mining & quarrying	3.6%	3.1%	2.5%	3.8%	3.4%	3.1%	2.6%	2.4%
Manufacturing	10.0%	8.8%	10.7%	10.6%	7.9%	10.8%	12.1%	11.5%
Construction	9.5%	8.9%	7.8%	7.4%	3.2%	7.1%	7.1%	7.3%
Electricity, gas & water	14.1%	12.4%	7.4%	6.4%	5.9%	8.5%	7.0%	7.4%
Commerce & finance	24.9%	24.5%	23.4%	25.4%	18.9%	17.5%	20.4%	17.4%
Transport, storage & communication	4.3%	8.5%	7.9%	4.9%	8.0%	10.8%	9.6%	9.5%
Services	19.2%	19.5%	19.2%	22.4%	17.2%	21.3%	22.6%	24.1%
Miscellaneous	9.60%	9.40%	14.5%	14.10%	27.70%	13.9%	12.60%	14.3%
Housing	0.9%	0.8%	0.9%	1.2%	2.3%	2.9%	2.7%	2.3%
Total Industry Loans & Advances	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Bank portfolio reallocation in favour of these assets as at year-end show that investments in treasury bills and other government securities continue to be the banks' preferred asset option.

EBG and GCB continue to lead the banking sector with regards to operating assets. Both banks have contributed to at least 20% of the operating assets in the sector over the previous years. EBG had a 20% increase in operating assets. An increase in loans and advances and new investments in bonds and bills totalling 18.4% and 35.0%, respectively, were the main drivers of this expansion. The Bank's cash holdings increased by 53%. The mobilisation of cash from customer deposits contributed to a 27.9% rise in liquid assets of GCB, which contributed to the Bank's operating assets.

SBG overtook ABSA to third position with a market share of 9.2%. ABSA was fourth with a market share of 8.3%. This was influenced by growth in SBG's cash assets, net loans and advances and other operating assets of 109.9%, 49.9% and 250% respectively. Customer deposit growth was the main driver of the rise in SBG's liquid and cash assets.

BitKE

Share of industry operating assets

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
EBG	12.3%	1	10.2%	2	10.6%	1	10.8%	1	12.0%	2	11.3%	2
GCB	10.2%	2	10.7%	1	10.3%	2	10.6%	2	12.1%	1	11.4%	1
SBG	9.2%	3	8.1%	4	8.6%	3	7.5%	5	7.0%	5	6.7%	5
ABSA	8.3%	4	9.4%	3	8.6%	4	10.3%	3	10.9%	3	7.9%	3
FBL	6.7%	5	8.0%	5	6.4%	6	9.2%	4	8.3%	4	7.1%	4
CBG	5.1%	6	6.5%	6	6.9%	5	6.0%	7	0.0%	-	0.0%	-
SCB	5.1%	7	5.9%	7	5.3%	8	6.4%	6	6.9%	6	6.0%	6
ABG	4.8%	8	4.3%	10	3.9%	10	4.0%	11	4.0%	11	4.0%	11
ZBL	4.6%	9	5.2%	9	5.5%	7	5.8%	9	6.6%	7	5.9%	7
CAL	4.2%	10	5.8%	8	5.3%	9	5.8%	8	6.0%	8	5.3%	8
ADB	3.7%	11	3.8%	11	3.8%	11	3.9%	12	4.2%	10	4.5%	9
GTB	3.3%	12	2.8%	14	2.7%	14	2.8%	15	2.7%	14	2.5%	16
SG-GH	3.3%	13	3.2%	12	3.4%	12	3.7%	13	3.8%	12	3.4%	13
UBA	3.1%	14	3.0%	13	2.7%	13	4.0%	10	4.3%	9	4.0%	10
FABL	2.7%	15	2.1%	17	2.0%	18	0.0%	-	2.0%	16	2.1%	17
RBL	2.6%	16	2.5%	16	2.5%	16	2.9%	14	3.4%	13	2.7%	15
PBL	2.5%	17	2.6%	15	2.7%	15	2.6%	16	2.6%	15	2.7%	14
UMB	1.9%	18	0.0%	-	2.0%	17	0.0%	-	0.0%	-	3.8%	12
BOA	1.8%	19	1.9%	18	1.4%	21	1.7%	17	1.4%	17	1.6%	19
OBL	1.5%	20	1.1%	21	0.9%	23	0.0%	-	0.0%	-	0.8%	22
FNB	1.5%	21	1.4%	19	1.6%	20	0.8%	19	0.7%	19	0.3%	26
FBN	1.4%	22	1.2%	20	1.3%	22	1.1%	18	1.2%	18	0.7%	23
PRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.8%	18
NIB	0.0%	-	0.0%	-	1.8%	19	0.0%	-	0.0%	-	0.0%	-
TRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.4%	20
BSIC	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.8%	21
BOB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.5%	24
ECB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.4%	25
TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.1%	27
Industry	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

Profitability and efficiency

BitKE

Profitability and efficiency

Profit Before Tax Margin

The banking industry has seen a positive trend in operating efficiency with profit before tax margin averaging 23% over the past five years. The impact of the DDEP however caused eighteen (18) of the participating banks to realise losses in 2022. A total of GH₵15.7 billion in DDEP impairment charges eroded profitability which resulted in an industry loss before tax of GH₵7.4 billion. Overall, the industry realised a loss before tax margin of 32.9% in 2022 compared to a profit before tax margin of 45.2% in 2021.

8 banks each recognised DDEP impairment in excess of GH₵1 billion accounting for 72% of the DDEP industry impairment charge.

The industry realised 31% growth in total income generated which increased from GH₵17.2 billion in 2021 to GH₵22.5 billion in 2022. The 8% industry decline in profit before tax margin between the comparative periods is as a result of a more than proportionate increase in expenses and impairment charges of 49% relative to total income generated during the year. Impairment charge on industry loans and advances, staff related expenses and other operational expenses totalled GH₵14.3 billion (2021: GH₵9.6 billion) and increased by 160%, 25% and 30% respectively in 2022.

The improvement in industry earnings was driven by interest income, trading income and fee and commission income which grew by GH₵3.1 billion, GH₵2.1 billion and GH₵601 million respectively, net of costs.

Increases in deposits primarily funded the investment activities of banks and expansion of their loan portfolios resulting in growth of GH₵3.1 billion in net interest income. The GH₵600 million growth in fee and commission income was driven by the increased volume of international transactions and the uptake of digital services by customers.

Dealing income from foreign currency trading to fund corporate and retail demand for both local and foreign transactions, as well as gains from pre-DDEP government securities trades contributed to the GH₵2.1 billion increase in net trading income.

Despite all 22 participating banks recording a decline in profit before tax margin in 2022, CBG, CAL, FNB, PBL and ZBL realised the most significant declines of 225%, 185%, 156%, 110% and 105% respectively. SG-GH, FBN, UBA, FAMBL and RBL had the least deterioration in profit before tax margin.

BitKE

Profit before tax margin

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
FBN	22.50%	1	50.90%	6	37.30%	13	38.90%	11	18.40%	15	25.80%	15
SG-GH	21.00%	2	44.30%	13	40.40%	10	34.70%	14	26.20%	11	32.90%	9
GTB	19.80%	3	73.60%	1	68.80%	1	61.30%	2	68.60%	1	55.40%	6
UBA	13.40%	4	48.70%	8	54.90%	5	71.50%	1	49.50%	3	60.10%	4
FABL	4.30%	5	39.90%	14	33.70%	14	0.00%	-	19.30%	14	20.30%	18
BOA	3.80%	6	46.50%	9	39.40%	11	41.30%	8	25.70%	12	27.30%	12
EBG	-1.80%	7	44.40%	12	42.80%	7	41.10%	10	38.40%	8	32.10%	10
SBG	-2.50%	8	49.30%	7	41.90%	8	42.20%	7	42.20%	7	45.90%	8
RBL	-5.30%	9	33.10%	16	23.60%	16	29.90%	15	17.40%	16	27.30%	13
GCB	-23.80%	10	33.90%	15	31.10%	15	36.10%	12	34.80%	10	27.60%	11
ABSA	-27.20%	11	64.60%	3	48.80%	6	58.10%	3	58.20%	2	62.00%	3
SCB	-31.70%	12	64.90%	2	65.60%	2	49.70%	6	45.70%	5	62.40%	2
FBL	-36.20%	13	45.60%	10	39.00%	12	35.60%	13	35.10%	9	25.90%	14
ABG	-38.30%	14	60.20%	4	60.90%	4	57.40%	4	20.80%	13	21.70%	17
ZBL	-52.90%	15	52.50%	5	63.80%	3	56.80%	5	49.40%	4	58.90%	5
ADB	-56.30%	16	19.70%	18	17.60%	17	4.20%	18	8.80%	17	11.60%	20
OBL	-61.70%	17	-12.70%	21	-83.30%	23	0.00%	-	0.00%	-	-36.00%	24
PBL	-79.80%	18	30.50%	17	15.90%	18	12.90%	17	7.90%	18	-9.70%	22
UMB	-86.70%	19	0.00%	-	12.20%	19	0.00%	-	0.00%	-	23.90%	16
CAL	-140.60%	20	44.60%	11	40.70%	9	41.20%	9	44.30%	6	46.70%	7
FNB	-160.10%	21	-4.10%	20	0.30%	22	3.80%	19	-75.90%	19	-82.80%	26
CBG	-211.90%	22	13.20%	19	12.20%	20	18.20%	16	0.00%	-	0.00%	-
BOB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	83.40%	1
NIB	0.00%	-	0.00%	-	7.00%	21	0.00%	-	0.00%	-	0.00%	-
BSIC	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	13.30%	19
ECB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	4.00%	21
PRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-25.90%	23
TRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-42.40%	25
TCB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-508.80%	27
Industry	-32.90%		45.20%		40.20%		41.60%		38.10%		36.40%	

BitKE

Net Interest Margin

The banking industry's net interest margin increased from 7.4% in 2021 to 7.9% in 2022.

Interest expense increased by GH₵2.8 billion as a result of increased deposits from customers, the revision of interest rates on bank's investments and savings products in response to rising rates during the year and interbank borrowings to fund short term needs of some banks for regulatory compliance on liquidity.

The risk assets created during the year generated over GH₵17.9 billion in interest income representing 33% growth between the comparative years. Interest earned on investments in government securities and loans and advances to customers contributed GH₵1.9 billion and GH₵3.8 billion to the growth in interest income.

EBG, GCB and UBA recorded the highest net interest margins of 11.3%, 10.6% and 9.3% respectively.

EBG recorded the highest growth in NIM from 8.9% in 2021 to 11.3% in 2022, with the second most significant percentage change of 2.4. This is explained by the increase in net interest income of GH₵962 thousand. The increase in net interest income is attributable to interest income from loans and advances moving from GH₵759 million in 2021 to GH₵1.4 billion in 2022. This is in line with the increase in gross loans and advances of GH₵3.2 billion indicating 60% growth rate and in addition, a rise in non-current assets of the bank by 41% in the current year.

GCB and UBA recorded 10.6% and 9.3% in NIM for 2022, ranking second and third on the industry chart respectively. Although GCB placed second on the industry ranking, the Bank recorded a marginal decrease from the 2021 rate of 11.2% to 10.6% in the current period, while UBA recorded an increase from previous year's rate of 7.2% to 9.3% in 2022. GCB's ranking for the year is explained by the increase in the Bank's interest expense from GH₵484 million to GH₵722 million in 2022, sustained by an increase in its net interest income of GH₵207 million. In addition, non-pledged trading assets and investment securities declined by 42% and 11% respectively. UBA recorded an increase in the year, which can be explained by an increase of GH₵837 million in the total assets of the Bank compensated by an increase in the net interest income from GH₵337 billion to GH₵536 million.

UMB recorded the lowest NIM of 3.7% in 2022 hereby ranking 22nd on the industry chart. However, it recorded the most significant percentage increase of 3.7% in 2022 from 0% in 2021. This could be attributed to an increase in total assets from GH₵3.9 billion to GH₵4.7 billion. Cash and cash equivalents of the Bank increased by 87%, indicating a higher liquidity. However, this increase was not compensated by a growth rate of the entity's net interest income, which reduced significantly from GH₵227 million to GH₵ 161 million, reflecting a 29% decline.

OBL recorded the second lowest NIM of 4.1% amongst the participating banks. Although the Bank recorded a significant increase in its net interest income of 99% and a 57% increase in its total assets as compared to 2021, the interest income generated by the Bank is low compared to the industry average.

BitKE

Net interest margin

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
EBG	11.3%	1	8.9%	3	9.1%	4	8.7%	7	8.8%	5	9.3%	13
GCB	10.6%	2	11.2%	1	10.8%	2	10.1%	1	9.6%	2	12.6%	3
UBA	9.3%	3	7.2%	14	7.4%	15	7.5%	12	10.5%	1	16.8%	1
SG-GH	8.7%	4	7.6%	6	8.5%	6	9.3%	4	8.9%	4	10.9%	8
FBN	8.6%	5	9.4%	2	9.7%	3	9.3%	3	5.6%	17	10.5%	10
ABSA	8.2%	6	7.6%	8	7.9%	10	7.6%	11	8.7%	6	11.1%	6
PBL	8.1%	7	8.2%	4	7.9%	11	6.6%	18	6.5%	16	8.6%	18
RBL	8.0%	8	7.3%	13	7.4%	16	7.1%	15	7.2%	14	8.5%	19
SCB	7.9%	9	7.1%	15	8.2%	7	8.8%	6	9.1%	3	11.6%	5
GTB	7.8%	10	7.5%	9	7.8%	13	9.7%	2	7.7%	11	8.9%	15
ZBL	7.7%	11	7.6%	7	7.9%	12	7.6%	10	8.3%	8	8.7%	16
BOA	7.2%	12	7.3%	12	8.8%	5	8.8%	5	7.3%	13	5.8%	25
SBG	7.1%	13	4.9%	19	5.6%	22	6.9%	16	8.1%	9	8.3%	20
FABL	6.8%	14	7.4%	11	6.4%	19	0.0%	-	4.8%	19	5.9%	24
FBL	6.6%	15	7.5%	10	8.1%	8	7.3%	14	8.1%	10	8.6%	17
ABG	6.1%	16	6.9%	16	7.1%	17	4.4%	19	6.5%	15	7.6%	21
CAL	6.1%	17	5.2%	18	7.0%	18	8.3%	9	8.6%	7	9.1%	14
ADB	6.1%	18	7.9%	5	8.1%	9	7.3%	13	7.4%	12	10.7%	9
CBG	5.8%	19	6.0%	17	6.1%	20	6.6%	17	0.0%	-	0.0%	-
FNB	4.3%	20	4.3%	20	5.7%	21	8.6%	8	4.8%	18	10.3%	11
OBL	4.1%	21	3.1%	21	1.7%	23	0.0%	-	0.0%	-	11.9%	4
UMB	3.7%	22	0.0%	-	11.4%	1	0.0%	-	0.0%	-	9.7%	12
BOB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	12.7%	2
NIB	0.0%	-	0.0%	-	7.4%	14	0.0%	-	0.0%	-	0.0%	-
TRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	11.0%	7
PRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	6.9%	22
BSIC	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	6.4%	23
ECB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	5.6%	26
TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	3.6%	27
Industry	7.9%		7.4%		7.9%		7.9%		8.0%		9.4%	

BitKE

Cost Income Ratio

The sustained surge in inflation which averaged 31.5%, other economic pressures and increased operational activities drove up operating expenses by 27% in 2022. However, improved returns on investment and trading activities of over 37% allowed the industry to record a marginal improvement in its cost to income ratio from 47% in 2021 to 46% in 2022. Overall, the GH₵5.4 billion growth in industry income was more than double the GH₵2.2 billion increase in operating expenses incurred.

Whereas the majority of banks recorded improvements in efficiency, with OBL and FBN realising the most significant improvements of 69% and 16%, the cost to income ratio worsened by 34%, 16% and 11% for FNB, ADB and CBG. GTB, ABSA, UBA and ABG however maintained their collective position as the top four (4) banks with the best cost to income ratios.

OBL was the most significantly improved bank in terms of efficiency, realising a 191% increase in total income relative to a 64% increase in operating expenses. Improvements in income earned was driven by all major revenue generating activities under interest income, fee and commission income and trading income. Upward salary adjustments in response to the high cost of living, increased staff numbers, impact of inflation and the deteriorating cedi on other operating expenses contributed to the 64% additional expenses incurred in 2022.

The additional costs incurred by banks in their efforts to ameliorate employees' standard of living relative to the rise in cost of living resulted in staff related costs accounting for 46% of the total increase in operating expenses.

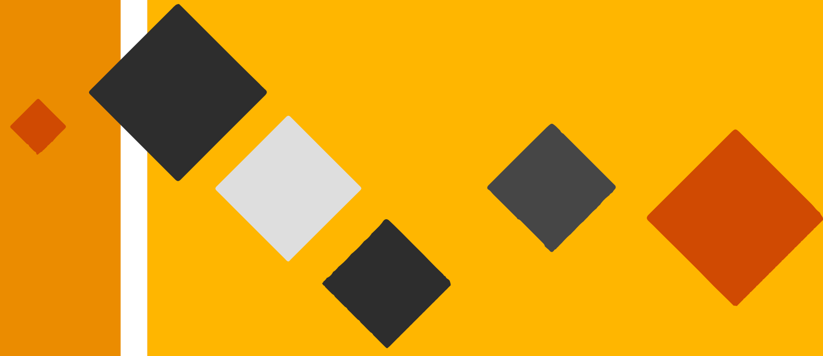
All things being equal, a reduced rate of inflation, stabilised currency and economy should enable the industry to recognise significant improvement in cost to income ratio in subsequent years.

BitKE

Cost Income Ratio

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
GTB	0.23	1	0.24	1	0.30	2	0.37	3	0.38	2	0.45	7
ABSA	0.24	2	0.30	3	0.41	6	0.37	2	0.38	3	0.36	3
UBA	0.27	3	0.30	4	0.30	3	0.27	1	0.28	1	0.33	2
ABG	0.28	4	0.27	2	0.36	5	0.49	10	0.52	8	0.63	12
FBN	0.31	5	0.47	10	0.55	13	0.49	8	0.80	17	0.72	17
SCB	0.36	6	0.36	5	0.28	1	0.39	4	0.40	4	0.38	4
ZBL	0.39	7	0.43	6	0.34	4	0.42	5	0.41	5	0.39	5
EBG	0.43	8	0.46	8	0.47	9	0.45	7	0.52	7	0.52	9
SG-GH	0.43	9	0.50	13	0.54	12	0.55	13	0.59	11	0.57	10
BOA	0.46	10	0.46	9	0.46	7	0.49	9	0.64	13	0.66	13
FBL	0.46	11	0.49	12	0.51	10	0.52	11	0.56	10	0.60	11
SBG	0.47	12	0.48	11	0.53	11	0.52	12	0.53	9	0.46	8
FABL	0.51	13	0.56	16	0.56	14	0.00	-	0.74	15	0.76	19
PBL	0.52	14	0.55	15	0.61	16	0.75	16	0.80	16	0.77	21
CAL	0.53	15	0.44	7	0.46	8	0.45	6	0.43	6	0.41	6
GCB	0.53	16	0.53	14	0.58	15	0.59	14	0.61	12	0.68	15
RBL	0.57	17	0.62	17	0.62	17	0.60	15	0.66	14	0.73	18
UMB	0.66	18	0.00	-	0.80	20	0.00	-	0.00	-	0.66	14
CBG	0.89	19	0.78	19	0.77	18	0.81	17	0.00	-	0.00	-
OBL	0.90	20	1.59	21	2.11	23	0.00	-	0.00	-	1.01	24
ADB	0.90	21	0.74	18	0.78	19	0.92	19	0.89	18	0.76	20
FNB	1.36	22	1.02	20	0.88	21	0.88	18	1.67	19	1.82	26
BOB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.14	1
NIB	0.00	-	0.00	-	1.02	22	0.00	-	0.00	-	0.00	-
TRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.70	16
BSIC	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.79	22
ECB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.81	23
PRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	1.05	25
TCB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	6.09	27
Industry	0.46		0.47		0.51		0.51		0.53		0.54	

Return to shareholder funds



Return to Shareholder funds

Return on assets

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
FBN	2.20%	1	3.80%	5	2.10%	15	2.80%	12	0.90%	16	2.10%	12
SG-GH	1.70%	2	3.40%	6	3.00%	9	2.90%	11	1.80%	12	3.20%	9
GTB	1.60%	3	6.30%	1	6.60%	1	6.40%	1	6.60%	1	4.70%	5
UBA	1.00%	4	2.60%	10	4.10%	5	4.20%	2	4.30%	3	7.40%	1
BOA	0.20%	5	2.30%	14	3.20%	8	3.20%	9	2.00%	11	1.80%	13
FABL	0.00%	6	2.50%	12	2.60%	14	0.00%	-	1.00%	15	1.20%	18
EBG	-0.10%	7	3.20%	7	3.40%	7	3.30%	8	3.20%	7	2.80%	10
SBG	-0.30%	8	2.90%	9	2.60%	13	3.00%	10	3.60%	4	4.10%	6
RBL	-1.30%	9	1.90%	17	1.40%	16	1.90%	15	1.30%	14	1.80%	14
ABSA	-2.50%	10	4.30%	2	3.80%	6	4.00%	3	4.30%	2	6.50%	3
GCB	-2.60%	11	3.00%	8	2.90%	10	3.40%	7	3.00%	8	2.20%	11
FBL	-2.80%	12	2.60%	11	2.70%	11	2.50%	13	2.30%	10	1.70%	15
SCB	-2.90%	13	4.30%	3	6.00%	2	3.70%	4	3.50%	5	5.90%	4
ABG	-3.40%	14	4.30%	4	4.10%	4	3.70%	5	1.40%	13	0.90%	19
OBL	-4.10%	15	-0.50%	21	-3.70%	23	0.00%	-	0.00%	-	-2.20%	24
ZBL	-4.30%	16	2.50%	13	4.20%	3	3.70%	6	3.30%	6	3.70%	7
ADB	-5.00%	17	1.30%	18	1.10%	17	0.30%	18	0.20%	18	0.70%	20
UMB	-5.50%	18	0.00%	-	0.70%	19	0.00%	-	0.00%	-	1.60%	16
PBL	-6.90%	19	2.00%	16	0.80%	18	0.80%	17	0.50%	17	-1.20%	23
CAL	-8.80%	20	2.10%	15	2.60%	12	2.50%	14	3.00%	9	3.40%	8
FNB	-11.10%	21	-0.20%	20	0.00%	21	0.30%	19	-5.40%	19	-10.20%	27
CBG	-14.20%	22	0.70%	19	0.50%	20	1.00%	16	0.00%	-	0.00%	-
BOB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	6.60%	2
NIB	0.00%	-	0.00%	-	-0.20%	22	0.00%	-	0.00%	-	0.00%	-
BSIC	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	1.20%	17
ECB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.20%	21
PRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-0.90%	22
TRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-4.00%	25
TCB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-9.20%	26
Industry	-2.90%		2.90%		2.80%		3.00%		2.90%		2.80%	

BitKE

Ghanaian banks continued to demonstrate their recovery from the negative impacts of COVID 19 by deploying their assets in ways that resulted in a significant increase in revenues compared to the last four years. The industry's total revenue has shown an average growth from 6.8% in 2018 to 32.7% in 2022. However, this impressive gain was diluted by the impact of the Government of Ghana's Domestic Debt Exchange Programme which led to significant impairment charges on the industry's financial assets with its resultant negative effect on profitability and return on assets (ROA). Consequently, for the first time since 2017, the industry recorded a negative ROA of 2.9%.

About half of the banks in the industry recorded ROA above the industry average with about only a quarter recording a positive ROA. Although FBN saw a decline in its ROA in 2022, it recorded the industry's highest ROA of 2.2% in the same year. FBN's performance is mainly attributable to the significant increase (11.4 times of 2021) in its net trading income resulting in a profit before tax margin of 51% compared to the industry average of 44%. The ROA of SG-GH declined from 3.4% in 2021 to 1.7% in 2022 due to a reduction in its profitability by 41% and a 21% increase in its total assets. Like FBN and SG-GH, GTB, UBA and BOA saw positive ROAs of 1.6%, 1.0% and 0.2% respectively in 2022 even though these were lower compared to the ROAs of 6.3%, 2.6% and 2.3% respectively recorded in 2021.

Although FABL for the first time since 2017 recorded an ROA above the industry average, it almost broke even in 2022 with an increased asset base of 60%. This is mainly attributable to its 32% growth in total income being eroded by the significant increase of over a thousand percent in impairment charges on its financial assets.

Like 2021, both OBL and FNB recorded negative ROA in 2022. The net loss position of these banks in 2022 deteriorated by 18 times and 82 times respectively of those recorded in 2021 with their total assets increasing by 57% and 24% respectively. The net loss position was significantly impacted by the increment in impairment charges and operating expenses which eroded all the gains from increased revenues. While impairment charges and operating expenses recorded respectively in 2022 increased by 320% and 190% of those recorded in 2021, total income for the year only increased by 191% and 16% respectively.

CBG recorded the lowest ROA in 2022 of negative 14.2% which was a reduction from the 0.7% recorded in 2021. This is explained by the 39% increase in operating expenses in 2022 and impairment charges which was 30 times the amount recorded in 2021. These increments far exceeded the increment in total income of 22% in 2022 resulting in the significant reduction in the Bank's ROA compared to 2021. CBG also recorded a 1% reduction in its asset base in 2022 compared to the 7.5 % increase in 2021.

In summary, the overall performance of the banking sector in 2022 was negatively impacted significantly by the DDEP. 59% of the banks recorded losses for the first time in many years hence negative ROAs. Overall, 77% of the banks recorded negative ROAs in 2022 resulting in a negative industry average ROA of 2.9%. All banks including the 23% that recorded positive ROAs in 2022 saw a decline in their ROAs. Notwithstanding the impact of the DDEP on the banks' performance, 55% of the banks achieved an ROA above the industry average.

BitKE

Return on equity

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
SG-GH	10.00%	1	17.90%	9	16.70%	11	16.00%	12	8.80%	12	17.40%	11
FBN	9.50%	2	12.50%	14	7.20%	18	7.40%	16	2.10%	17	9.20%	16
GTB	8.60%	3	25.80%	4	26.70%	2	26.40%	3	25.90%	2	26.30%	4
UBA	5.00%	4	12.50%	13	16.40%	12	22.70%	7	23.70%	6	40.00%	1
BOA	0.80%	5	10.30%	17	10.20%	14	10.90%	15	11.80%	11	12.70%	15
FABL	0.00%	6	16.30%	11	14.30%	13	0.00%	-	5.50%	15	8.60%	17
EBG	-1.30%	7	21.80%	7	22.40%	7	25.00%	5	25.70%	3	24.90%	5
SBG	-3.70%	8	20.70%	8	19.40%	9	20.70%	10	21.00%	9	23.50%	6
RBL	-10.10%	9	11.80%	15	8.50%	15	11.20%	14	7.50%	14	16.30%	13
ABSA	-20.10%	10	30.10%	1	24.20%	4	28.80%	2	29.10%	1	36.70%	2
SCB	-22.60%	11	26.60%	3	32.60%	1	24.20%	6	20.10%	10	30.80%	3
GCB	-30.10%	12	21.90%	6	21.40%	8	25.50%	4	24.40%	4	19.10%	10
ABG	-33.30%	13	23.60%	5	22.90%	6	21.60%	9	7.90%	13	6.30%	18
OBL	-34.40%	14	-2.40%	21	-49.20%	23	0.00%	-	0.00%	-	-14.30%	25
ZBL	-42.70%	15	14.20%	12	23.20%	5	22.00%	8	21.30%	7	23.10%	7
ADB	-56.40%	16	8.70%	19	7.70%	17	1.90%	18	0.90%	18	5.50%	20
FBL	-59.20%	17	27.50%	2	25.20%	3	29.80%	1	23.70%	5	16.90%	12
PBL	-96.80%	18	11.60%	16	5.10%	19	4.20%	17	3.30%	16	-11.10%	24
UMB	-122.10%	19	0.00%	-	4.90%	20	0.00%	-	0.00%	-	22.40%	8
FNB	-138.40%	20	-0.70%	20	0.10%	22	0.60%	19	-8.00%	19	-19.40%	26
CAL	-164.20%	21	17.10%	10	18.60%	10	18.10%	11	21.30%	8	22.40%	9
CBG*	211.20%	22	9.00%	18	8.20%	16	14.00%	13	0.00%	-	0.00%	-
BOB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	15.30%	14
NIB	0.00%	-	0.00%	-	1.20%	21	0.00%	-	0.00%	-	0.00%	-
BSIC	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	6.30%	19
ECB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	1.20%	21
TCB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-10.00%	22
PRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-10.10%	23
TRB	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-70.00%	27
Industry	-29.30%		19.20%		19.10%		20.00%		17.90%		19.70%	

BitKE

The banking industry has been consistently profitable recording an increase in profit margin from 25.8% in 2018 to 29.6% in 2021. This propelled the industry's ROE from 17.9% recorded in 2018 to 19.2% in 2021. There was however a deviation from this favourable trend in 2022 as the profitability of the industry was negatively impacted by the Government of Ghana's Domestic Debt Exchange Programme (DDEP). The DDEP resulted in over a thousand percent increase in impairment charges in 2022 compared to 2021 which led to the industry recording a loss for the first time since 2017 with its resultant effect on ROE. The industry recorded an ROE of negative 29.3% in 2022.

Half of the twenty-two banks surveyed recorded an ROE above the industry average of negative 29.3%. Furthermore, over 68% of the banks surveyed recorded negative ROEs. Amidst all the challenges posed by the DDEP, SG-GH recorded an impressive ROE of 10% in 2022 though this represents a decrease from the 17.9% recorded in 2021. Significant contributors to this performance in 2022 are the 30.8% and 134.7% increases in net interest income and net trading income respectively. The impact of these gains was however significantly reduced by the 752% increase in impairment charges in the same period resulting in a 41% decrease in profit.

BitKE

Although FBN, GTB, UBA, and BOA all recorded positive ROEs in 2022 which were also above the industry average, these respectively, represented declines of 24.2%, 66.7%, 60% and 91.9% in the ROEs recorded 2021. The reductions in ROEs are accounted for by the reduction in profit for the year due to significant increase in impairment charges and increases in shareholders' funds of these banks at year end 2022 compared to same period in 2021. For instance, whiles FBN, GTB and UBA respectively recorded reductions of 16.2%, 63.5% and 58% in profits for 2022, total shareholders' funds of the banks increased by 10.4%, 9.4% and 5.2% respectively.

Like 2021, EBG, SBG, ABSA and SCB continued to record ROEs above the industry average in 2022, though negative for SCB's in 2022. These banks recorded negative ROEs for the first time in many years. Though these banks showed steady growth in net interest income and fees and commission income of 53.9%, 60.4%, 24.9% and 44.6% respectively in 2022 compared to 2021, impairment charges on financial assets showed over 1700% percent increase thereby eroding all the gains and resulting is a reported loss negative ROE for the year.

About 45% of banks in the industry recorded ROEs below the industry benchmark with CAL recording the lowest of negative 164.2%. Like 2021, OBL and FNB continued to record negative ROEs. This situation resulted from the deterioration of the banks' profitability levels with profit margins reducing from negative 12.7% and negative 4.1% respectively in 2021 to negative 61.7% and negative 160.1% respectively in 2022. Though these two banks recorded considerable growth in their revenues in 2022 of 264% and 24.2% respectively compared to 2021, these were not enough compared to the respective increases of 317% and 190% in both operating expenses and impairment charges.

Despite making positive strides to grow its ROE over the last four years, CBG felt the impact of the DDEP the most, with impairment charges on financial assets increasing from about GH₵70.1 million in 2021 to about GH₵2.1 billion in 2022, resulting in the Bank to record the highest loss in the industry in 2022. The accumulated losses led the Bank into recording a negative total shareholders' funds, a situation rarely experienced in the industry. The resulting RoE from the current year loss and the negative shareholders' equity depicts the rather large ROE recorded by the Bank.

In summary, all banks in the industry suffered the negative impact of the DDEP in the form of significant reductions in profitability leading the industry to record a negative ROE for the first time in many years. Notwithstanding the challenges, the industry recorded some successes in 2022. About 23% of banks in the industry made a positive return on their shareholders' funds. In addition, 50% of the banks recorded ROEs above the industry's average compared to the 35% of the banks who achieved this in 2021.

Liquidity

BitKE

Liquidity

Liquid funds to total deposits

The stability and ability to meet financial obligations of banks heavily rely on their liquidity, but there has been a significant decrease in liquidity across the industry, raising concerns among stakeholders. The ratio of liquid funds to total deposits decreased by 16%, dropping from 93% in 2021 to 77% in 2022. This decrease is attributed to a 40% reduction in the industry's liquid funds, falling from GH 113.5 billion in 2021 to GH 68.4 billion in 2022. Additionally, deposits increased by 34%, rising from GH 121.8 billion to GH 163.7 billion during the same period, compared to a 12% increase in the previous year. The significant decline in liquid assets can be attributed to substantial impairment losses suffered by almost all banks as a result of the DDEP program introduced by the Government of Ghana.

Liquid funds/ total deposits

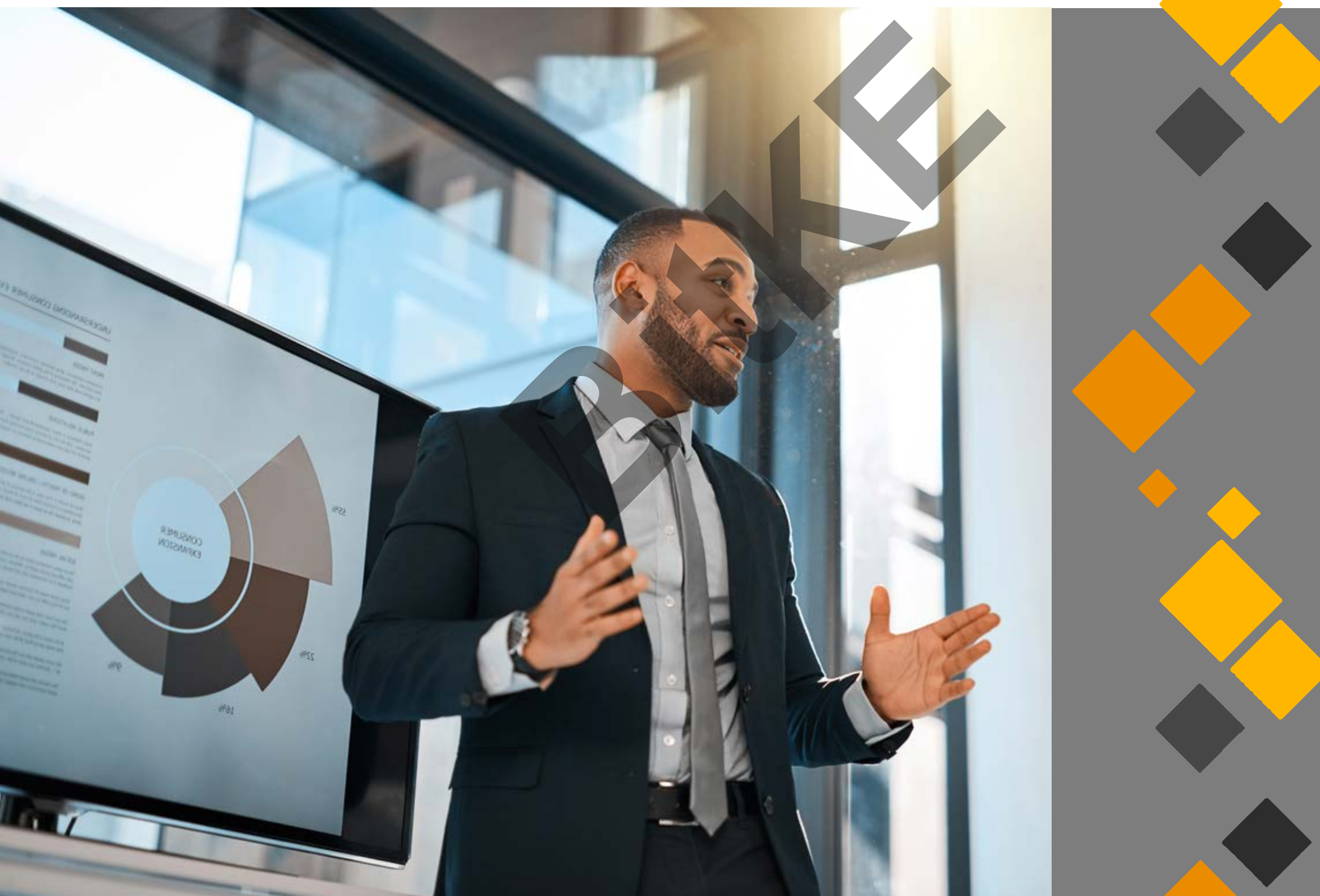
	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
FBN	1.31	1	1.00	9	0.98	7	1.32	3	1.78	2	1.10	5
BOA	1.04	2	1.40	1	0.95	10	1.05	7	0.74	14	0.79	19
ABG	0.97	3	1.10	5	1.02	5	0.94	10	0.93	9	0.87	11
FBL	0.95	4	1.27	2	0.98	8	1.46	2	1.17	5	1.03	6
FNB	0.90	5	1.14	4	1.16	1	1.65	1	2.81	1	1.89	3
SCB	0.90	6	0.99	10	0.95	9	0.93	11	0.98	8	0.86	14
UBA	0.89	7	0.92	11	0.93	11	0.97	9	1.33	4	0.87	12
PBL	0.88	8	0.90	13	0.79	15	0.59	17	0.57	19	0.70	21
ABSA	0.82	9	1.16	3	1.02	6	1.25	5	1.13	6	0.69	22
OBL	0.82	10	0.92	12	0.73	19	0.00	-	0.00	-	0.88	10
ZBL	0.81	11	1.07	8	1.12	2	1.26	4	1.34	3	0.96	7
CBG	0.75	12	1.09	7	1.04	4	1.10	6	0.00	-	0.00	-
GCB	0.75	13	0.90	14	0.87	13	0.79	14	0.80	12	0.85	15
GTB	0.75	14	0.76	16	0.90	12	1.03	8	1.05	7	0.96	8
SBG	0.71	15	0.68	20	0.74	18	0.58	18	0.66	17	0.83	17
CAL	0.70	16	1.10	6	1.07	3	0.89	12	0.77	13	0.79	18
RBL	0.69	17	0.71	19	0.70	20	0.69	15	0.72	15	0.66	23
UMB	0.67	18	0.00	-	0.54	23	0.00	-	0.00	-	0.86	13
SG-GH	0.66	19	0.76	17	0.62	21	0.45	19	0.65	18	0.53	26
EBG	0.64	20	0.73	18	0.74	17	0.59	16	0.71	16	0.76	20
ADB	0.63	21	0.77	15	0.79	14	0.83	13	0.89	10	0.84	16
FABL	0.58	22	0.62	21	0.77	16	0.00	1	0.88	11	0.89	9
TCB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	20.29	1
NIB	0.00	-	0.00	-	0.59	22	0.00	-	0.00	-	0.00	-
PRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	2.43	2
BOB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	1.34	4
ECB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.65	24
BSIC	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.60	25
TRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.41	27
Industry	0.77		0.93		0.88		0.89		0.91		0.84	

BitKE

FBN, with a remarkable ratio of 131%, stands out well above the industry's average by 54%. This exceptional growth is attributed to the bank's change in investment strategy from bonds to treasury bills. Government of Ghana treasury bills rose from GH₵64 million in 2021 to GH₵1.3 billion in 2022, whilst bonds reduced from GH₵831 million in 2021 to GH₵258 million in 2022. Over the past 5 years, FBN has consistently maintained a higher ratio of liquid funds to total deposits than the industry average suggesting that the bank follows a conservative strategy focused more on liquidity rather than the advancement of loans generally. With a 131% ratio of liquid funds to total deposits, the bank holds an excess of GH₵500 million in liquid assets over its total deposits.

BOA, ABG, FBL, FNB, SCB, UBA, ABSA, and ZBL also demonstrated resilient positions by maintaining liquidity to deposit levels above the industry's ratio of 77%. This consistent performance has been observed over the past four years, with BOA holding the highest ratio among the mentioned banks. In 2022, BOA had total liquid assets of GH₵2.2 billion compared to GH₵2 billion in 2021, indicating a sustained level of liquidity.

The other banks in this category, which also maintain liquidity to deposit levels above the industry ratio, have an average of GH₵3.7 billion in liquid assets, down from GH₵4.6 billion in 2021.



Liquid funds to total assets

The ratio of liquid funds to total assets of a bank is an important measure that indicates the percentage of a bank's total assets held in a readily available cash or near cash form. This ratio is used to evaluate the Bank's ability to meet its short-term obligations and assess its liquidity risk.

On an industry level, the liquid funds to total assets ratio has shown steady growth over the past five years. However, in 2022, there was a 6% decline in this ratio. This decline was caused by an overall decrease in borrowings, dropping by 16% from GH₵16.7 billion in 2021 to GH₵13.9 billion in 2022.

Liquid funds/ total assets

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
FBN	0.76	1	0.65	11	0.66	8	0.74	6	0.89	1	0.82	3
ABG	0.73	2	0.76	4	0.73	3	0.65	9	0.67	8	0.63	9
SCB	0.72	3	0.75	5	0.69	4	0.69	8	0.71	7	0.63	10
CBG	0.71	4	0.84	1	0.87	1	0.91	1	0.00	-	0.00	-
ZBL	0.70	5	0.77	3	0.81	2	0.85	2	0.83	2	0.72	8
OBL	0.69	6	0.70	7	0.63	11	0.00	-	0.00	-	0.62	12
UBA	0.69	7	0.71	6	0.68	7	0.77	4	0.79	4	0.61	14
FBL	0.68	8	0.78	2	0.69	5	0.73	7	0.75	6	0.76	4
GCB	0.63	9	0.68	9	0.68	6	0.62	10	0.63	11	0.62	13
BOA	0.59	10	0.65	10	0.55	19	0.57	13	0.47	16	0.52	22
GTB	0.59	11	0.56	17	0.66	9	0.75	5	0.76	5	0.75	7
SBG	0.58	12	0.55	18	0.59	17	0.45	17	0.48	15	0.56	18
PBL	0.57	13	0.59	15	0.49	21	0.39	18	0.42	18	0.47	25
FNB	0.57	14	0.61	12	0.59	16	0.82	3	0.81	3	0.75	6
RBL	0.56	15	0.54	19	0.53	20	0.53	14	0.55	13	0.54	19
EBG	0.55	16	0.60	14	0.60	13	0.49	15	0.53	14	0.60	16
ABSA	0.54	17	0.60	13	0.56	18	0.59	12	0.62	12	0.53	20
CAL	0.51	18	0.69	8	0.60	14	0.49	16	0.45	17	0.47	24
UMB	0.50	19	0.00	-	0.38	23	0.00	-	0.00	-	0.56	17
ADB	0.50	20	0.58	16	0.59	15	0.62	11	0.64	10	0.60	15
FABL	0.49	21	0.52	20	0.62	12	0.00	-	0.65	9	0.76	5
SG-GH	0.43	22	0.47	21	0.42	22	0.32	19	0.41	19	0.38	26
PRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.89	1
NIB	0.00	-	0.00	-	0.65	10	0.00	-	0.00	-	0.00	-
TCB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.86	2
BOB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.63	11
ECB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.52	21
BSIC	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.48	23
TRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.24	27
Industry	0.60		0.66		0.64		0.62		0.62		0.60	

Out of the 22 participating banks, 41% reported a liquid funds to total assets ratio above the industry average of 60%. FBN ranked first in this regard with a ratio of 76%, a significant improvement from its 11th position in 2021. This was primarily driven by a 32% increase in deposits from GH₵ 1.2 billion in 2021 to GH₵ 1.6 billion in 2022. The Bank's loan portfolio only a increased marginally This allowed funds to be deposited with the Bank of Ghana and invested in other liquid assets. Deposits with the Bank of Ghana grew by over 100%, from GH₵268 million in 2021 to GH₵595 million in 2022, while total investments in other liquid assets increased by 60%, from GH₵965 million in 2021 to GH₵1.5 billion in 2022.

This allowed funds to be deposited with the Bank of Ghana and invested in other liquid assets. Deposits with the Bank of Ghana grew by over 100%, from GH₵268 million in 2021 to GH₵595 million in 2022, while total investments in other liquid assets increased by 60%, from GH₵965 million in 2021 to GH₵1.5 billion in 2022.

Although some bans outperformed the industry average of 60% in terms of the liquid funds to total assets ratio, their performance decreased compared to the previous year (2021). ABG, SCB, CBG, ZBL, OBL, UBA, FBL, and GCB reported lower ratio 2022 as compared to their results in 2021.

These bans pursued loan expansion strategies to enhance profitability as the investment securities maret became risier and more volatile during the 2022 financial year. It is crucial for these bans to adopt enhanced and robust ris assessment policies, including thorough evaluations of borrowers' creditworthiness and the implementation of appropriate risk mitigation measures.

CBG, in an effort to increase profitability, experienced a significant decrease in its liquid assets to total assets ratio, dropping from% in 2021 to 71% in 2022. As a result, its loans and advances increased from GH₵1.3 billion in 2021 to GH₵2.1 billion, indicating an increase in its risk appetite.

Some banks reported a liquid funds to total assets ratio lower than the industry average of 60%. ABSA, CAL, UMB, and ADB had ratios below 55%. FABL and SG-GH consistently maintained significantly lower ratios than the industry average, with SG-GH's ratio consistently low over the past five years. This may be attributed to their aggressive investment in higher-risk assets in the form of loans and advances.

BitKE

Liquid funds to total interest bearing liabilities

Liquid funds/ total interest-bearing liabilities

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
FBN	1.29	1	0.99	2	0.96	3	1.28	2	1.78	2	1.10	4
UBA	0.89	2	0.92	6	0.93	4	0.97	6	1.00	5	0.77	12
ABG	0.87	3	0.95	4	0.92	5	0.79	10	0.83	9	0.76	13
SCB	0.87	4	0.93	5	0.91	6	0.86	7	0.92	6	0.84	10
OBL	0.80	5	0.87	8	0.69	18	0.00	-	0.00	-	0.75	14
ZBL	0.80	6	1.03	1	1.05	1	1.08	3	1.04	4	0.88	9
BOA	0.75	7	0.87	9	0.82	8	0.81	8	0.59	16	0.63	22
GTB	0.74	8	0.75	14	0.88	7	1.03	5	1.04	3	0.94	6
FBL	0.73	9	0.88	7	0.80	11	0.81	9	0.85	8	0.88	8
CBG	0.71	10	0.98	3	1.01	2	1.08	4	0.00	-	0.00	-
GCB	0.71	11	0.84	10	0.81	9	0.75	12	0.77	11	0.75	15
SBG	0.71	12	0.68	19	0.73	14	0.57	17	0.65	15	0.80	11
FNB	0.68	13	0.81	11	0.81	10	1.56	1	2.81	1	1.89	2
ABSA	0.68	14	0.76	13	0.73	15	0.73	13	0.76	12	0.69	18
RBL	0.68	15	0.68	18	0.67	19	0.65	14	0.67	14	0.64	21
EBG	0.64	16	0.73	15	0.74	13	0.58	15	0.70	13	0.74	16
PBL	0.63	17	0.73	16	0.60	20	0.49	18	0.52	19	0.55	25
FABL	0.58	18	0.62	21	0.77	12	0.00	-	0.88	7	0.89	7
SG-GH	0.57	19	0.65	20	0.56	22	0.43	19	0.56	17	0.51	26
CAL	0.56	20	0.80	12	0.71	16	0.57	16	0.54	18	0.58	24
ADB	0.56	21	0.70	17	0.71	17	0.76	11	0.80	10	0.71	17
UMB	0.55	22	0.00	-	0.47	23	0.00	-	0.00	-	0.66	19
TCB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	20.29	1
NIB	0.00	-	0.00	-	0.57	21	0.00	-	0.00	-	0.00	-
BOB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	1.12	3
PRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.97	5
ECB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.65	20
BSIC	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.60	23
TRB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.26	27
Industry	0.70		0.82		0.79		0.76		0.79		0.75	

BitKE

This ratio reflects the Bank's capacity to meet its interest-related liabilities using readily available funds. Over the past three years, the growth in liquidity relative to interest-bearing liabilities has been minimal, with an average annual growth rate of 3%. However, in the 2022 financial year, there was a significant drop in this ratio from 82% in 2021 to 70% in 2022. This decline can be attributed to increased deposits and a reduction in liquid assets, specifically money market securities, due to substantial impairments resulting from the Domestic Debt Exchange Program implemented by the Government of Ghana.

The interest-bearing liabilities mainly consist of short-term customer deposits, accounting for 91.6% of the total. These deposits increased by 35% from GH₵121.8 billion in 2021 to GH₵164.4 billion in 2022. Other interest-bearing liabilities, such as borrowings and lease liabilities, make up 7.8% and 0.6% respectively.

The decline in the ratio of liquid funds to total interest-bearing liabilities puts banks at a disadvantage when it comes to settling their interest-related obligations, both in the short-term and long-term. Insufficient liquidity can hinder banks' ability to manage day-to-day operations effectively, leading to difficulties in funding daily cash flows, meeting withdrawal requests from depositors, and fulfilling payment obligations promptly. This can have a negative impact on banks' operational efficiency, reputation, and relationships with customers and counterparties.

Twelve(12) banks demonstrated above-average performance with ratios exceeding 70%. ZBL, ABG, SCB, UBA, and FBN consistently displayed above-average performance over the past five years, with FBN topping the chart in the current year with a ratio of 129%. In 2021, it ranked second, behind ZBL, which led the chart with a ratio of 103%. All banks witnessed a significant decrease in their liquidity position relative to interest-bearing liabilities, except for FBN. However, UBA, ABG, SCB, ZBL, FBL, OBL, BOA, GTB, FBL, CBG, GCB, and SBG stood out by surpassing the industry average of 70%. This may indicate a strategic move by these banks to deploy their liquid funds into higher-yielding assets or investments to generate greater returns, considering the high volatility in the money market. This is supported by a general increase of over 25% in loan portfolios.

On the other hand, FNB, ABSA, RBL, EBG, PBL, FABL, SG-GH, CAL, and ADB were below the industry average of 70%. It may be that these banks might be expanding their range of assets by prioritising other interest-bearing assets to hopefully generate profits. However, this strategy comes with the trade-off of forgoing liquidity in favour of interest-bearing obligations. Considering the present economic conditions, which include the depreciation of the cedi, inflationary pressure, and Russia-Ukraine conflict, the banking industry is confronted with substantial business risks and uncertainties. Consequently, it is anticipated that most banks will uphold elevated levels of liquidity and exercise prudence in their lending approaches until tangible indications of significant economic recovery emerge.

BIIKE

Asset quality

BitKE

Asset quality

Loans and advances to customers

Bitké

The banking sector continued to bolster its earnings potential by adding GH₵27.8 billion to total operating assets. The 17% growth in total operating assets indicates that banks in Ghana are adequately resourced to withstand and recover from the shocks of Ghana's debt restructure and other economic pressures.

The industry had suffered a decline in the growth of its loans and advances portfolio (2021: GH₵3.6 billion, 2020: GH₵6.6 billion) due to the pandemic, post-pandemic effects and the conservative approach to lending, however this trend was reversed in 2022 with a GH₵17.8 billion increase in loans advanced to customers. The 36% increase indicates the belief of the banking sector in the economy despite the challenges.

Seven banks increased their gross loan portfolios in excess of GH₵1 billion each contributing 61% of the growth in industry gross loans and advances. EBG increased its gross loans and advances portfolio by GH₵33.2 billion and SBG and GCB increased their respective portfolios by GH₵1.6 billion each. UMB was the only bank to experience a decline in its gross loans advanced to customers.
Whereas some industries realised a decline in their portfolio sizes in 2021, there was growth in the portfolios of all industries in 2022 with commerce and finance and services industries contributing over 41% of the GH₵17.8 billion added to the industry gross loans and advances.

Although the industry has suffered some deterioration of existing credit facilities, the significant growth of the industry portfolio by GH₵17.8 billion and worsening of macroeconomic indicators also contributed to the increase in impairment charge to gross loans and impairment allowance to gross loans due to the recognition of credit losses which are estimated on a forward-looking basis. The 160% jump on impairment charge recognised on loans and advances resulted in impairment charge to gross loans almost doubling from 2.8% in 2021 to 5.4% in 2022 and the net increase of GH₵3 billion in impairment allowance resulted in impairment allowance to gross loans increasing from 7.8% to 10.5%. Overall, the decline in loans written off from GH₵1.03 billion in 2021 to GH₵623 million in 2022 gives a positive indication of the overall health and recoverability of the industry's loans and advances.

Impairment charge/gross loans and advances

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
SCB	-20.1%	1	-1.1%	1	1.5%	8	5.2%	17	6.7%	16	0.0%	3
FBN	-17.3%	2	2.4%	13	2.3%	13	5.5%	18	1.1%	4	2.4%	14
EBG	-0.6%	20	4.2%	16	3.6%	17	3.8%	15	3.0%	12	6.0%	23
CBG	-12.6%	3	1.6%	9	2.0%	10	2.1%	14	0.0%	-	0.0%	-
UMB	-10.7%	4	0.0%	-	2.1%	11	0.0%	-	0.0%	-	2.6%	15
CAL	-8.9%	5	4.3%	17	3.2%	16	0.0%	2	2.6%	8	2.7%	18
FBL	-8.7%	6	3.2%	14	4.4%	19	4.4%	16	3.7%	14	5.8%	22
ABSA	-7.5%	7	1.6%	8	2.7%	14	1.4%	8	1.0%	3	0.7%	5
UBA	-7.2%	8	8.6%	21	4.2%	18	0.5%	6	10.6%	19	2.7%	16
SBG	-5.6%	9	0.9%	4	1.2%	6	1.3%	7	1.4%	5	2.7%	17
SG-GH	-5.5%	10	1.1%	6	1.2%	7	0.0%	2	2.9%	11	2.4%	13
FNB	-5.0%	11	0.8%	3	2.2%	12	6.4%	19	4.9%	15	0.8%	7
PBL	-4.5%	12	3.7%	15	6.3%	23	2.0%	12	2.4%	7	6.3%	24
GCB	-3.9%	13	6.1%	19	5.1%	22	1.8%	11	1.8%	6	1.9%	12
RBL	-3.3%	14	1.0%	5	2.9%	15	2.1%	13	3.3%	13	0.0%	2
FABL	-3.2%	15	1.5%	7	-2.6%	2	0.0%	-	2.9%	10	1.9%	11
ABG	-2.7%	16	7.7%	20	1.7%	9	-1.8%	1	8.3%	18	4.3%	20
BOA	-2.0%	17	1.6%	10	4.5%	20	0.0%	2	2.6%	9	1.7%	10
SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
ZBL	-0.9%	19	2.3%	11	0.5%	4	1.5%	9	6.9%	17	0.9%	8
GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GTB	-0.6%	21	0.2%	2	0.7%	5	1.5%	10	-4.5%	1	-0.4%	1
ADB	-1.3%	18	2.3%	12	0.4%	3	0.0%	2	0.7%	2	3.3%	19
OBL / Capital	0.2%	22	4.6%	18	-6.4%	1	0.0%	-	0.0%	-	6.1%	25
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3
NIB	0.0%	-	0.0%	-	4.7%	21	0.0%	-	0.0%	-	0.0%	-
Beige / BOB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.7%	-6
GHL / BSIC	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.5%	-9
Apex / ECB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	4.7%	21
PRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	8.7%	26
TRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	10.8%	27
Industry	-5.4%		2.8%		2.7%		2.9%		3.0%		3.0%	

Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-

Impairment allowance/gross loans and advances

	2022	R	2021	R	2020	R	2019	R	2018	R	2017	R
GTB	0.9%	1	0.5%	1	0.4%	1	0.7%	5	1.6%	2	4.8%	6
BOA	3.1%	2	2.7%	3	3.8%	6	0.0%	1	1.0%	1	1.3%	3
ABG	3.9%	3	14.8%	18	11.5%	18	9.9%	17	17.9%	17	7.7%	12
PBL	4.5%	4	3.7%	6	10.3%	17	2.4%	8	7.6%	7	13.7%	19
ZBL	4.6%	5	4.6%	10	3.3%	5	4.8%	12	10.7%	12	6.1%	8
FABL	6.1%	6	4.4%	9	4.8%	10	0.0%	-	7.8%	8	8.4%	14
EBG	6.2%	7	8.5%	14	6.2%	11	5.7%	13	3.9%	4	7.4%	10
FBL	6.5%	8	4.9%	11	2.4%	2	2.3%	7	12.2%	14	16.3%	22
FNB	7.7%	9	3.2%	4	2.6%	4	4.3%	11	8.7%	10	1.1%	2
SBG	8.4%	10	3.8%	7	4.2%	8	4.1%	10	5.4%	5	5.4%	7
RBL	8.7%	11	7.6%	13	9.7%	15	8.6%	16	9.8%	11	14.8%	21
UBA	10.0%	12	9.0%	16	23.7%	21	23.0%	19	31.1%	19	13.8%	20
ABSA	10.7%	13	4.3%	8	4.4%	9	3.3%	9	3.3%	3	3.3%	5
OBL	13.1%	14	21.2%	21	27.6%	22	0.0%	-	0.0%	-	12.6%	17
ADB	13.6%	15	16.9%	20	17.5%	20	0.0%	1	28.5%	18	23.6%	27
CBG	14.4%	16	3.2%	5	2.5%	3	2.1%	6	0.0%	-	0.0%	-
SG-GH	14.6%	17	10.7%	17	9.3%	14	0.0%	1	15.3%	16	13.6%	18
CAL	14.7%	18	8.7%	15	9.1%	12	0.0%	1	6.7%	6	7.7%	11
FBN	15.8%	19	2.0%	2	3.8%	7	7.3%	14	7.9%	9	7.9%	13
GCB	17.8%	20	15.3%	19	14.9%	19	10.6%	18	10.9%	13	10.2%	15
SCB	18.5%	21	7.4%	12	9.8%	16	7.3%	15	12.9%	15	20.5%	25
UMB	19.9%	22	0.0%	1	9.1%	13	0.0%	-	0.0%	-	6.9%	9
TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1
NIB	0.0%	1	0.0%	1	59.0%	23	0.0%	-	0.0%	-	0.0%	-
BOB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.4%	4
BSIC	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	11.6%	16
TRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	17.7%	23
ECB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	18.4%	24
PRB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	21.9%	26
GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	10.5%		7.8%		9.9%		9.5%		9.8%		10.7%	
Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-

BitKE

Investments in government securities

Investors had long believed in the creditworthiness of securities issued by the Government of Ghana and banks in Ghana were no different as evidenced by the 30% growth in the industry's exposure to investment securities up until 2021 and insignificant provisioning for the associated credit losses which were expected due to the sovereign and near risk-free status of government securities up until the DDEP.

The domestic debt exchange, coupled with the downgrade of the Government of Ghana's credit rating by rating agencies and gloomy economic outlook driven by worsening macroeconomic indicators swung the industry into an unprecedented loss and resulted in the erosion of the industry's asset base by GH₵15.7 billion through the recognition of impairment charges on government securities.

Banks responded in different ways to the developments within the securities market with some reassessing their business models whilst others limited their exposures in their trading and banking books. Without accounting for losses incurred on the securities maintained in the trading books of banks, impairment charges resulted in the erosion of industry profitability by an average of 190% and investment securities by 19%.

72% of the impairment charge recorded is attributable to 8 banks who accounted for 67% the industry exposure. Although GCB, CBG, EBG and ABSA had the highest impairment charges of GH₵1.81 billion, GH₵1.77 billion, GH₵1.62 billion and GH₵1.61 billion respectively, the banks most impacted by impairment charge as a proportion of their investment securities portfolio were CAL, PBL, ZBL and FNB with 29%, 27%, 25% and 24% respectively.

With the terms for the restructure of dollar denominated securities yet to be finalised, it will be interesting to assess the adequacy of the credit losses estimated by banks once the terms are finalised for exchange.

BitKE

Impairment charge/ investment securities		
FBN	6%	1
SG-GH	7%	2
BOA	10%	3
FAMBL	10%	4
OBL	10%	5
UBA	10%	6
RBL	14%	7
FBL	15%	8
SCB	15%	9
GCB	17%	10
EBG	17%	11
GTB	18%	12
SBG	20%	13
UMB	22%	14
ADB	22%	15
ABG	22%	16
CBG	22%	17
ABSA	23%	18
FNB	24%	19
ZBL	25%	20
PBL	27%	21
CAL	29%	22
Industry	19%	

Banks in Ghana

The banks operating or issued with universal banking license as at December 2022 are presented in the table below.

Bank	Year bank commenced business	Majority ownership	Number of branches/locations
1 Absa Bank Ghana Limited	1917	Foreign	95
2 Access Bank (Ghana) Plc	2009	Foreign	53
3 Agricultural Development Bank Plc	1965	Local	82
4 Bank of Africa Ghana Limited	1997	Foreign	26
5 CALBank Plc	1990	Local	32
6 Consolidated Bank (Ghana) Limited	2018	Local	113
7 Ecobank Ghana Plc	1990	Foreign	67
8 FBNBank Ghana Limited	1996	Foreign	21
9 First National Bank Ghana Limited	2015	Foreign	11
10 Fidelity Bank Ghana Limited	2006	Local	73
11 First Atlantic Bank Limited	1994	Foreign	35
12 GCB Bank Plc	1953	Local	196
13 Guaranty Trust Bank (Ghana) Limited	2004	Foreign	34
14 National Investment Bank Limited	1963	Local	51
15 OmniBSIC Bank Ghana Limited	2019	Local	42
16 Prudential Bank Ltd	1993	Local	44
17 Republic Bank (Ghana) Plc	1990	Foreign	42
18 Société Générale Ghana Plc	1975	Foreign	49
19 Stanbic Bank Ghana LTD	1999	Foreign	40
20 Standard Chartered Bank Ghana Plc	1896	Foreign	23
21 United Bank for Africa (Ghana) Limited	2005	Foreign	30
22 Universal Merchant Bank Limited	1972	Local	37
23 Zenith Bank (Ghana) Ltd	2005	Foreign	40

BitKE

Glossary of key financial, terms, equations and ratios

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

BitKE

Glossary of key financial, terms, equations and ratios

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

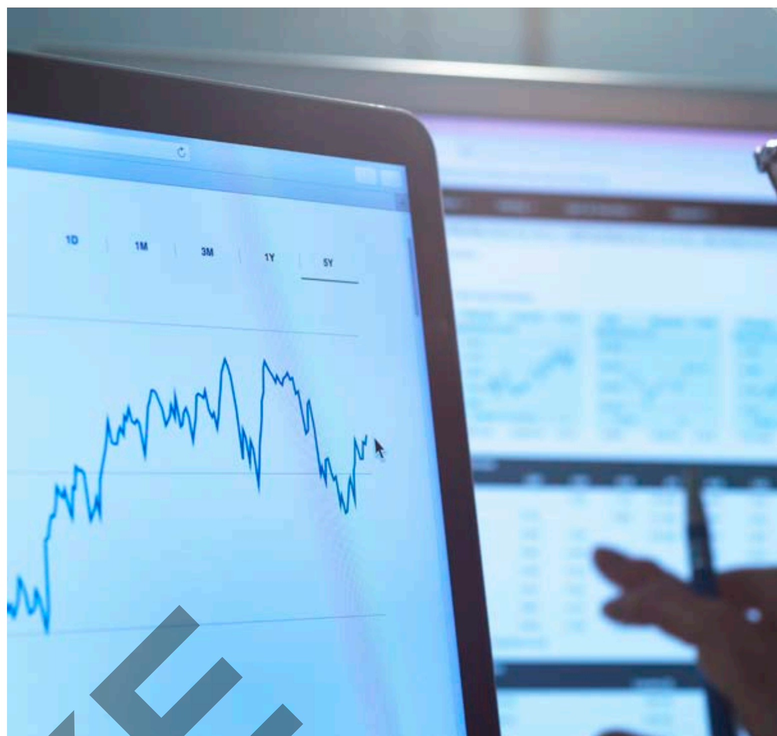
Non-interest operating revenue
Includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service charges

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



BitKE

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

Abbreviations

ABG	Access Bank Ghana Plc
ABSA	ABSA Bank Ghana Limited
ADB	Agricultural Development Bank PLC
AML	Anti-money Laundering
BBGL	Barclays Bank Ghana Limited
BCM	Banking and Capital Markets
BOA	Bank of Africa Ghana LTD
BOB	Bank of Baroda Ghana Limited
BoG	Bank of Ghana
BSIC	Sahel Sahara Bank Ghana Limited
CAL	CalBank Plc
CAR	Capital Adequacy Ratio
CBG	Consolidated Bank Ghana Limited
CSP	Country Senior Partner
DDEP	Domestic Debt Exchange Programme
EBG	Ecobank Ghana Plc
ECB	Energy Commercial Bank Limited
ECF	Extended Credit Facility
EUR	Euro
FABL	First Atlantic Bank Limited
FBL	Fidelity Bank Ghana Limited
FBN	First Bank of Nigeria Limited
FDI	Foreign direct investment
FNB	First National Bank Ghana Limited
FX	Foreign Exchange
GAB	Ghana Association of Banks
GBP	Great Britain Pound
GCB	GCB Bank Plc
GDP	Gross Domestic Product
GFSF	Ghana Financial Stability Fund
GHL	GHL Bank Limited
GH₵	Ghana Cedi
GNB	GN Bank Limited
GRA	Ghana Revenue Authority
GTB	Guaranty Trust Bank (Ghana) Ltd
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
KYC	Know Your Customer
LCY	Local currency
LTFC	long-term foreign currency
LTLC	Long-term local currency
MoF	Ministry of Finance
MPR	Monetary Policy Rate
NIB	National Investment Bank Limited
NIM	Net Interest Margin
NPL	Non-Performing Loans
OBL	Omni Bsic Bank Ghana Limited
PBL	Prudential Bank LTD
PBT	Profit Before Tax
PBG	Premium Bank Ghana Limited
RBL	Republic Bank Ghana PLC
RFI	Regulated Financial Institutions
ROA	Return on Assets
ROE	Return on Equity
SBG	Stanbic Bank Ghana LTD
SBL	Sovereign Bank Limited
SCB	Standard Chartered Bank Ghana Plc
SG-GH	Société General Ghana PLC
SME	Small and Medium-sized Enterprise
SOE	State Owned Enterprises
TCB	The Construction Bank (Gh) Limited
TRB	The Royal Bank Limited
T-bills	Treasury Bills
UBA	United Bank for Africa (Ghana) Limited
UN	United Nations
UBL	UniBank Ghana Limited
UMB	Universal Merchant Bank Limited
US	United States
VAT	Value Added Tax
ZBL	Zenith Bank (Ghana) LTD

BitKE

Our Business School

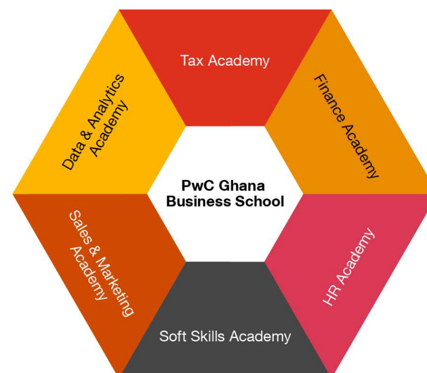
The PwC Ghana Business School is dedicated to empowering communities by providing an avenue for organisations and their people to receive the right training for continuous development purposes and to ensure that they are well equipped to perform their tasks. With the growth of emerging markets and the debut of new thought leadership ideas unto the global landscape, PwC Ghana Business School is tactfully positioned to leverage opportunities to build capacity across different industries. We provide expert support in delivering customised training services that enable our clients to fill skills gaps within their operations to meet their goals.

“Practical, Results-focused and Quality Delivery” are the pillars on which our training methodology is built using a combination of scenario-based learning, case studies, worked examples, group discussions and tested principles, our approach makes training content easier to understand for our participants. The approach offers a good balance of theory and practice, making it easy for participants to apply the concepts in their day-to-day tasks after the training. We demonstrate quality through our carefully thought-out learning structure, right from content development to facilitator selection.

At PwC, we take pride in making a difference in the lives of our clients and staff. As such, we focus on transfer of knowledge and skills to our clients. To achieve this, we use the client interests as a yardstick for all training decisions relating to contents and delivery. Thus, our trainings are always preceded by needs assessment to highlight specific training requirement we need to address by which no two trainings are the same even when the topics appear the same. We do this in both in-person and online sessions and have conducted training session in Ghana, Nigeria, Liberia, Sierra Leone, and the Gambia.

We operate the business school through the ‘Academy System’. The academies function to deliver training along the areas of our core competency and other areas we have developed expertise in over the years, based on our experience and dedication to continuous professional development of our clients. Training through the academy system has also helped us develop unique adult learning principles that support people to upgrade competencies in an easy and fun manner.

For more information on the Business School please visit our website
http://www.pwc.com/gh/en/business-school.html



BitKE

Our Leadership

Vish Ashiagbor
Country Senior Partner
vish.ashiagbor@pwc.com

George Arhin
Leader, Assurance
george.arhin@pwc.com

Ayesha Bedwei Ibe
Leader, Tax
ayesha.a.bedwei@pwc.com

Eric Nipah
Leader, Advisory
eric.nipah@pwc.com

Maxwell Darkwa
Partner, Assurance
maxwell.darkwa@pwc.com

Michael Asiedu Antwi
Partner, Assurance
michael.asiedu-antwi@pwc.com

Nelson B. Opoku
Partner, Internal Firm Services
nelson.b.opoku@pwc.com

Edward Eyram Gomado
Partner, Assurance
edward.gomado@pwc.com

Abeku Gyan-Quansah
Partner, Tax
abeku.gyan-quansah@pwc.com

Hayfron Aboagye
Partner, Assurance
hayfron.aboagye@pwc.com

Kingsley Owusu-Ewli
Partner, Tax
kingsley.owusu-ewli@pwc.com

Richard Ansong
Partner, Assurance
richard.ansong@pwc.com

Kingsford Arthur
Partner, Advisory
kingsford.arthur@pwc.com

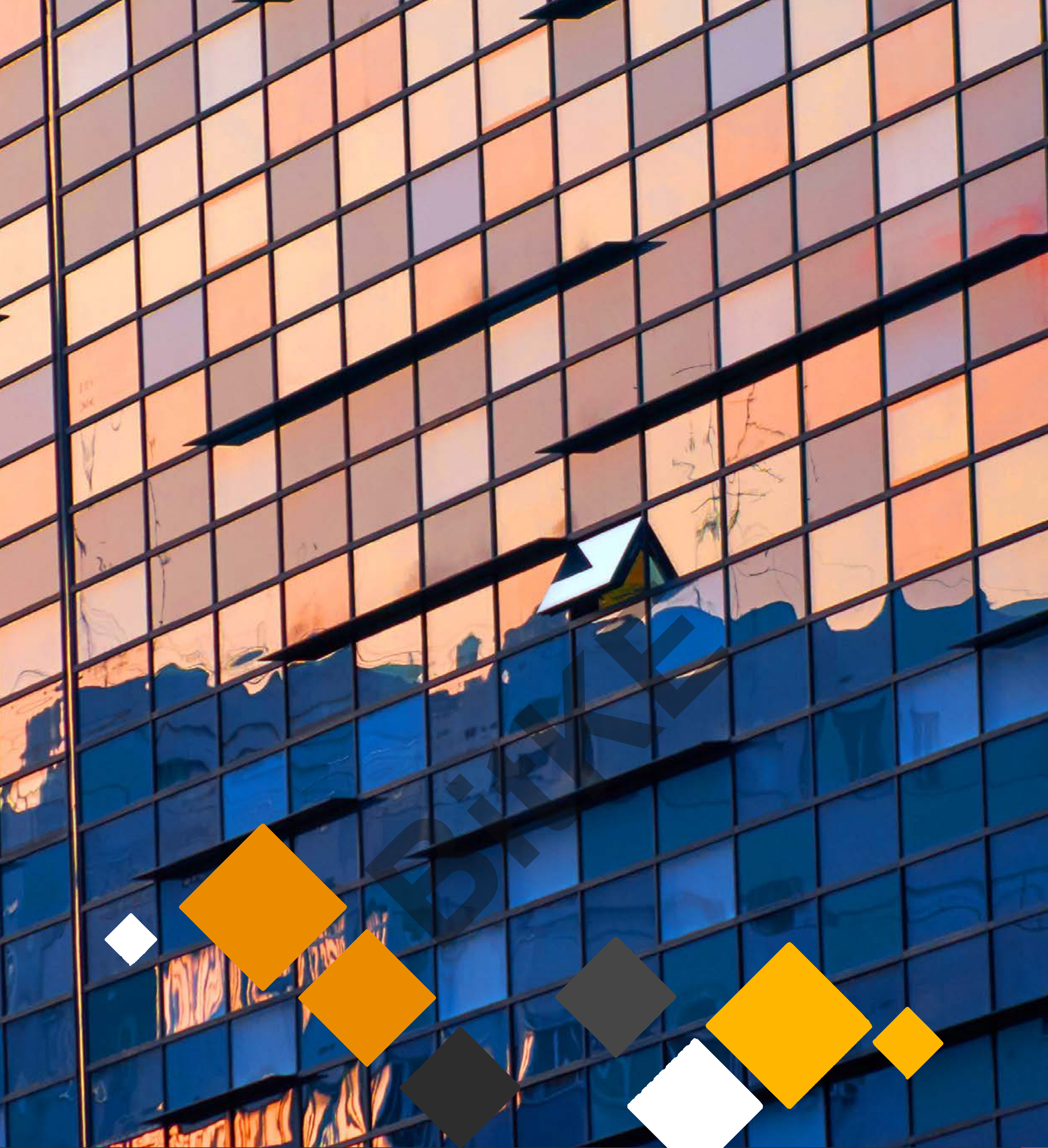
Lydia Pwadura
Partner, Tax
lydia.p.pwadura@pwc.com

Dzidzedze Fiadjoe
Partner, Tax
dzidzedze.fiadjoe@pwc.com

Destiny Attatsitsey
Partner, Assurance
destiny.s.attatsitsey@pwc.com

Prince Adufutse
Partner, Assurance
prince.adufutse@pwc.com

BitKE



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2023 PricewaterhouseCoopers (Ghana) LTD. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers (Ghana) Limited which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. Please see www.pwc.com/structure for further details.