August 2020

The new normal: Banks' response to COVID-19

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CSP's Message

Background

There is no doubt that the COVID-19 pandemic has somewhat transformed the world's way of life.

In many ways, the world's future – as previously envisaged or forecasted, which most analysts expected to manifest in 2025, 2030, and in some cases 2050 – has become (or is fast becoming) our present; what many are calling the "new normal".

The novel Coronavirus has impacted every facet of our lives; healthcare, education, trade and commerce, hospitality, banking and financial services, government services etc.

In most cases, the world had not fully passed the future-proof readiness test at first instance. In its recovery and seeking to return life to normalcy, the world has reduced physical contact among humans and retreated into a virtual world. Now, more than ever in the world's history, there is almost no process or service that can be completely executed without leveraging a digital platform, and banking is no different.

An overview of the industry at the height of the COVID-19 pandemic

In Ghana, at the early stages of the pandemic in March 2020, the government outlined measures to restrict movement and reduce non-essential physical contact between persons. The aim was to accelerate a "flattening of the curve", delay and lower the peak of the case incidences. The "stay at home" and physical distancing directives, as well as the lockdown are all specific examples of these measures.

Bank of Ghana (BoG) issued its own instructions to banks to take steps to reduce the risk that they pose as vectors for the spread of COVID-19. The regulator asked banks to ensure that bank-owned and bank-operated interfaces that customers interact with physically (e.g. banking halls, ATMs, money counting machines, etc.) are sanitised frequently. Additionally, concerned about the potential setback to the economy, the regulator implemented measures meant to enhance banks' ability to respond to the needs of their clients and to support the economy in general. These measures involved cuts to the Monetary Policy Rate (by 150 basis points) from 16% to 14.5% and the Primary Reserve Requirement (by 200 basis points) from 10% to 8%. The market took a cue and, by the end of June, interest rates for interbank, government securities, and bank lending had all fallen by various degrees. Still, it is reported that credit advanced by banks to both the private and public sector had fallen by the end of July 2020 – both demand for and supply of loans had dropped in the face of the pandemic-driven economic uncertainty.

In response to the regulator's directives, and also driven by their own sense of survival and growth, banks operating in Ghana activated their respective business continuity plans. These plans sought to ensure that banks continue to provide services to their customers while keeping their staff safe. Among others, banks' opening hours were varied and customer traffic in banking halls was controlled. But, invariably and to varying degrees, banks migrated aspects of service delivery to online or digital platforms.

Focus of our 2020 banking survey

Though "digital" had already gained heightened attention as a critical component of business and operating models in many industries, banking included, banks in Ghana needed to speedily ramp up the role of digital in their daily interactions with customers to be compliant and competitive.

Naturally, we are curious to learn how banks fared with this speedy "digital migration", as we believe there are lessons to be learnt for the benefit of many stakeholders in the industry. We also seek to explore the reviews banks in Ghana are considering to their operating models in a post-pandemic era.

Consequently, PwC's banking survey this year seeks an answer to the question "**How do banks in Ghana intend to operate after COVID-19?**". We asked banks to share their experiences and plans across different areas, including regulations, industry play or competition, the role or function of the head office, technology and cyber security. We also asked banks questions relating to delivery channels and business continuity. The findings from the survey make very interesting reading.

Highlights of our key survey findings

Feedback from the survey is not suggestive of a total transformation of Ghana's banking sector. For instance, it is not likely that observers would see a bank in the immediate years that follow recovery from the pandemic and wonder "is that really a bank?". Still, from the responses given by bank executives, there are indications of remarkable progress along the digital journey. For now, it seems that focus is on service delivery channels and back-office systems with an emphasis on creating – especially for the latter – an environment that supports remote working by staff.

We expect that details of how this progress is achieved will evolve with time, as different banks select different tracks in their pursuit to become "a digital bank". A few banks that participated in the survey suggest that their evolution into a digital bank will be organic – that they will acquire the relevant infrastructure and equipment, recruit qualified IT personnel and train their current teams.

The majority of banks represented in the survey (62%) favour collaborations with Fintech companies as a way of leapfrogging up the digital ladder. They hold the view that partnerships with Fintechs would propel the banking industry more quickly to the state where digitised service delivery is commonplace across the industry.

In the case of service delivery channels, banks expect to migrate more of their customer interactions that currently occur at their brick and mortar addresses to mobile platforms. Indeed, this would not be a novel practice in the industry, as a good number of banks operating in Ghana already have robust digital channels that enable their customers to conduct a range of banking transactions on a 24/7 basis. Still, there are some banks that have not sufficiently leveraged the power of digital as part of their business model.

Along with plans to deepen the role of digital in channels, banks have also signalled intentions to innovate around product and service delivery using digital tools. Of especial importance for banks is how to mobilise customer deposits digitally. Deposit mobilisation is one area that caused banks worry at the height of the movement restrictions; ~69% of survey respondents reported that they are already exploring digital solutions for – among others – cheque and cash deposits. The pandemic has underscored the declining role of brick and mortar in banking. For instance, ~69% of survey respondents noted that customers reduced their in-person patronage of bank services, while an equal percentage reported increased traffic on their digital and electronic touchpoints. In some cases, banks reported >200% growth in traffic volumes on their digital channels.

Away from customer-facing systems, banks have expressed their willingness to incorporate remote working into their work practices. In response to the government's and regulator's directives on ensuring a safe working environment for their staff, most banks implemented a shift/ rotational system. Less than the full complement of staff at head office and branches were required to physically report to their regular places of work on any given day, and for shorter periods too. Though this was rather unusual for most banks, feedback must have been good, as a majority of survey respondents (69%) indicated that their banks intend to maintain remote working as an option available to staff based on their job descriptions.

To be able to achieve the above described targets in the digital bank agenda, banks must invest in technology, partnerships and training. Survey respondents noted that some banks have already made (or plan) investments to expand capacity in technology infrastructure to ensure that service is not disrupted in a manner that creates a poor experience for their customers. Similar investments in technology have been made (or are planned) to ensure that staff can work effectively away from their offices.

Along with remote working, banks expect to increase the role of bots in the service delivery value chain. Some banks expect this digital progression to result in reduced staffing. Employees that remain are expected to acquire new skills that make them aware of, and therefore able to reduce exposure to the increased cybersecurity risks that remote working and digital service delivery present banks with.

Finally, some banks have expressed more willingness now to explore various forms of partnerships with Fintech companies, acknowledging that they potentially stand to gain more rather than lose by collaborating rather than competing.

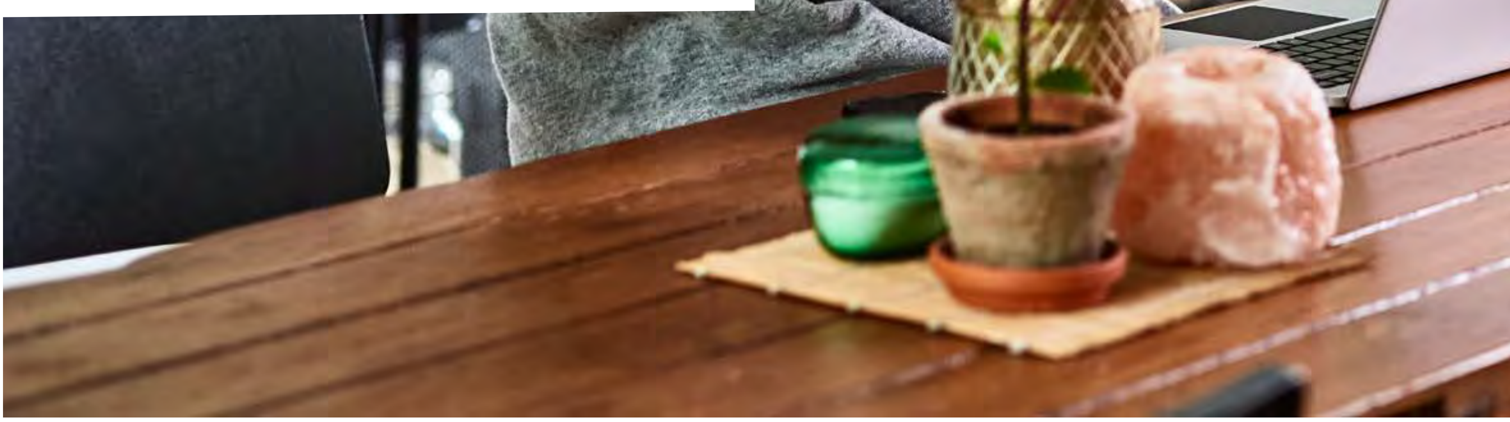
Conclusion

As a key stakeholder of the Ghana banking industry, we have been closely observing how the industry has responded to the COVID-19 pandemic. We are prompted to reflect on the theme of our 2015 Ghana Banking Survey; Bank of the Future: what customers want to experience by 2020. In that survey, almost 1,000 bank customers shared their service and experience priorities around banks' services. They also communicated their views of banks' readiness to deliver on those experience priorities. At that time, there were significant gaps in banks' readiness and ability to meet these customer expectations.

Indeed, if the industry had taken a cue from the published findings of that survey – some banks did! – banks would have been better prepared for the COVID-19 pandemic. There would have been fewer challenges engaging with customers via digital platforms. Indeed, most banks would have been concluding execution of their first medium-to-long term digital strategic plans, or on the threshold of refreshing them.

Without doubt, the pandemic has taught the industry some useful lessons. It is our hope that banks, in implementing the changes that they refer to in their survey responses, will work with credible partners that will make the journey less painful for them and for their stakeholders, including their shareholders whose value at risk they must protect. Our Financial Services Industry Group has experienced resources that can engage with you and guide you on this journey. Talk to us.

Happy reading… Stay safe!



John Awuah
Deputy Chief Executive Officer
Ghana Association of Bankers

Message from Ghana Association of Bankers

Available records point to a banking industry that had, until the advent of the global Coronavirus pandemic, responded positively to the sector reforms undertaken by the industry regulator, the Bank of Ghana. The sector reforms created a more robust financial service industry characterised by better corporate governance, adequate capital levels, improved compliance and ethical regimes and sound risk management practices. The strongly capitalised banks that survived the reforms continue to increase investments in Information Technology (IT) to maximise efficiencies while meeting the ever-changing demands of sophisticated customers.

The emergence of COVID-19 has shaken the world economy and banks and their customers are no exception. It became very clear right from the onset that not only is the COVID-19 pandemic a health crisis but an economic crisis as well. The importance of banks and other financial intermediary entities cannot be overemphasised in fighting this pandemic by contributing to restoring and getting the economy back on track.

The challenges faced by customers have resulted in both direct and indirect impacts on banks. Banks with high exposures to significantly affected sectors such as aviation, tourism, transport, education and religion have experienced direct impact of the pandemic in the form of depressed cash flows resulting in lower repayment inflows on existing exposures and pressure to restructure and in some cases, calls for further drawdowns to salvage what these customers could to assist them navigate through the pandemic. The COVID-19 driven disruptions suffered in the value chain of businesses has also impacted banks indirectly as the general economic environment took a downturn with many customers especially in the most affected sectors adjusting their operations and hence their dealings with banks on the back of the pandemic.

The timing of the Coronavirus Alleviation Programme (CAP) announced and being implemented by the Government of Ghana and other interventions introduced by Bank of Ghana coupled with the response from the banks, all of which are aimed at cushioning businesses (including banks and their customers) against the economic and social impact of the pandemic could not have been any more appropriate and handier. The banks contributed in various ways to support customers and the general public not only by implementing the guidelines and interventions announced by the regulator but also setting up a COVID-19 relief fund of GHS 10 million established by the Ghana Association of Bankers (GAB) with equal contributions from the banks. Banks also made direct and very generous donations to fight the pandemic and provide relief items to the needy and relevant institutions at the forefront of the fight against the pandemic. Part of the funds raised by GAB has been utilised to contribute towards the construction of the 100-bed infectious disease treatment and isolation centre, to donate to the essential frontline workers and also to give to the vulnerable in society through the provision of personal protective equipment, food and other relief items.

At a more customer-focused level, banks have, following the re-assessment of existing financial exposures, on a case by case basis and upon request from identified obligors, restructured the related exposures in line with new realities on customers' cash flows resulting from business disruptions introduced by the pandemic. This has resulted in various forms of restructuring which has led to the introduction of repayment moratoria, facility extensions, re-profiling of repayments amongst other mechanisms. They have also positively responded to the measures announced by the industry regulator and accordingly reduced interest rates and granted new loans even during the pendency of the epidemic. A total of over GHS 3 billion which should have been received by banks as loan repayments between March and June 2020 was not received as a result of the restructuring and reprofiling of loans to customers for instance. Similarly, in the same period, a total of GHS 3.6 billion new loans were approved and disbursed to customers with GHS 1.1 billion drawdowns allowed on existing legacy committed lines and GHS 2 billion of new lines committed and made available during this uncertain period.

The banking industry has kept faith with the regulator and the central government in ensuring the economy at large sails through this pandemic with minimal negative impact. We continue to engage our stakeholders for more guidelines and clarity on some of the already announced initiatives so that the desired outcomes are achieved, and the economy brought back on track. One such key discussion is around financial reporting of the banking industry amidst COVID-19 with focus on assessment for impairment on these financial exposures in the books of the banks given ongoing reliefs and initiatives while complying with the requirements of International Financial Reporting Standards (IFRS) 9. To this end, we call for dialogue among the auditors, their regulators and standard setters, the banks and Bank of Ghana to ensure some standardisation on how the impact of COVID-19 is factored in the impairment assessment of the industry while still having regards to the specific character of the loan portfolios of each bank.

Also, the implementation of the Capital Requirements Directive (CRD) beyond the introduction of the new required nominal minimal capital is key to ensuring the risks faced by banks are appropriately reflected in their books including COVID-19 with the right capital charges to influence how banking is done going forward and to preserve the capital of the banking industry. We call on the government to introduce policy initiatives and incentives to banks to redirect the trajectory of credit expansion in the post COVID-19 era and urge businesses and households to take full advantage of any ancillary opportunities created by the pandemic.

There is no doubt COVID-19 has affected the Ghanaian banking landscape. The initial investments made by banks in technology has enabled the industry to support customers during these uncertain times. The benefits of the 'new normal' will surely continue to change the way banking business is done going forward and GAB is once again happy to work with PwC and share with you what those in the boardrooms of banks are thinking regarding COVID-19. This report reveals key insights on banks' response to the COVID-19 crisis and provides a glimpse of what to expect on the future of banking in Ghana given COVID-19.

Enjoy reading!

George Kwatia
Tax Leader, PwC Ghana

Tax Leader's Message

COVID-19 has changed the dynamics of business in the world and the banking sector is no exception. The actual impact of COVID-19 in 2020 will be measured in 2021 when the 2020 financial performance of banks becomes available. Here are a few observations from a tax perspective.

Tax performance of banks in 2019

Overall, the banking industry remitted 28.98% of their profit before tax to the Government of Ghana as Corporate Income Tax (CIT) and National Fiscal Stabilisation Levy (NFSL). This is a significant improvement compared to the pay-out (also known as Effective Tax Rate or ETR) of 32.27% and 32.32% in 2018 and 2017 respectively. The ETR is the ratio of income taxes over profit before taxes.

Interestingly, the banking sector's ETR (i.e., CIT and NFSL over profit before tax) in 2019 is for the first time, in the past three years, below the 30% blended rate of CIT (25%) and NFSL (5%). In fact, more than 50% of profitable banks had an ETR below 30.3% with an interquartile range of 27.7% to 31.8%.

As NFSL only depends on the accounting profit (i.e., profit before income tax), the key variable that resulted in the reduction of the ETR below the blended rate of 30% is the profit that is subject to CIT (known as taxable/ chargeable income). The industry continues to enjoy tax reliefs of 5% on income from transactions with the agriculture sector. The banking industry's investment in the agriculture sector witnessed a 95% growth in 2019 on the back of the Planting for Food and Jobs Initiative. Some banks also enjoyed deductions from previous years for which they did not recognise deferred tax assets and capitalisation of expenses for tax purposes. These factors among other things account for the drop in industry ETR.

The tax impact of COVID-19

Some of the key changes to business activities are likely to continue after the COVID-19 pandemic. We are convinced that the new approach to doing business will impact taxation of banks in Ghana. We make the following observations about the likely impact of banking business changes to taxation of banks:

i. Expected increased in digitisation of business operations

The pandemic has forced the banking industry to identify additional ways of speeding up the digitisation of their operations. The lockdown, voluntary closure of some brick-and-mortar branches and suspension of Saturday banking services have compelled customers who once rarely patronised online banking services to adopt digital banking applications as their preferred way of doing business with their banks. Learning from the sudden jump onto digital platforms during the COVID-19 crisis and the continuous use of those platforms after most Government restrictions were relaxed, we expect to continue to see an acceleration of key digital trends in banking. We also expect that the continuing digitalisation will not only be limited to banking engagement with customers but will also focus or improve on back-end banking processes. Most banks are already looking at aspects of business process automation and robotics.

Depending on how technology support is sourced, particularly if sourced from outside Ghana or foreign group head offices, banks will have to begin thinking about Technology Transfer Regulations. Foreign payments for technology services are likely to fall within the scope of the Technology Transfer Regulations which requires Technology Transfer Agreements ("TTAs") to be registered and approved by the Ghana Investment and Promotion Centre ("GIPC").

Royalty payments (a category in which most technology support would fall) should reasonably be expected to increase. Without an approved TTA, a bank may not be able to pay its group company.

Our tax laws require withholding tax to be applicable on royalty and foreign sourced services and remitted to the Ghana Revenue Authority. The issue of whether the transaction is at arm's length would arise when such technology or services are being provided by a related entity of a bank. Some digital products might have indirect tax obligations (Value Added Taxes (VAT), National Health Insurance Levy (NHIL) and GETFund), including an obligation for the non-resident provider of such products to be registered in Ghana and account for VAT or to appoint a VAT agent for this purpose. The VAT concerns could become complex.

ii. Enhancement of working remotely

The future of working will no longer be the same post COVID-19. The use of remote connectivity and practice of working from home could cause banks to increasingly centralise some banking operations across countries going into the future. This would mean that certain functions that were then undertaken by employees of banks in Ghana may shift to other entities in other countries and vice-versa.

Where functions are shifted away from Ghana, banks should consider registering the relevant agreements with the Ghana Investment and Promotion Centre (GIPC) and put in place a strong defence to ensure the deductibility of this expense from a corporate income tax perspective. This will include putting in place a service level agreement, evidence of work done for each period as well as evidence on how charges are calculated.

Where functions originally undertaken outside of Ghana are shifted to employees of the bank in Ghana, due attention should be on putting in place the legal framework, the mechanism of compensation, a review of the VAT implications of such arrangement and equally important, ensuring that these do not create a permanent establishment to the recipient of services provided by the employees of the bank.

iii. Bad debts

As a result of this pandemic, the revenue and profits projected by some businesses would not be realised. As such, there is a high probability of businesses defaulting on loans and financial covenants. This may result in an increase in irrecoverable debt balance of lending banks.

The tax laws allow the deduction of bad debt expenses for banks in calculating the tax for the period as long as reasonable steps have been taken. These steps are outlined in the recently issued Ghana Revenue Authority Practice Notes.

iv. Tax reliefs and incentives

As an immediate measure, the Government of Ghana has put in place incentives and compliance reliefs to lessen the burden of taxpayers around fulfilling their tax obligations. The time period for most of the compliance reliefs may have elapsed but there are also some incentives available for various COVID-19 donations.

VAT associated with such donations in relation to COVID-19 pandemic have now been relieved. It will make sense for banks to take advantage of these reliefs and incentives.

v. Others

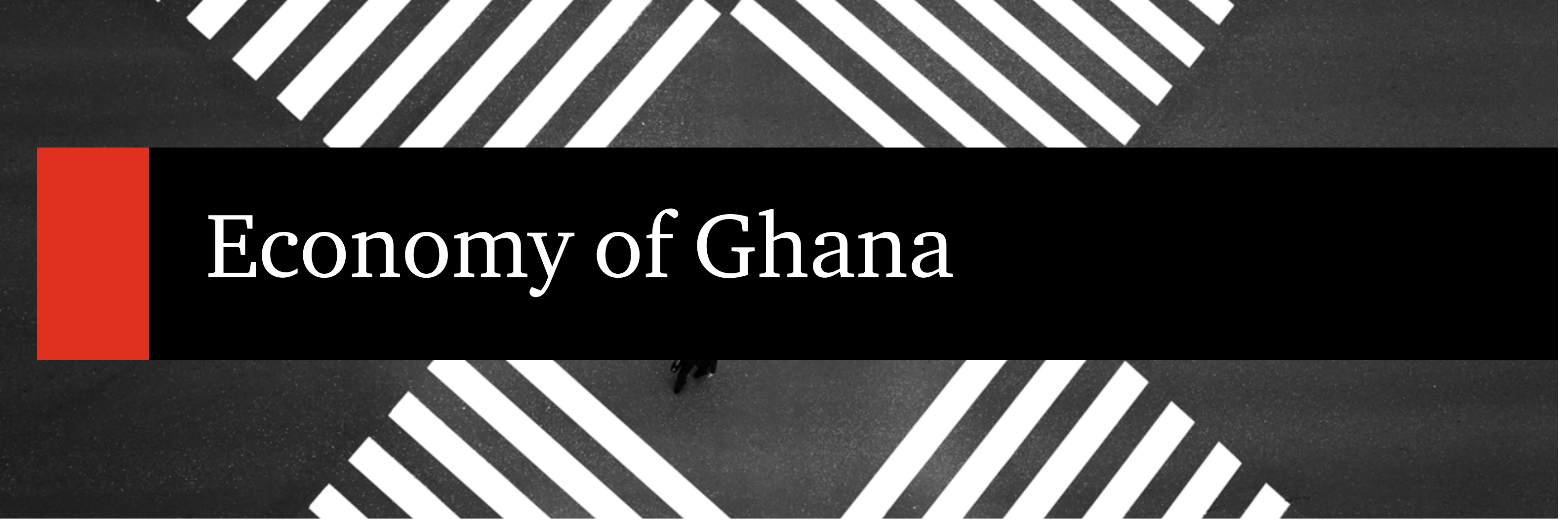
The stimulus package that the government has launched in collaboration with National Board for Small Scale Industries (NBSSI), Business & Trade Associations and selected Commercial and Rural Banks, rolled out a soft loan scheme up to a total of GHS 600 million, which will have a one-year moratorium and two-year repayment period for micro, small and medium scale businesses. These loans should be properly managed by the selected banks to avoid the creation of bad debt.

Conclusion

The way banking business will be conducted after COVID-19 might change significantly. It may seem early to be imagining a post COVID-19 world, but it's important to take a long-term view. Understanding how consumers are acting may shape future banking products and services. Behavioural changes may accelerate the shift of transactions from the branch concept to a more complex, high-value operation with minimal human interaction. Decisions across service delivery and product relevance are likely to be the keys to this transformation in banking business.

I hope you found this brief information insightful.

1 Economy of Ghana



Economy of Ghana

Global economic trend

The global economy plunged into an unanticipated recession in 2020 due to the COVID-19 pandemic. According to the International Monetary Fund (IMF) World Economic Outlook Update issued in June 2020, global growth is estimated at –4.9% in 2020. In the coming months, real Gross Domestic Product (GDP) growth is expected to slowly return as countries ease their lockdowns and re-open their economies. Growth prospects depend on many factors, including how COVID-19 evolves, the likelihood of a second wave, duration of any shutdown, the impact on activity, and the implementation of fiscal and monetary policy support. In 2021, global growth is projected at 5.4% on the back of easing financial conditions.

(Source: World Economic Outlook – June 2020)

Economy of Ghana

Gross Domestic Product

The 2020 Budget Statement showed an estimated real GDP growth of 6.98% by the end of 2019, which compares lower to the target of 7.60% for the same (2019) year. The Budget also projected a GDP growth rate of 6.8% in 2020, which was expected to be driven mainly by the non-oil sector.

Economic growth per sector

Sectors	2018	2019	2020	2020 revised
Services	2.7%	5.4%	5.8%	(0.8%)
Agriculture	4.8%	6.4%	5.1%	3.7%
Industry	10.6%	8.8%	8.6%	0.8%
GDP	**6.3%**	**7.0%**	**6.8%**	**0.9%**

(Source: 2020 Budget Statement and 2020 Mid-year Budget Review Statement)

Key drivers of growth in 2020 were to include manufacturing (mainly through the completion of 181 factories under the "One District, One Factory (1D1F) programme) and construction (through the planned roads construction and completion of health and educational facilities). The Services sector was also expected to be a key contributor to the projected growth in 2020, mainly driven by the communication, education and health sub sectors.

Like many countries, the impact of the COVID-19 pandemic has been sharply felt in the economy. Growth estimates are expected to plummet to 0.9% from the targeted 6.8% according to the 2020 mid-year budget review. Government's focus has been shifted to improving the nation's healthcare facilities and providing COVID-19 related stimulus packages to relieve the economic and social impact of COVID-19. In 2021, the economy is expected to recover with a projected growth rate of 4.7%.

Composition of GDP by economic sectors

Sectors	2018	2019	2020	2020 revised
Services	46.3%	46.2%	38.3%	39.0%
Agriculture	19.7%	19.8%	20%	20.7%
Industry	34.0%	34.0%	41.7%	40.3%

(Source: 2020 Budget Statement and 2020 Mid-year Budget Review Statement)

Inflation

Throughout 2019, headline inflation declined steadily from 9% in January to 7.9% by December 2019. The decline in inflation was driven mainly by non-food inflation and a stable Monetary Policy Rate (MPR). The sharp decline in inflation from 9.40% in July 2019 to 7.80% in August 2019, however, was partly influenced by the rebasing of the inflation basket in August 2019 which led to a significant increase in the number of items in the inflation basket as well as an increase in the data collected and used. Government is projecting 2020 inflation at 11.2% with some upside risks including global supply disruptions due to COVID-19 and fiscal pressures on the account of the implementation of stimulus packages to dampen the social and economic implications of the pandemic.

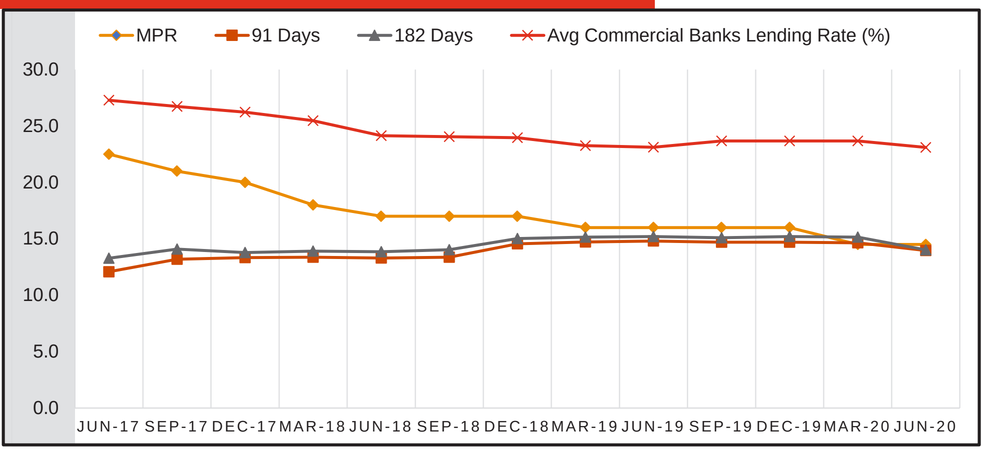
(Source: Ghana Statistical Service, Bank of Ghana March 2020 Monetary Policy Report)

Interest rates

The Monetary Policy Committee (MPC) reduced the MPR from 17% in December 2018 to 16% in January 2019 and maintained the rate throughout 2019 on the back of declining headline inflation coupled with favourable global conditions during the period. Average commercial banks' lending rate remained elevated throughout 2019. The 7.7% gap between the policy rate of 16% and the average banks' lending rate of 23.7% remains high. This differential in excess of 5% is an indication of structural deficiencies that will have to be addressed if significant growth in private sector credit is to be achieved. Interest rates on short-dated Treasury bills (T-bills) remained broadly stable throughout 2019. The 91-day T-bills rate remained flat at 14.7%; while the 182-day T-bills rate increased marginally from 15.1% in September to 15.2% in December 2019.

The MPC in its March 2020 review of the MPR reduced the MPR from 16% to 14.5% in response to the looming risk posed by COVID-19 on domestic economic activity. The MPC announced additional macro-prudential policies to ease liquidity conditions to enable banks provide the needed financial support to the economy. Particularly, the primary reserve requirement, capital adequacy ratio and capital conservation buffer were eased.

Interest rates (%): June 2017 – June 2020



(Source: BoG Monetary Time Series Data; BoG March 2020 Monetary Policy Report)

Exchange rates

Data from BoG indicate that, the Ghana Cedi depreciated significantly against all its major trading currencies in 2019. The spike in exchange rates in the first quarter of 2019 was largely driven by BoG's revision of the policy rate from 17% to 16%, which triggered local currency sell-offs by external holders of domestic bonds, thereby putting pressure on the forex reserves. Further, the end of the IMF bailout programme also created uncertainties, which led to speculative attack on the local currency throughout 2019.

In quarter 1 of 2020, inflows from the COCOBOD loan (US$ 600 million) plus the US$ 3 billion Eurobond gave some respite to the Ghana Cedi. However, the gains were quickly offset by the onset of COVID-19. Uncertainties of the outbreak spreading beyond China made US assets more attractive and stronger, thus increasing the pressure on currencies of emerging markets including Ghana.

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

Year-on-year depreciation of GHS (%)	Year-to-date Dec 2018	Year-to-date Dec 2019	Year-to-date June 2020
United States Dollars (US$)	9.05%	14,81%	2.42%
Euro (EUR)	4.02%	12.67%	2.41%
Great Britain Pound (GBP)	3.37%	18.56%	(4.27%)

(Source: BoG website & PwC Analysis)

2 Survey Analysis

Survey analysis

Introduction

As the world continues to deal with the health concerns associated with the COVID-19 pandemic, attention is beginning to turn to the long-term effects of the pandemic on the global economy, recovery plans and move to ensuring continuity of life. The global economy has experienced unprecedented challenges in the wake of the pandemic which has harshly strained health systems, widened the imbalance of economies and plunged the world into a recession. The resilience of the Government of Ghana and businesses within the country have been tested to great lengths. The business community is returning to some form of normal operations. This allows us to ask the question ‘How do banks in Ghana intend to operate after COVID-19’?

This crisis presents an opportunity for differentiation and further development of the banking industry. The responses to our survey suggest that the turbulence and muddle of COVID-19 has ushered competitive innovation and reinventions in the banking industry.

COVID-19 in Ghana

The Government of Ghana announced on 12 March 2020 that the country had recorded its first two imported cases of COVID-19. On 21 March 2020, the President assented the Imposition of Restrictions Act, 2020, (Act 1012) which was enacted to enforce social and physical distancing protocols. The borders of Ghana were also closed on 22 March to limit the importation of the virus.

On 30 March 2020, Greater Accra Metropolitan Area and Greater Kumasi Metropolitan Area went under lockdown for three weeks. Banks were expected to be operational during this period. As at this time, 141 cases had been confirmed.

These restrictions were accompanied by some fiscal policy measures from the central government including:

- US$ 100 million financial commitment/fund to help manage the socio-economic impact of COVID-19.
- Lowering the cap on the Ghana Stabilisation Fund (GSF) from the current US$ 300 million to US$ 100 million in accordance with Section 23 (3) of the Petroleum Revenue Management Act (PRMA).
- Arranging with Bank of Ghana to defer interest payments, estimated at GHS1.2 billion, on non-marketable instruments to 2022 and beyond.
- Adjusting expenditure on Goods & Services and Capex downwards by GHS 1.248 billion.
- Securing the World Bank Development Policy Operation (DPO) of GHS 1.716 billion.
- Securing the International Monetary Fund Rapid Credit Facility of GHS 3.0 billion.
- Securing syndicated facility of GHS 3 billion from commercial banks in Ghana to support industry, especially pharmaceutical, hospitality, service and manufacturing sectors.
- Reducing the proportion of Net Carried and Participating Interest due Ghana National Petroleum Corporation from 30% to 15%.
- Amending the Petroleum Revenue Management Act to allow a withdrawal from the Ghana Heritage Fund to undertake urgent expenditures in relation to the Coronavirus pandemic.

The government also announced some relief measures for individuals including:

- Institution of the Coronavirus Alleviation Programme (CAP), with the objective to protect households and livelihoods, support micro, small, and medium-sized businesses, minimise job losses, and source additional funding for promotion of industries to shore up and expand industrial output for domestic consumption and exports.
- Collaborating with the National Board for Small Scale Industries (NBSSI), business & trade associations and selected commercial and rural banks, to roll out a soft loan scheme up to GHS 600 million. The loan scheme will have a one-year moratorium and two-year repayment period for micro, small and medium scale businesses.
- Absorbing water bills of all Ghanaians from April to June 2020.
- Providing an insurance package, with an assured sum of GHS 350,000 (US$ 60,000) for each health personnel and allied professional at the forefront of the fight.

- Providing an additional allowance of fifty percent (50%) of their basic salary per month from March to June 2020 to frontline health workers.

- Absorbing the full electricity cost of the poorest consumers (having consumed up to GHS 50 in the month of March) and 50% absorption of the cost of electricity of lower income consumers from April to June 2020.

The Finance Minister, Ken Ofori-Atta, on Thursday 23 July 2020, presented the Mid-year and Supplementary Budget Review to parliament. As part of government's mitigating measures against the pandemic, the minister announced additional government initiatives for the next three and a half years.

- GHS 100 billion Ghana Cares Obaatanpa Programme to transform and modernise the society

- For the next 6 months:

  a. Reduction in Communication Service Tax (CST) from 9% to 5%;

  b. Establishment of a GHS 2 billion Guarantee Facility to support all sectors of business and job retention;

  c. Establishment of an Unemployment Insurance Scheme;

  d. Creation of a GHS 100 million Fund for Labour and Faith-based organisations for retraining and skills development;

  e. Increase in the Cap BuSS Programme by GHS 150 million to, among others, facilitate credit of GHS 50 million to support the Creative Arts, the Media and the Conference of Independent Universities;

  f. Retention of provision of free water for the next three months; and

  g. Retention of free electricity for all life-line customers for the rest of the year.

As Ghana and the world begin to measure the cost of lockdown restrictions and realign interventions to be implemented, the strategic focus is about how to succeed in the post-crisis world.

Survey methodology

PwC surveyed bank executives – Chief Executive Officers, Chief Finance Officers, Chief Risk Officers, Chief Operation Officers, Heads of Information Technology and Heads of Strategy - in Ghana through interviews and questionnaires. These tools were carefully designed to elicit views on the immediate impact that banks experienced as a result of the COVID-19 crisis, their initial response and how the banks are redrafting their business strategy to operate beyond COVID-19. A total of 16 banks participated in the survey.

In conducting the survey, we used the term ‘COVID-19 crisis’ or ‘the crisis phase’ to refer to the period during which the Government of Ghana like most other governments instituted restrictions to movement of people including closure of various establishments to allow for key actions, some of preparatory nature, to be taken to fight the health aspects of the pandemic.

We used the expression ‘post crisis phase’ to refer broadly to the period that followed the easing of restrictions in which establishments, particularly businesses, were allowed to operate while taking the necessary precautions. The ‘pre-COVID’ period represents the period to March 2020; just before the crisis phase set in.

Top findings

Impact of COVID-19 on the banking industry

One in every two bank executives (50%) interviewed alluded that credit operations has been worst hit by the COVID-19 crisis. The pandemic forced banks to do more for their clients including reduction of interest rates, deferral of interest payments and in some cases, deferral of principal payments. Although the banks believe the worst of the immediate crisis is behind us, the impact of the pandemic on the performance of loans and other financial instruments is expected to linger until 2023.

Immediate response during the crisis phase

As an immediate response to the crisis phase, all banks responded to the pandemic by adopting cost containment measures such as temporary closure of some branches, use of social media to communicate with customers as against the traditional newspaper and billboards and also staff rotation. Banks enhanced digitisation in their operations in order to cushion against the forecasted decrease in operational results. 67% of respondents indicated that they had to defer the disbursement of loans as a measure to manage the liquidity of the banks; informed by drop in deposits and low-to-no economic activity.

While banks applaud the measures introduced by the regulator of the industry, they believe more guidelines and clarification on timelines attached to each policy are necessary to ensure that the full benefits of these relief policies are realised.

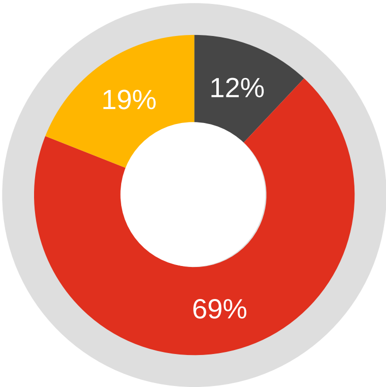
Banking beyond COVID-19

Continuing with the new way of doing business appeals to 69% of the bank executives surveyed. They agreed that their immediate response to the pandemic proved beneficial and is worth carrying on with. The investments made in technology and capacity building of staff would flow into their rescripted strategy aimed at staying ahead of competition in an evolved banking sector.

Impact of COVID-19 and immediate response of banks

What has been the overall impact of the COVID-19 pandemic crisis phase on banking activity?

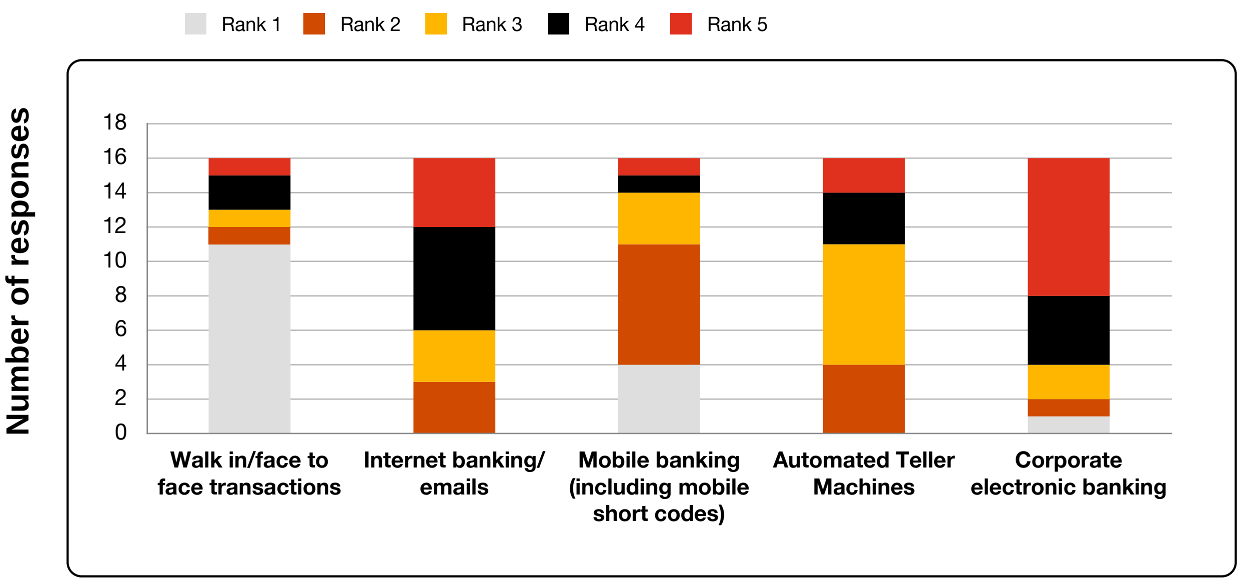
- No material impact. The rate of patronage is fairly similar to pre COVID-19 era
- Decrease in patronage
- Increase in patronage



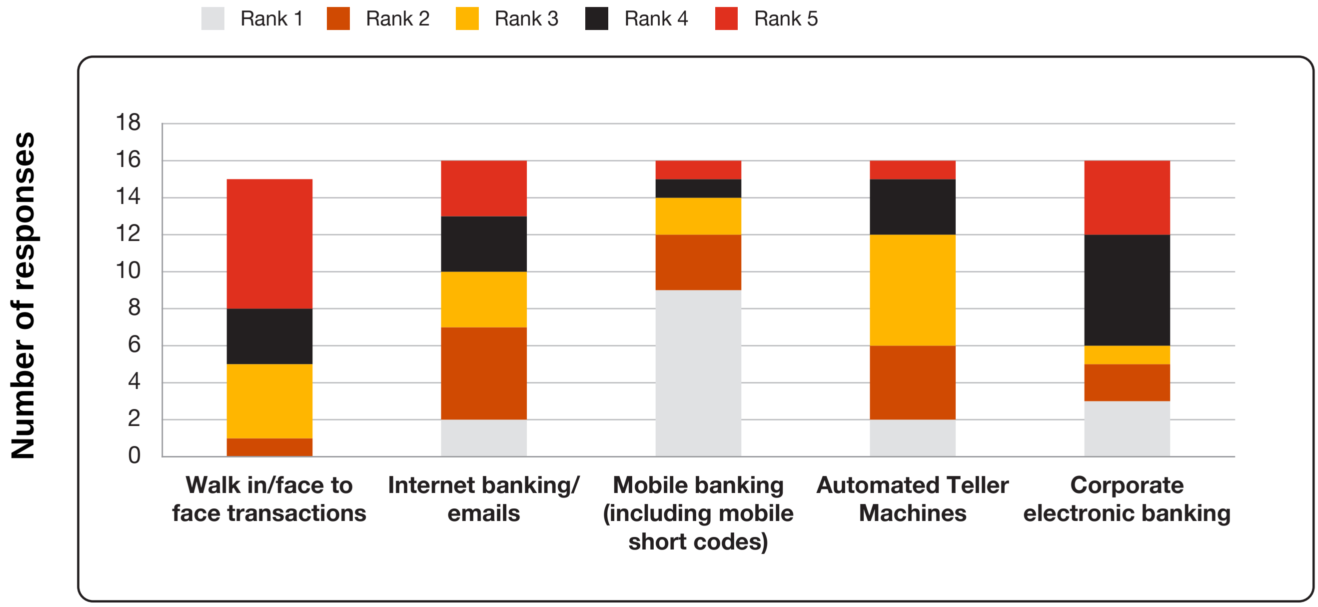
"Considering the sudden disruption in economic activities and uncertainties that the country faced after the first two cases of COVID-19 were reported in Ghana, it is not surprising to note that 68.8% of banks in Ghana reported a fall in patronage of banking services while 18.8% recorded an overall increase. The increase, according to these banks, was driven by association with customers whose businesses were boosted by the pandemic. The bank executives interviewed asserted that although banking services were identified as essential activities during the partial lockdown, many customers avoided the banking halls and resorted to other mediums of exchange and store of value.

Impact on operations

In order of volume of patronage, with 1 being the highest, what were the main delivery channels of the bank (branch and electronic) prior to the COVID-19 pandemic?

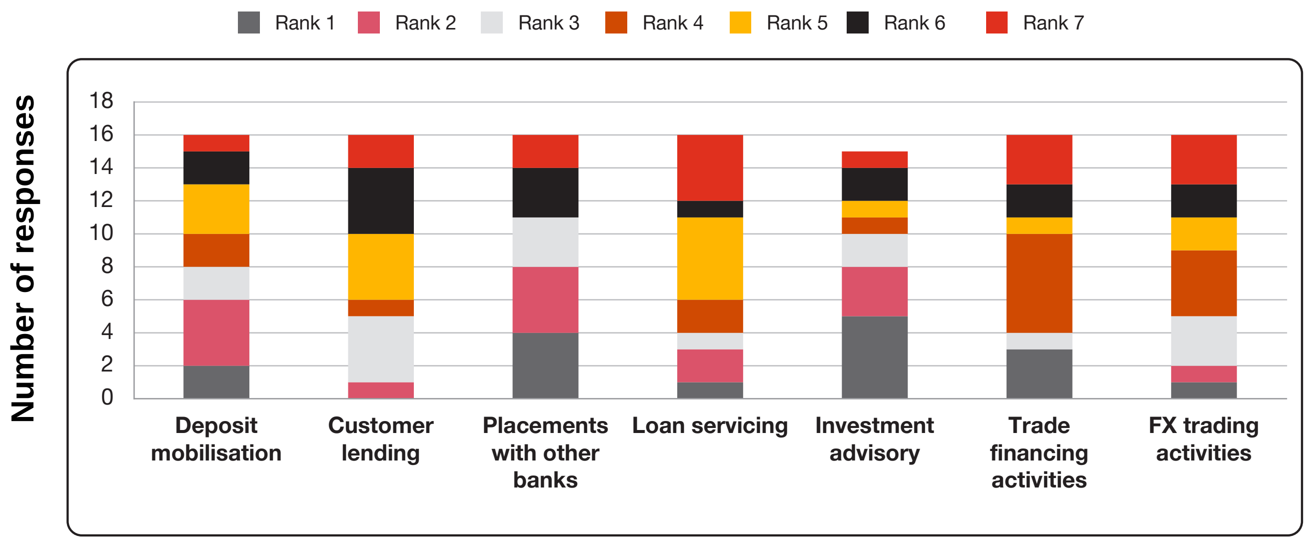


In order of volume of patronage, with 1 being the highest, which delivery channel was the most beneficial during this crisis phase?



> The innovations in digital banking platforms such as deposit-accepting Automated Teller Machines, mobile banking (including the use of USSD codes), internet banking and corporate electronic banking proved to be very beneficial. Walk in or face-to-face transactions remained the most prominent medium of banking for 68% of banks up until February 2020. The traditional mode of banking however changed during the COVID-19 crisis phase with mobile banking becoming the most preferred medium of banking according to 56% of bank executives. This can be attributed partly to the reliefs granted by Bank of Ghana through the waiver of fees on up to GHS 100 cedis transactions (except cash out) and convenience of banking without stepping out of one's home. As a result, some banks recorded over 200% growth in the use of mobile banking applications.

On a scale of 1 to 7, with 7 being the highest, which aspect of your operations have been most impacted as a result of the COVID-19 pandemic?



"There is a strong consensus that customer lending and loan servicing deteriorated during the crisis phase. Most bank executives confirmed that their banks put a temporary hold on loan disbursement while responding to increased demands from customers to restructure existing facilities during the pandemic. As anticipated by the IMF, several businesses were unable to meet their financing obligation due to a general economic slowdown and in some cases, partial or total shutdown of their operations.

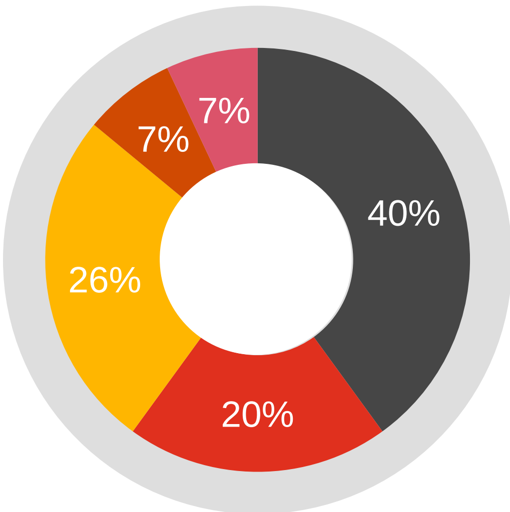
Some non-interest income activities were also negatively affected. FX trading and trade financing slowed down significantly during the period as global restrictions in response to the pandemic resulted in a contraction in business.

Deposit mobilisation efforts, particularly from retail customers saw a sharp decline caused by a general reservation on the part of customers and potential customers to engage banks during the pandemic. Investment advisory and interbank trading were least impacted by the pandemic.

Impact on strategy

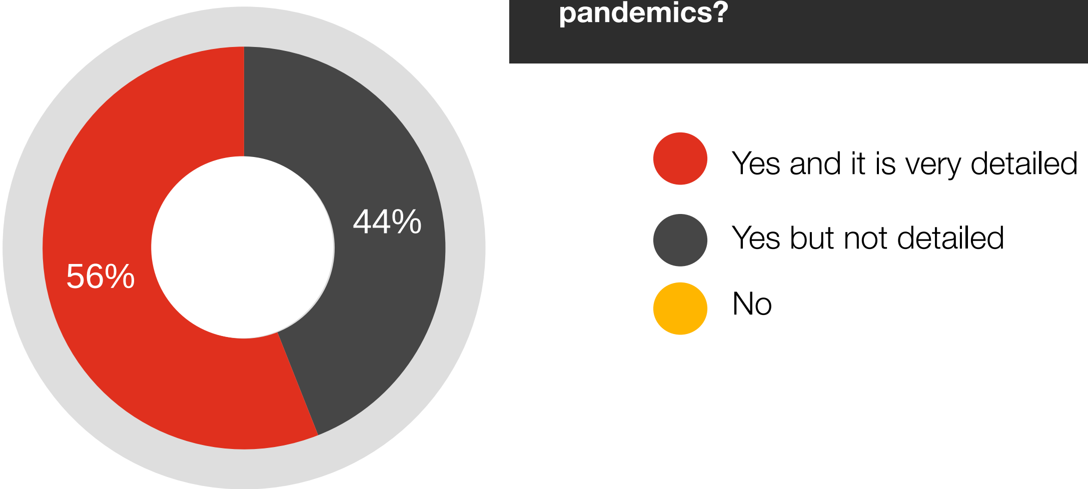
What impact is customer behaviour having on the bank's strategy and execution of strategic objectives?

- New risks of fraud and money laundering with the increase in remote customer transactions
- Need to change staff deployment and structuring strategy to address the increase in patronage of remote banking channels
- Increase need for staff with IT specialisation
- Need to revise focal strategic areas for pursing growth in deposits
- All of the above are applicable



"The sudden change of customer banking behaviour necessitated a change in staff deployment and a shift of bank strategy to address the increase in patronage of digital banking during the pandemic. 26% of bank executives surveyed held the view that they needed to revise strategies for pursuing growth in deposits. Some respondents confirmed that even though expanding the capacity of their IT function had always been a key strategic agenda, recent trends of customer demand for remote/digital banking in the past few months had brought the expansion need to the fore and quickened the process to achieve this.

Does the bank's enterprise risk management framework address issues related to pandemics?



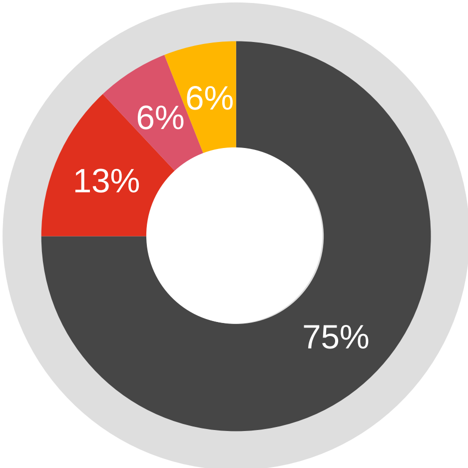
"The original enterprise risk management framework of 56% bank executives addressed issues related to the pandemic with enough details to provide direction during and after the crisis phase of a pandemic. Respondents attributed the robustness of the frameworks first to their global banking affiliations which demanded such robust frameworks and second to observations drawn from natural disasters, epidemics and wars around the world in recent years.

However, for the 44% of the bank executives, their enterprise risk management framework did not adequately cover the impact of situations like a pandemic where the bank, its suppliers and customers would be unable to operate as a result of what they termed as a 'sudden all-round reduction in entity and household demand from a single health crisis.' The pandemic has prompted a thorough reassessment of their risk management framework.

Indeed, the pandemic has shown how interlinked our activities are to the overall Ghanaian and world economy. Outside of the pandemic, lessons drawn from this experience of an interlinked economy should help government and businesses in planning areas of their operations to stimulate when looking for growth.

Has the bank made any changes to strategy in response to COVID-19 in order to achieve its objectives?

- Yes. The strategy has been revised to address revised objectives of the bank
- No. The strategy still remains relevant
- No. This is however being considered
- Strategy revision in progress

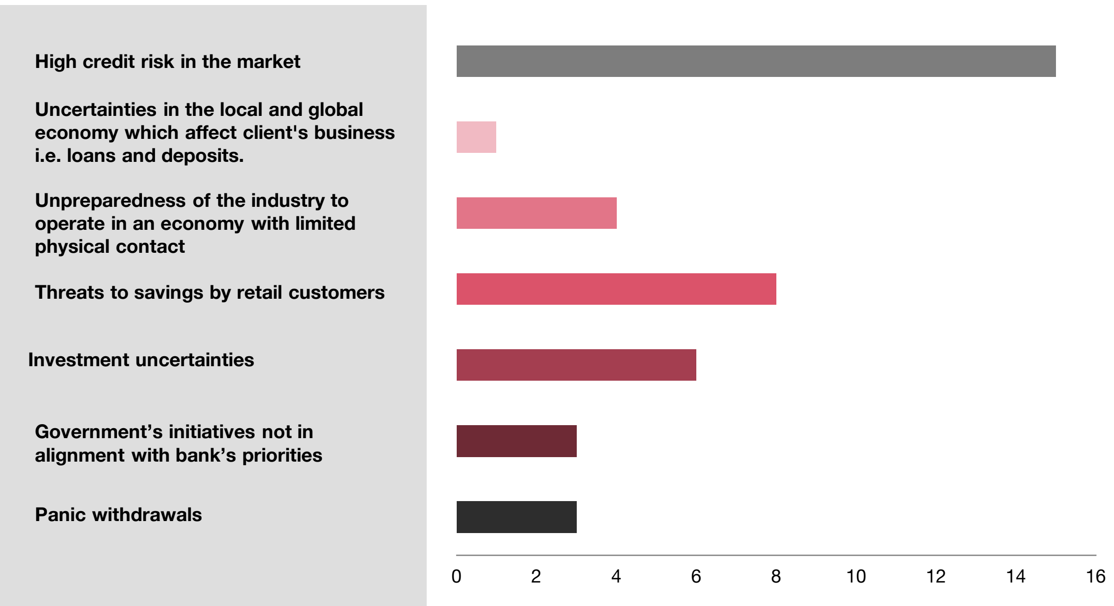


Considering the pandemic's immediate impact on the banking industry, 75% of bank executives have had to revise their strategies to take cognisance of the economic impact of the pandemic. For example, most banks shortened the timelines of key milestones for digital transformation, revised projected financial performance downwards and realigned human capital strategy and operations to the changing trends in banking. Though these actions were taken to adjust to the immediate impact of COVID-19, the bank executives indicated they were looking to consolidate the gains from these changes in the long term.

About 13% of the survey respondents however indicated that their pre-COVID-19 strategy still remained relevant to the bank. These banks did not identify new significant risks after assessing their strategy and as such no changes have been made.

Impact on industry

What are the challenges the industry faced as a result of the pandemic?

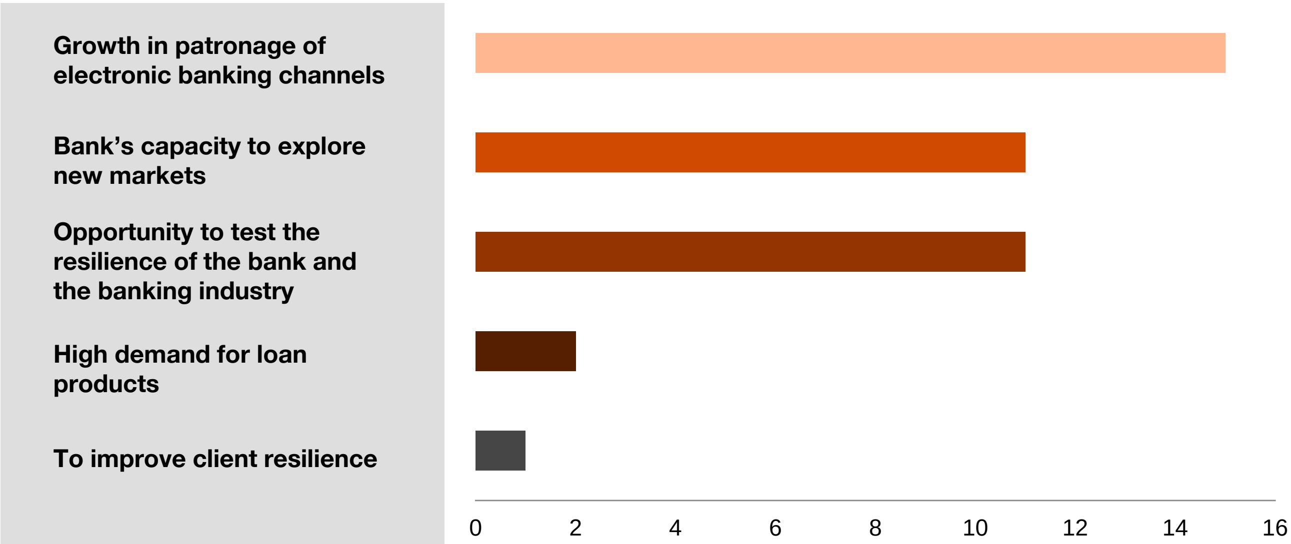


High credit risk in the market was a top concern. This they consider is due to the drastic economic slowdown that affected several bank customers and other companies in various business supply chains. Bank executives anticipate heightened credit risk factors will linger a while and will impact on future credit profiling of customers and the subsequent measurement of Expected Credit Losses (ECL) in the coming years.

50% of respondents noted threats to savings by retail customers while 38% identified investment uncertainties as challenges emerging in the industry due to the pandemic.

Regarding the role of government in mitigating the lingering impact of the credit risk scare, the bank executives showed that they were confident about government's pronouncements and initiatives. These initiatives are fairly aligned with their own priorities. Thought of as a concern that could cripple the industry, it is assuring to note that panic withdrawals was not considered as a major concern by 82% of the respondents.

What are the opportunities that the pandemic has presented to the banking industry?



The change in customer behaviour has propelled product innovations such as mobile loan application and repayment as an opportunity to widen the scope of banking activities. Some banks experienced an increase in the uptake of existing digital products whose patronage before COVID-19 was low.

Out of five areas of focus for opportunities, electronic banking (including mobile banking) was the most patronised area of banking during the crisis phase. Most bank executives (94%) consider this space as an investment opportunity in line with changed market conditions, customer expectations and risk appetite of shareholders.

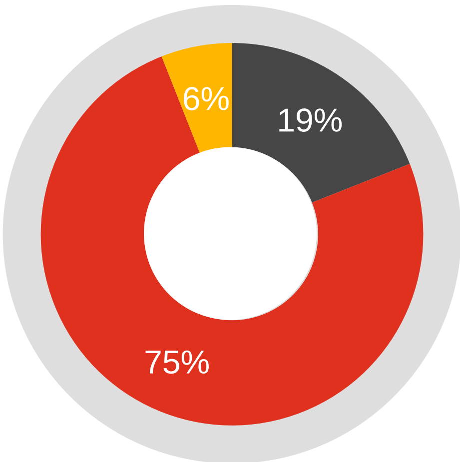
The bank executives identified equally [1] (their bank's) capacity to explore new markets and [2] the opportunity to test the resilience of the bank as opportunities presented by the pandemic. 69% of respondents were excited about these two opportunities.

“Most respondents (87.5%) did not think that an opportunity will emerge from the pandemic in the form of high demand for loan products. In their view, although new businesses are starting in the medical, chemical and pharmaceutical industries, the credit risk associated with such entities is anticipated (from historic experience) to be beyond the tolerable limit of banks.

Lessons learnt from banking sector clean-up, the impact of forward-looking information in the application of IFRS 9 and implications of the capital requirement directive in the deployment of capital to create risk assets supports a conservative approach to lending in these times.

Has the bank performed a risk assessment of the impacts of COVID-19?

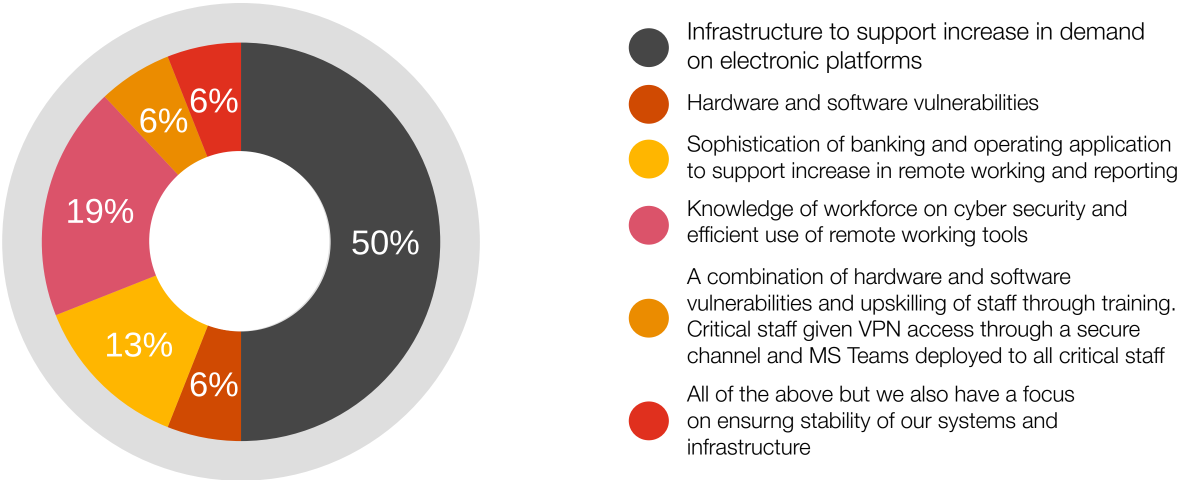
- Yes, yet to be finalised
- Yes, finalised and adopted
- Yes, its has been finalised but yet to be adopted
- No, in progress



“Although there were different responses to whether banks original ERM framework addressed the issue of pandemic, all banks found it necessary to perform a risk assessment in order to better manage the impact of the pandemic.

Impact on technology and cyber security

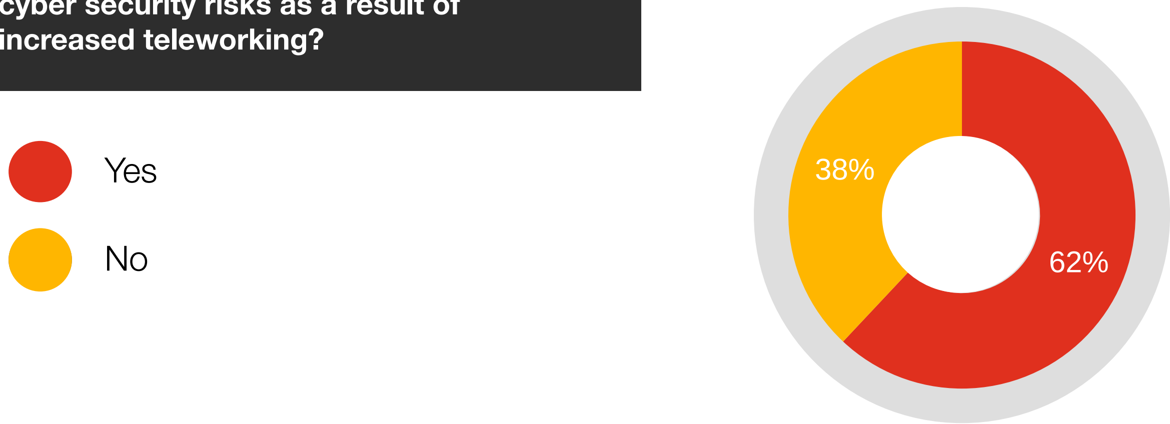
What was the focus of immediate impact assessment of the COVID-19 pandemic on your existing technology and cyber security?



“ 50% of respondents indicated regular review of the performance and security risks of their electronic platforms as a standard procedure performed. COVID-19 therefore did not necessitate any changes to their review process. Other banks however were mostly concerned about the adequacy and capacity of their electronic banking platforms to avoid or reduce downtimes in operations. Past experience about sensitivity of customers to unreliable electronic services meant additional investment was required to provide robust substitute for the reduced banking hours. The need for secure virtual private networks (VPNs) and the smooth interfacing of banking applications with other tools for remote working to ensure data security also topped the discussions.

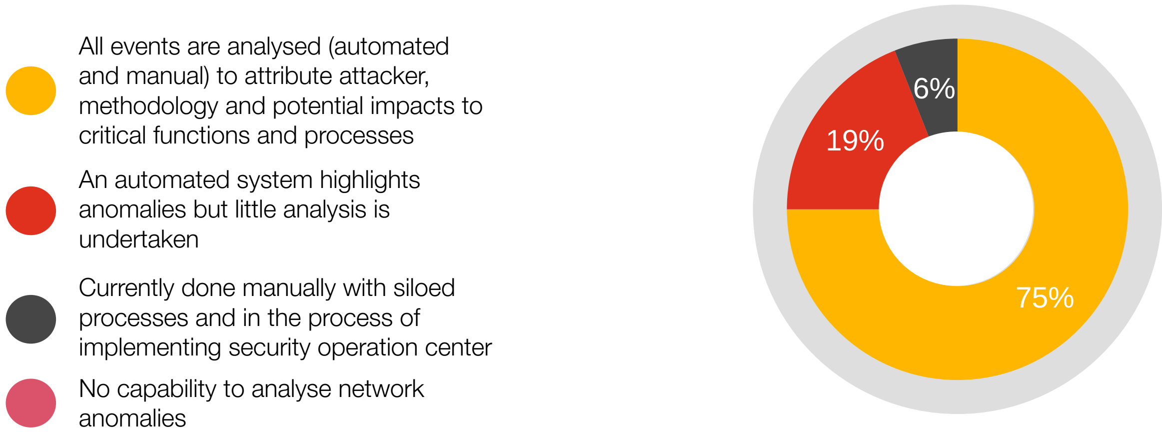
19% of the respondents were concerned about their workforce’s knowledge on cyber security and tools for remote working as the banks increased reliance on digitisation for internal operations. This gap was quickly filled with virtual training and workshops for all staff.

Has your bank experienced increased cyber security risks as a result of increased teleworking?



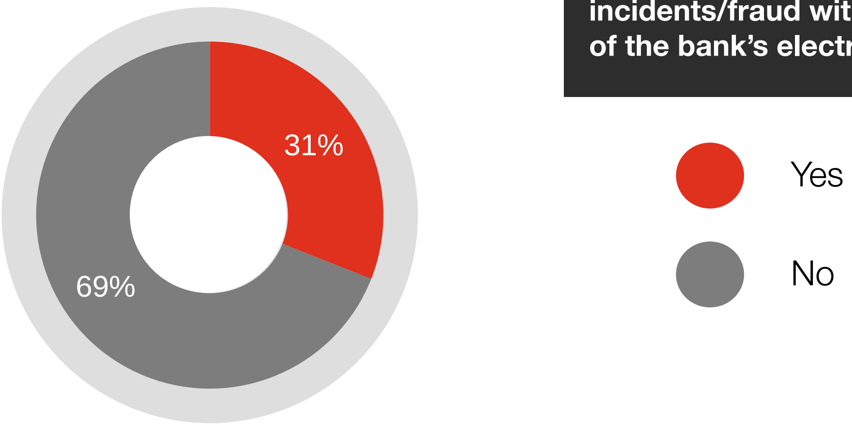
3 out of every 5 bank executives interviewed (62%) indicated an increase in cyber security threats due to remote working. Concerns of data security and access to the banks' platform from unsecure networks stood out as the most highlighted risks. Bank executives noted however that only a few new remote access incidents have occurred. Possible new threats including the exposure of confidential information to unauthorized persons and potential hacking through external networks have been given serious consideration by the banks and necessary risk management protocols have been taken to ensure safety of remote access connections.

Which option best describes your network detection and monitoring process and controls?



Majority of respondents (75%) revealed that their banks operate on continuous, often real time, monitoring of all events within their network and perform in-depth analysis of incidents. This ensures threats identified are resolved in a timely manner without leading to significant operational losses.

Few respondents (19%) indicated automated monitoring of networks for anomalies is performed with little analysis performed on the nature and source of threats identified. Such incomplete action, they admitted could still leave the bank exposed to similar threats.



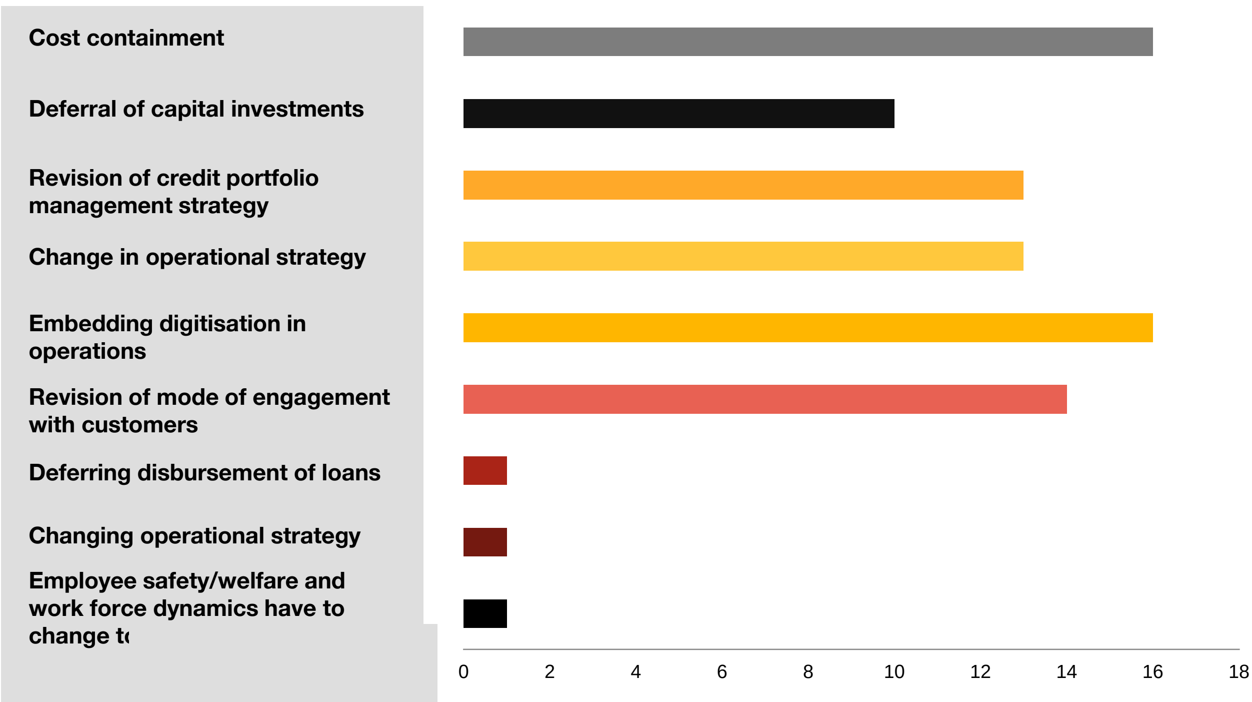
Has there been an increase in security incidents/fraud with the extensive usage of the bank's electronic platforms?

69% of respondents indicated that whilst there have been significant increases of usage on their myriad electronic platforms, this had not resulted in an increase in security incidents. Counting on the adoption of remote working by banks in Ghana, some fraudsters attempt using emails and forged electronic signatures to execute unauthorised transactions.

On the whole, the bank executives asserted that they have adequate detection and monitoring systems to resolve incidents promptly and improve network security.

Response of banks to the panic of the pandemic

Which of the following measures has your bank implemented as a result of COVID-19?

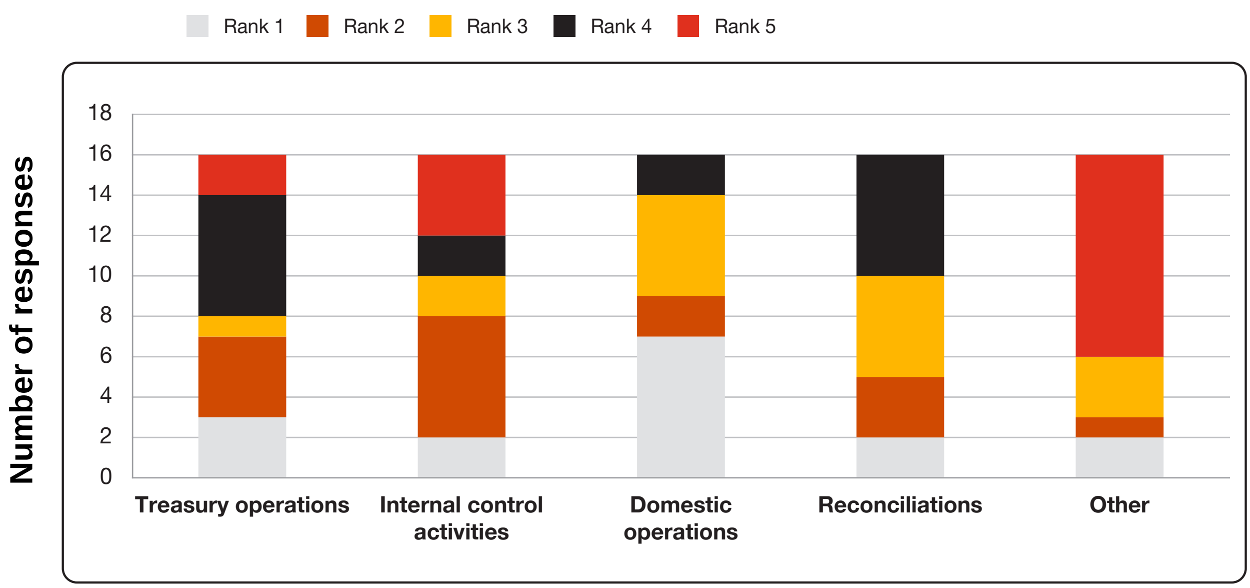


"All banks reacted to the pandemic by controlling costs and by digitising their operations as a way to expand the top line. Unbudgeted costs relating to the purchase of protective equipment, installation of some safety features such as teller screens, and procurement of sanitisers, industrial alcohol, and supplies for sanitisation of their premises however drove up operational expenditures. Regardless of the level of planned investments, the banks had to make decisions about investment in hardware and software to support remote working and social distancing. We understand that most banks sought to balance this requirement of incurring additional cost with some actions like the temporary closure of some branches, a freeze on staff recruitment and usage of non-essential goods and services to cover the additional budgets.

Majority of banks have also revised their mode of engagement with customers as they now look to deliver exceptional service through digital channels (such as mobile apps, digital helplines and internet banking).

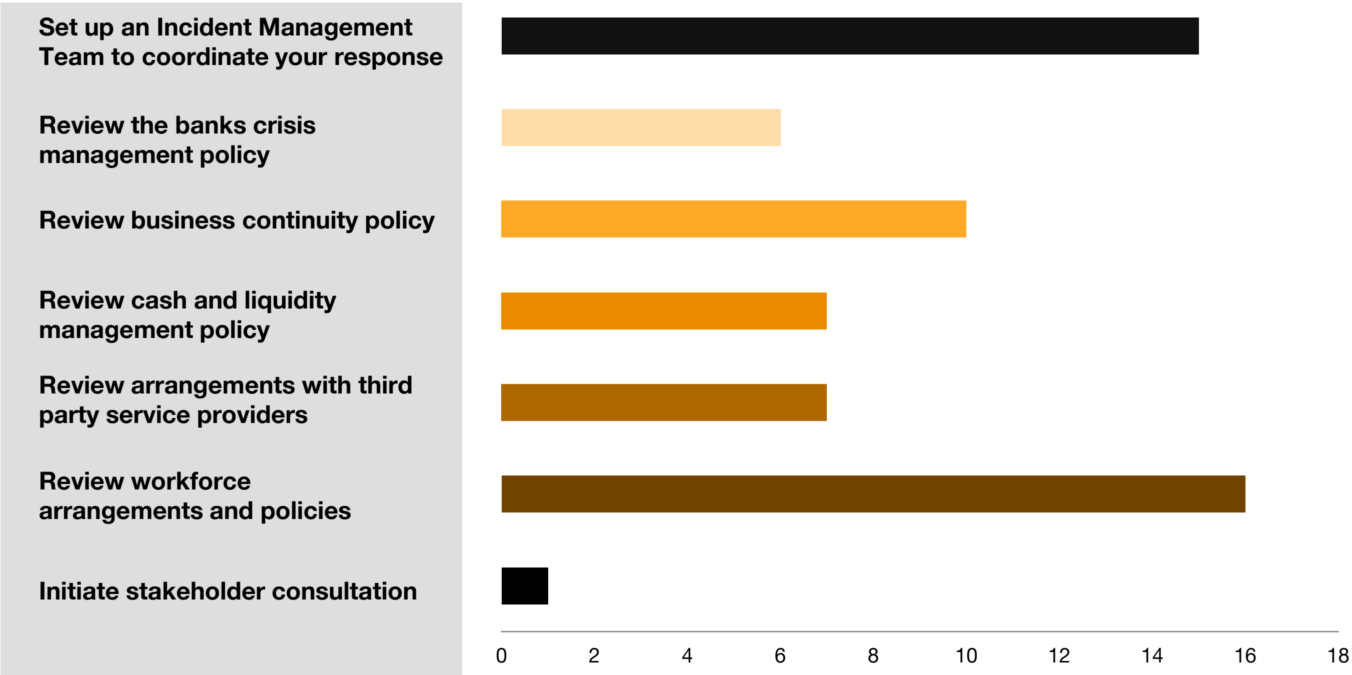
A good number of banks (81%) have also revised their credit portfolio management and operational strategies to adjust to the changing environment. 62% of banks have opted to defer budgeted capital investments as part of efforts to manage cash flows within the short to medium term. The respondents confirmed that banks have reduced lending to hardest hit sectors due to increased credit risk while identifying and carefully assessing opportunities around lending to industries such as health and pharmaceutical.

On a scale of 1 to 5, with 1 being the most impacted, which back-end processes have changed the most in the response to the COVID-19 pandemic?



"During the crisis phase, the domestic operations function is among the top two back-end processes that experienced significant restructuring according to 62% of the respondents. Most banks asserted to using 'less paper' in their operations and more faceless communication. This allowed domestic operation activities to be carried out remotely. While bank executives agreed that internal control activities had been modified to suit the new way of work, they noted that these activities are still within their existing internal control framework.

How did your head office function respond to the COVID-19 pandemic?

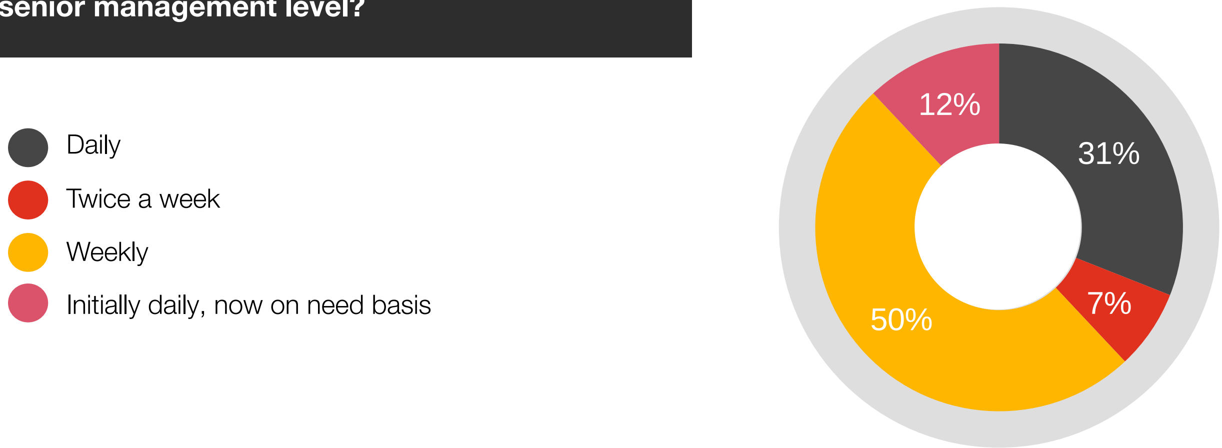


“The COVID-19 pandemic directly affected the way of work and this is evident in the responses on how the head office functions for the various banks has changed since March 2020.

A review of workforce arrangements and policies was performed by all respondents: 94% of the respondents set up Incident Management Teams to coordinate responses to the pandemic. 63% of the bank executives interviewed noted that their banks reviewed and amended their business continuity plans (BCPs). 44% reviewed cash and liquidity management policy as well as arrangements with third party service providers to ensure that the banks had adequate liquidity cover.

There was limited involvement of external consultants in the immediate changes implemented in response to COVID-19 due to its abrupt nature. Regional banks leveraged on their group offices while the indigenous banks resourced staff with relevant skills to form in-house Incident Management Teams to drive the change. Banks have however indicated their willingness to consult externally in their subsequent phases of designing and implementing new business solutions in adapting to the ‘new normal’.

How frequent are you reviewing your response to the COVID-19 pandemic at a senior management level?



"Guidance evolved with understanding of the virus and its spread. Some countries led in terms of response; others followed. The novel virus and the interconnectedness of political and economic decisions and impact resulted in frequent review of responses to ensure they were adequate from a staff and customer safety perspective and also from a business survival perspective. For about 31% of respondents however this is done on a daily basis to keep up with the global and local updates on the pandemic which has far reaching implications on the operations of banks and their customers.

Impact of Government of Ghana and Bank of Ghana policies on banking

In March 2020, the Bank of Ghana announced a number of monetary policy interventions in response to the COVID-19 pandemic. The real impact of these decisions may be more accurately assessed in the longer term however, we have sought insights on banks' perspectives on the effectiveness of these measures in mitigating the immediate impact of the pandemic. We take a look at the impact of policies relating to reference rate, monetary policy rate, primary reserve requirement and capital conservation buffer.

All the respondents asserted that the reduction of interest rates priced-off the Ghana Reference Rate by 200 basis points (2%) was relevant to the ultimate beneficiary, who are the loan customers. About 88% of the banks surveyed indicated that they reduced their lending rates in response to this directive, while 6% made no changes at all to the pre COVID-19 interest rates. Another 6% chose to review lending rates on a case-by-case basis.

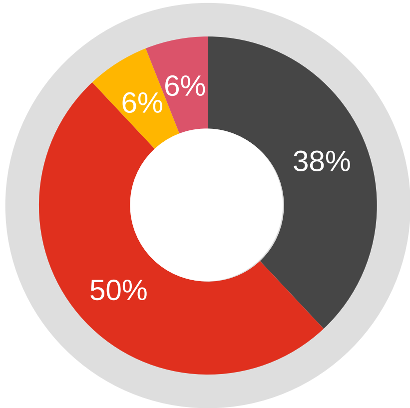
For many of the banks (81%), the cut in policy rate by 150 basis points to 14.5% by the Monetary Policy Committee (MPC) is most likely going to put pressure on operational results due to long term positions taken on customer deposits via fixed deposits whereas future investment of funds would yield lower returns. 19% of the respondents are indifferent because they are heavily invested in long dated fixed income securities.

For every three out of five bank executives interviewed, the reduction in primary reserve requirement from 10% to 8% has brought some relief to the banks. While this policy has improved the liquidity of banks, some bank executives believe that it would be unrealistic to convert this excess liquidity to profit in the current year. For now, these banks are still holding the excess cash with the regulator while other banks have increased the cash holdings at their branches. Due to the nature of risk assets expected to benefit from the excess liquidity, some banks have resolved to maintain their reserves at 10% in order to save on possible impairment under both regulatory and International Financial Reporting Standards.

50% of respondents noted that the reduced capital conservation buffer from 3% to 1.5% was beneficial to banks in Ghana. The 2019 results of banks which were used for the survey show that the conservation buffer of all banks is in excess of the required 3%. For 13 banks, their capital adequacy ratio was over 20%. We can therefore understand why this relief package has not been applauded by all banks.

69% of bank executives interviewed indicated that, the reduction of provisions for loans in the "Other Loans Especially Mentioned" (OLEM) category from 10% to 5% for all banks and Special Deposit Institutions (SDIs) has not generated significant changes in prudential provisioning. Most respondents noted that they do not have significant loans in this category although they acknowledge that this position may change in the near future if the effects of COVID-19 should linger on. A major concern with this policy is the drastic impact a downgrade from OLEM (5% provisioning) to Substandard (25% provisioning) will have on the performance of the loan book.

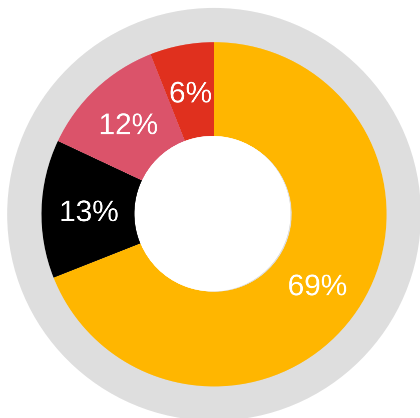
How confident are you about the fiscal policy measures taken by government in response to the COVID-19 pandemic?



- Very confident
- Somewhat confident
- Indifferent
- Not confident

> The Minister of Finance announced a US$ 100 million financial commitment fund and a syndicated facility of GHS 3 billion from commercial banks in Ghana to support industry, especially pharmaceutical, hospitality, service and manufacturing sectors as part of measures to cushion the economy from the fallouts of the COVID-19 pandemic.
>
> One out of every two bank executives interviewed expressed some reluctance about adequacy of the immediate fiscal policy measures introduced by the Central Government to alleviate the impact of the pandemic. As the Minister of Finance stated in his address to Parliament, 'never before, since Independence, has the Ghanaian economy faced such a sudden, dramatic all-round reduction in widespread consumer and corporate demand as a result of a single health crisis'. Perhaps, the additional measures outlined by the Minister of Finance during the Mid-Year and Supplementary Budget Review will allay their worries.

What would you expect from your regulators in order to ease the impact of the pandemic on your operations?

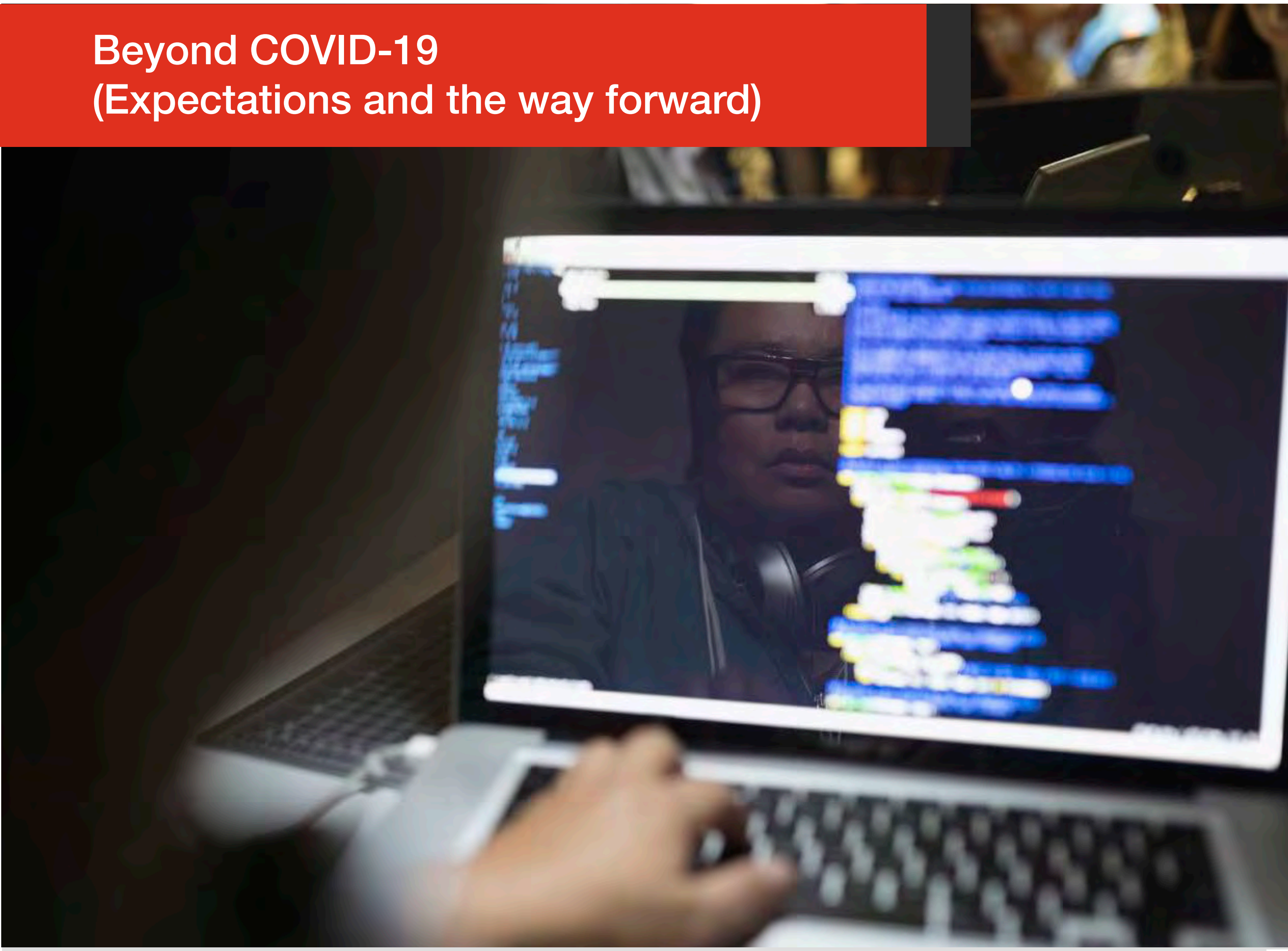


- Increase in stakeholder consultation before changing policies
- Detailed guidelines from Government/ BoG on the implementation of policies outlined
- Revision of the BoG provisions for specific Industries
- Opportunity to revise self-assessment to reduce burden of tax payment

> Bank executives (69%) think the Bank of Ghana should increase stakeholder consultation in order to propose more beneficial policies. This, they said, will help estimate the timelines and extent to which the policies of the regulator will remain available. 13% of respondents simply thought that there was the need for detailed guidelines from the Government and Bank of Ghana on the implementation of measures put in place to curb the impact of the pandemic. In their view, a clear guidance was missing and though that could be shared during stakeholder consultation, they could not fully embed the new policies in operational strategy without a detailed documented directive.

When asked how banks were modifying their business strategy to take advantage of the policies and interventions introduced by Government and Bank of Ghana, bank executives indicated that they were easing credit policies for selected sectors, revising credit appraisal models to ensure agility and flexibility, undertaking to participate in certain syndicate deals where credit risk was acceptable without necessarily enjoying the benefits of ancillary business and reducing the hurdle rates on certain deals to encourage lending in sound industries.

Beyond COVID-19 (Expectations and the way forward)

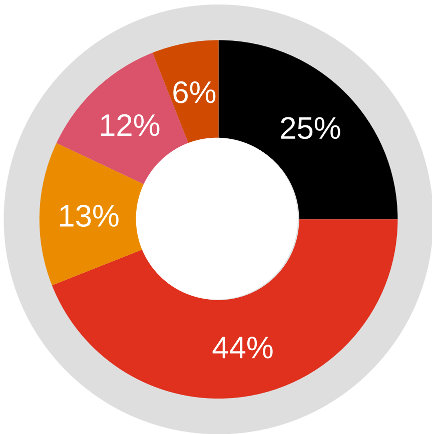


As the government continues to ease restrictions on movement, banks are focusing more on how to sustain business after the global pandemic. The forecasts may not be encouraging; however these challenging circumstances present a distinctive and special opportunity for banks to accelerate transformation and boost growth.

Expectation for the future

As a result of COVID-19, which of the following does your bank expect to occur by the end of year 2020?

- Loss of revenue from customers
- Increased expected credit loss on financial assets
- Higher demand for employee protection
- Loss of revenue from customers and increased expected credit losses
- All the above

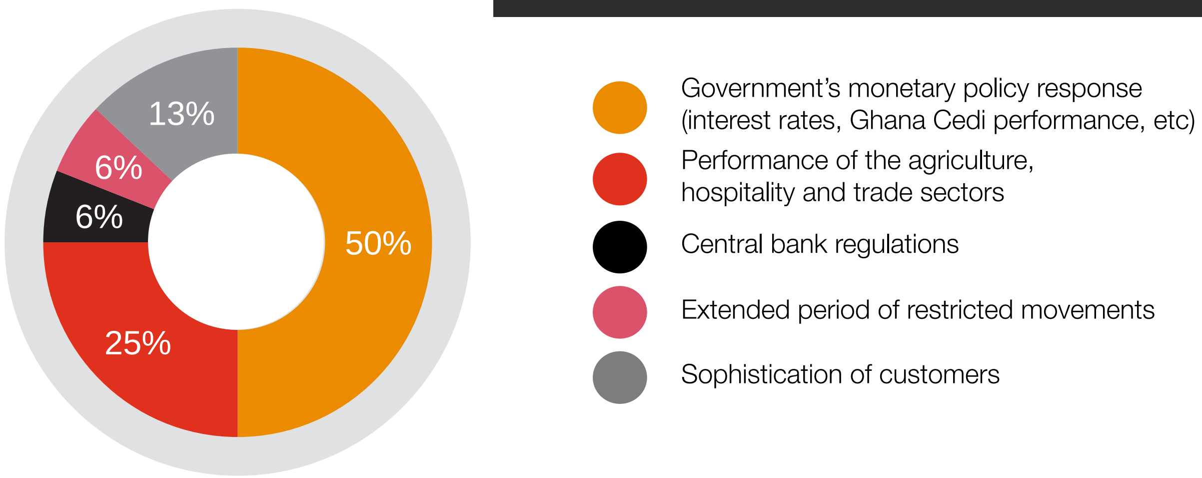


"The views of bank executives were divided on their short-term expectations. 44% anticipated an increased ECL on financial assets by the end of 2020. In their view, the expected credit loss on loans to customers will be substantially higher in the coming years as a result of the economic downturn and the knock-on effect on the customers' ability to pay. The concern is deepened by the requirements of IFRS 9 for a more proactive approach to impairment. Economic downturn sets a default tone of a seeming inability to pay.

A quarter (25%) of respondents expect an overall loss of revenue against budget projections, especially on interest and trading income for the year, even though some identified that the volume of transaction will result in an increase in fees and charges from banks' digital channels.

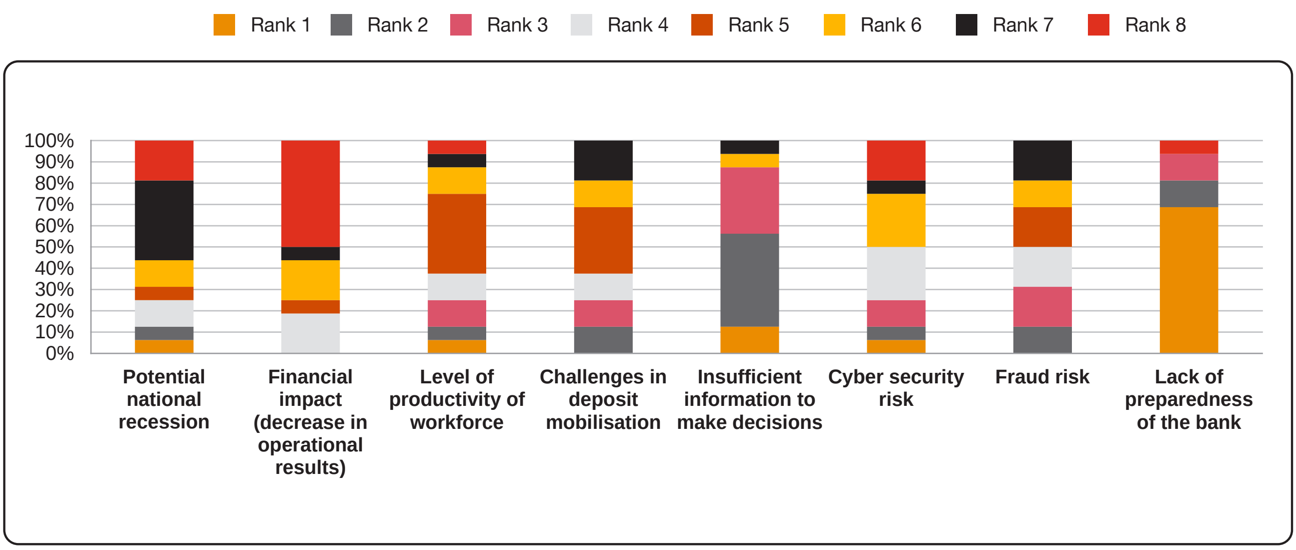
The other respondents (12.5%) expect higher demand for employee protection as the pandemic resulted in some layoffs especially of temporary staff.

Which of the following factors will have the greatest influence on the industry in the next 3 years?



> We questioned bank officials on their views on how current and future responses to COVID-19 pandemic will influence the industry in the coming years. 50% of respondents expect that the government's monetary policy response around interest rates, Cedi performance will have the greatest influence on the industry in the next 3 years while for 25% of respondents, the performance of the agriculture, hospitality and trade sectors and its ripple effect on trade finance and credit servicing will be the most significant factor to be considered by industry players.

What are your top concerns with respect to COVID-19? Please select in order of impact, 8 being the highest impact.



3 out of every 4 bank executives interviewed indicated that the financial impact of the pandemic was among their top three concerns; half of all bank executives (50%) interviewed ranked the projected decline in operational results as their topmost concern. Incomes from credit and foreign trade business, earlier identified as significantly impacted, are expected to be the primary cause for a dip in the operational results compared to what had been anticipated at the beginning of the year.

The likelihood of an economic recession arising from the COVID-19 crisis was also of significant concern to bank executives as 69% of survey respondents marked this as one of their top 3 concerns. The potential contraction in general economic activity may not only limit banks' expansion into new economic markets but also stifle the ability to generate revenues from existing revenue channels.

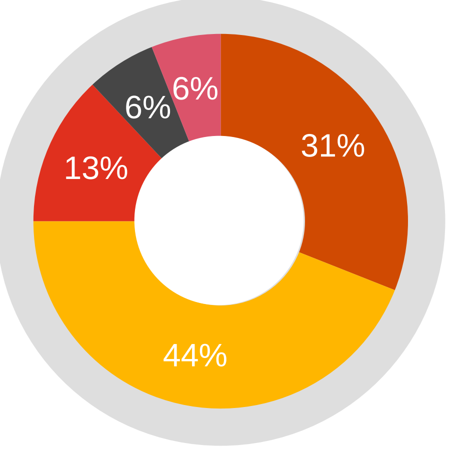
50% of all respondents ranked cyber security amongst the top three concerns. The accelerated drive towards digitisation in customer service delivery and internal operations comes with associated risks that need to be mitigated by banks going forward.

Deposit mobilisation and fraud risk seem to be of equal importance to some respondents as 31% of them ranked both as their top 3 concerns. Banks anticipate that retail and corporate customers will begin to fall on their savings if the restrictions on some activities are not eased in the near future.

The level of productivity of the workforce seems to be of minimal concern; from experience to date, bank executives did not have cause to equate remote working to lower productivity. A positive indication on banks' current business continuity plan may exist as only 8% of respondents indicated a lack of preparedness by banks as a top concern. 18% of bank executives interviewed sighted insufficient information to make decisions as a top priority.

What challenges do you envisage facing as you implement revised strategy in response to COVID-19

- Aligning current skill set to new requirements of senior management roles
- Funding to carry out the revised strategy
- Uncertainty about the impact of the COVID-19 pandemic in the near future
- This requires a massive change to the way that people operate – both in the bank and outside the industry so getting people over the line and embracing the change is the key issue
- No change to strategy`



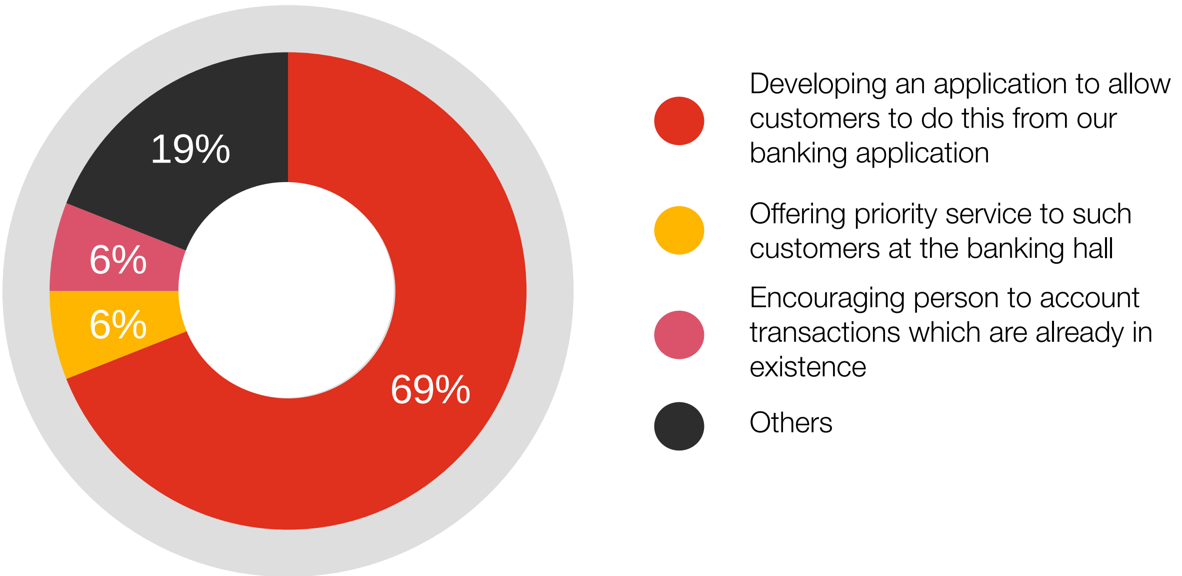
Despite the various revisions to strategy and immediate response by banks to the pandemic, 44% of respondents indicated that uncertainty about the extent and duration of impact of the COVID-19 pandemic is still a cause for concern that will impact the implementation of their revised strategy.

31% indicated that aligning the current skill set to new requirements of senior management and staff will be an immediate challenge that will require prompt attention in order for banks to maximise the returns of their investment.

12.5% believe that there is some funding needed to carry out the revised strategy. Banks in the wake of the pandemic diverted funds into unbudgeted but necessary investments to ensure their survival. With the current obligations and projected decrease in financial performance, banks are beginning to seek additional funding in the medium to long term.

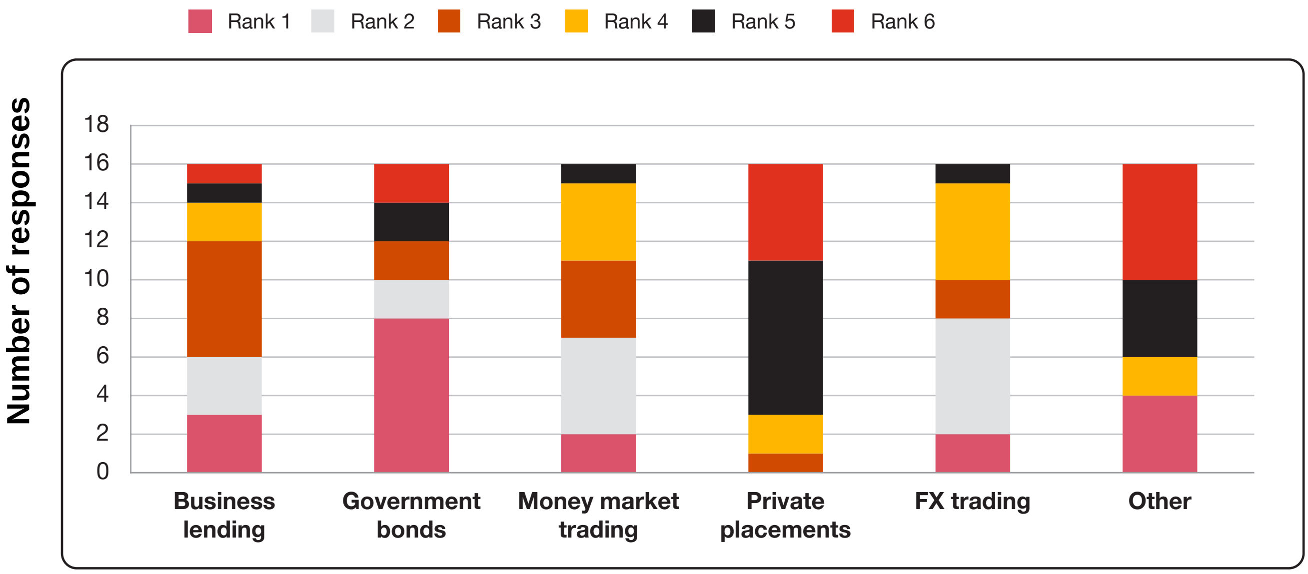
Strategy beyond COVID-19

What are the operational and strategic solutions being implemented to address the impact of COVID-19 on branch-centric activities?



With some insight on the behaviour of customers during the crisis phase of the pandemic in Ghana, 68.8% of respondents have taken steps to develop and enhance electronic and mobile applications to allow their customers have remote access to what used to be branch-centric activities such as cheque deposits, cash deposits and Know-Your-Customer (KYC) activities. While other strategic solutions seemed appealing, bank executives believe that the benefits of these will produce the needed results in an evolved banking industry.

In order of preference, on a scale of 1 to 6 with 1 being the most preferred, which of the following investment opportunities is your bank considering in the short to medium term?

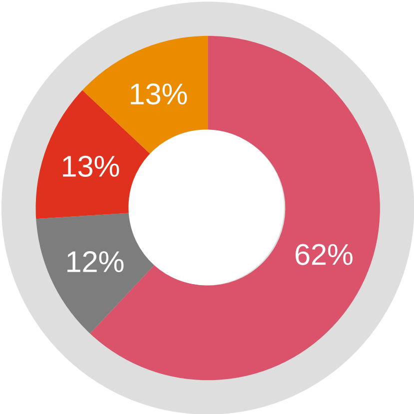


"The risk appetite of banks seems to have changed over the past few months as we observe the impact of the pandemic on the world and other international partners. Banks asserted that investment in government bonds will be the most preferred investment option going forward. Given the uncertainties about the continuing impact of the pandemic, long dated government securities promise to provide safe investment returns for banks.

It is refreshing to note that 67% of respondents still consider corporate lending as one of the top three investment opportunities beyond the COVID-19 crisis. The bank executives acknowledge, however, that the credit risk of most customers has increased as a result of the pandemic and for some industries, the true impact of the pandemic may only become clearer in the long term. Thus, while seeking to maximise returns on investments, risk management will be tightened in order to protect the balance sheet.

For 63% of the respondents, foreign currency (FX) trading is among the top three opportunities for the future. Bank executives anticipate a drastic shift of foreign trade activities to medical and pharmaceutical products including personal protective items in the medium to long term.

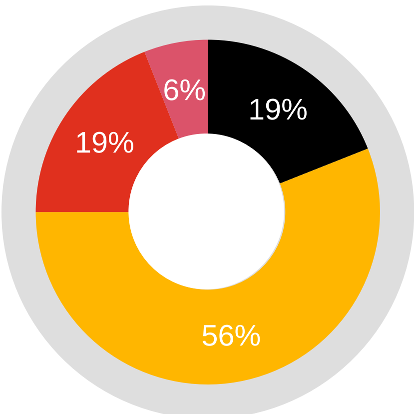
What investments does the bank need to make in delivery channels in order to remain competitive/attractive to customers?



- Increase partnership with Fintechs to develop new solutions
- Attract and recruit IT and cyber security specialists
- Acquire new technology infrastructure/ systems
- All of the above

While technology has proven to be the bedrock of the 'new normal' banking in Ghana, bank executives express divergent views on whether developing and engaging IT specialist, IT infrastructure or partnerships with Fintech required immediate investment. For 62% of the respondents, digital focused innovation through partnership with Fintech will provide the expected avenue for business growth in the medium to long term. One out of every ten bank executives believes this growth will be best driven by attracting and recruiting IT and cyber security specialists. Another 13% expect acquisition of technology infrastructure to create the agile business environment needed to remain competitive.

Has the bank made any modifications to its process or frequency of assessing and testing for hardware and software vulnerabilities and their remediation?



- No. The process and frequency were assessed to be adequate
- Yes. The process has been enhanced and the frequency has been increased
- Yes. The process was adequate but the frequency has been increase
- Yes. The process has been enhanced but the frequency was adequate

Over half of banks' executives (56%) indicated that both the process and frequency of testing and remediation have been enhanced in line with the increased risks as a result of accelerated digitisation. About a fifth (19%) of the respondents indicated an increment in the frequency of testing but deemed the process of testing adequate in the short term.

> Around the same proportion of respondents also indicated the existing process and frequency of testing as appropriate. Just a few respondents (6%) maintained the frequency of testing but enhanced the process. Banks will continue to monitor the process of testing to make changes in line with identified risks and vulnerabilities.

In response to the identified risks, we asked the bank executives what changes that have been or are being made to physical access controls across the bank's facilities and infrastructure

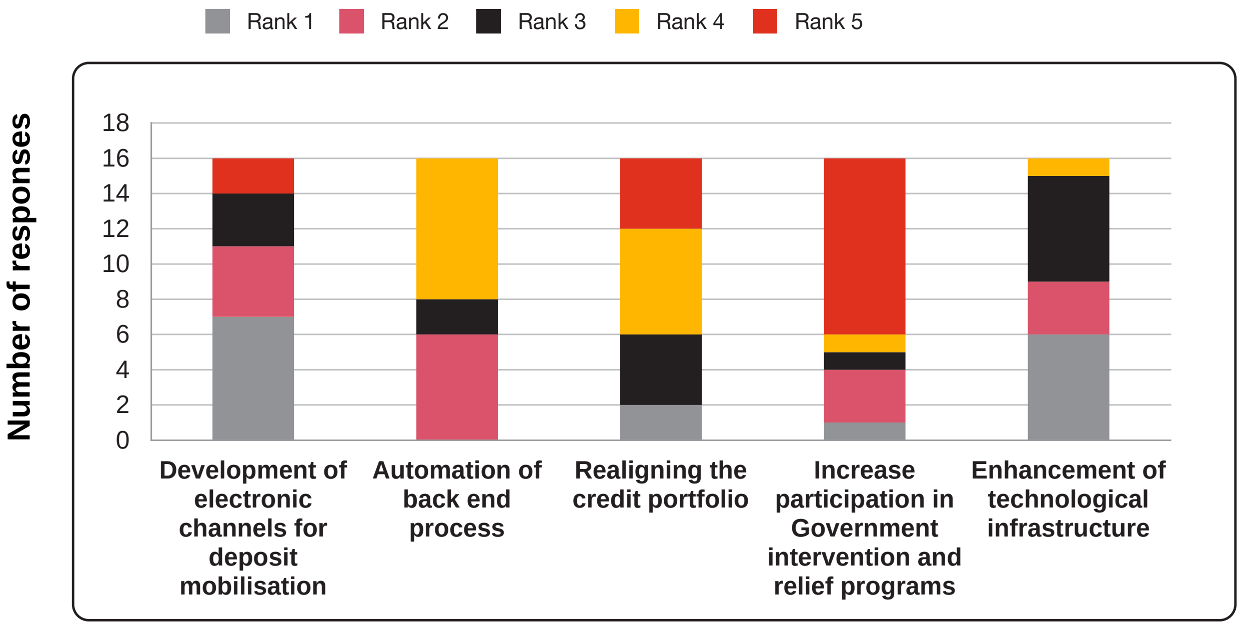
Most banks have intensified physical access controls to facilities and infrastructure for both staff and customers. The running theme for staff access controls focuses on deployment of more security cameras and security personnel, frequent password changes and specific approval for access to bank facilities as banks limit the use of biometric assess in a bid to prevent the spread of the virus. Majority of banks have employed safety measures in line with government directives to ensure appropriate social distancing is practised by both staff and customers. Wearing of face masks and use of sanitisers, and temperature checks are compulsory for entry into banking premises.

We also probed for the changes that have been and are being made to the technological resources of the bank

Majority of bank executives interviewed indicated a move towards obtaining cloud services and enhancing remote access to systems.

Banks have increased investment in infrastructure to facilitate teleworking through the provision of laptops and enhancement of tools for better monitoring of remote access connections. Banks have also increased the frequency of vulnerability assessments and establishment of security operation centres to handle cyber security threats.

On a scale of 1 to 5, with 1 being the most preferred, which of the following approaches will you consider more suitable for achieving your competitive objectives in the short to medium term?



Having withstood this unanticipated test of efficiency and resilience, banks have to come to terms with the reality that COVID-19 has changed the ways of conducting business. Banks have stabilised the immediate impact of this pandemic but will need to take a second look at the 'old normal' and the 'now normal' as we transcend into the 'new normal'.

On a scale of 1 to 5, banks identified the development of electronic channels for deposit mobilisation as the most preferred approach for achieving their competitive objectives in the short to medium term.

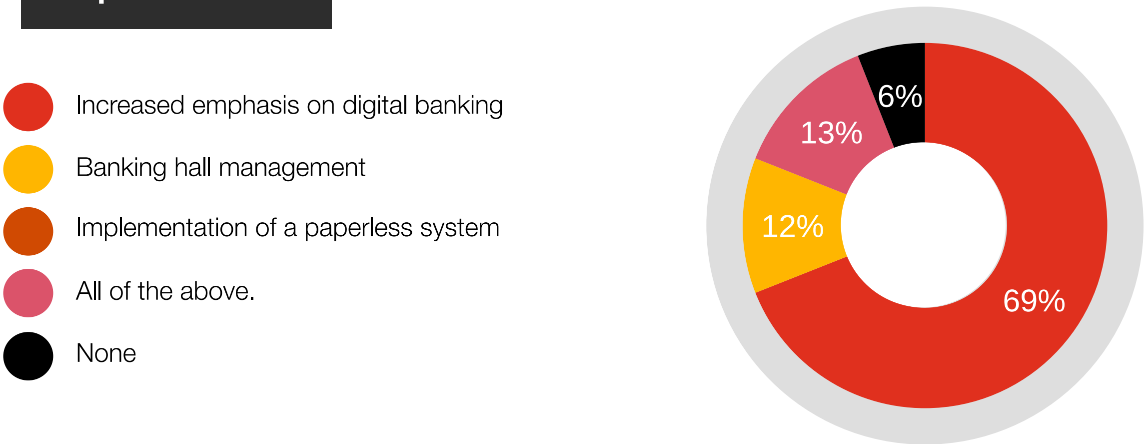
Most respondents noted enhancement of technological infrastructure as well as the automation of back end processes among the top three suitable approaches for achieving their competitive objectives in the medium to long term.

Given the increased focus on digital and electronic banking, we asked bank executives what their current position was on maintaining a network of branches. Only 6% of respondents have considered the possibility of closing down some existing branches. Most respondents confirmed however that, while branches are still relevant in banking, they are not as significant as they used to be in the past. In the interim, banks will consider a reduction in the number of personnel at various branches and the number of working hours to reduce the cost of operations.

Banking beyond COVID-19

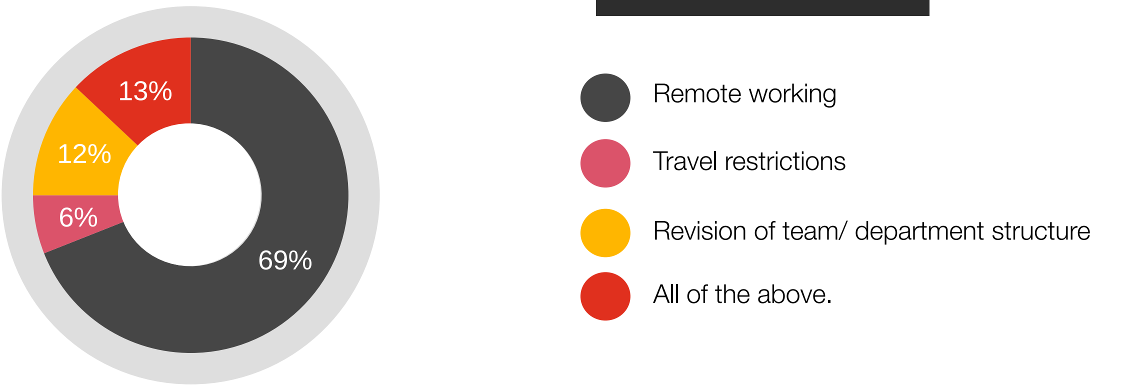
We asked the banks in Ghana; how various aspects of their business would be changing beyond the COVID-19 crisis phase under the following categories:

Operations



"69% of respondents indicated that their banks will continue to emphasise dependence on digital banking. Although banks have encouraged more electronic interaction and communication among staff and with customers, bank executives indicated that the banking system is not likely to be a paperless operation but rather a 'less-paper' industry in the near future. 12% of the respondents noted that, their focus for the future will be to invest resources to monitor and manage banking hall operations in order to ensure the safety of customers and staff while remaining compliant with all laws and regulations.

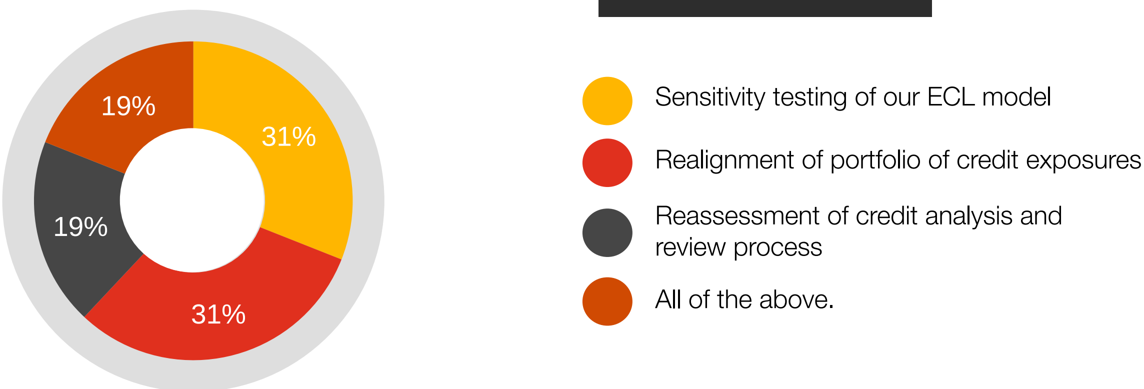
Workforce



Most banks (69%) intend to permanently incorporate remote working as an option available to staff based on their roles. Banks continue to adapt their operational controls and IT security to mitigate any possible threats of this practice. 12.5% of banks confirmed that they have already begun and will continue to realign the job roles and work team structures to the new way of working in order to maximise efficiencies of digital banking, less-paper operations and requirements for social distancing. In the long run, these measure may result in possible layoffs for some whose jobs become automated. Bank executives do not anticipate that travel policies and recruitment policies will be significantly different from what currently exists.

For now, bank executives expect a reduction in staff numbers while they realign staff skills by developing their digital competences to cope with the new way of working.

Credit



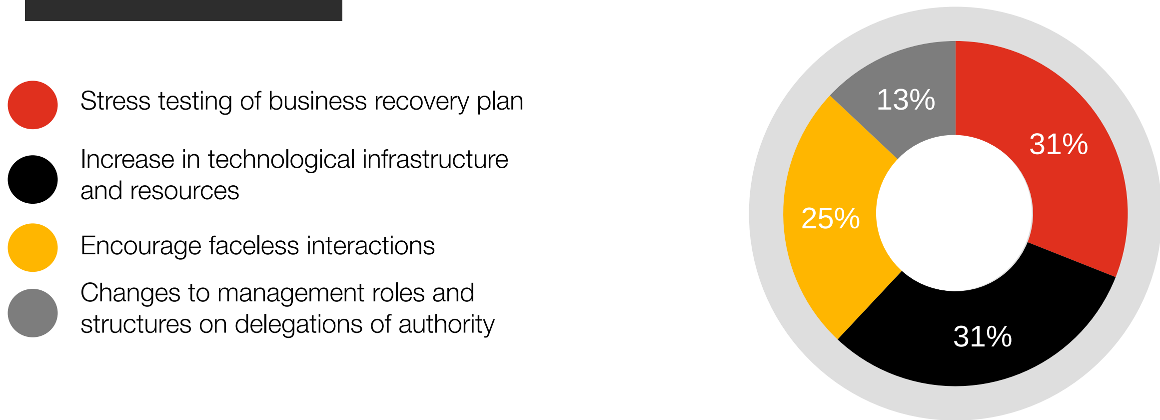
We observed that bank executives have very divergent views about how credit operations will be beyond COVID-19.

Three out of ten respondents indicated that a realignment of portfolio of credit exposures has begun and will continue as banks monitor the impact of the pandemic on specific industries while reassessing their credit risk appetite.

Another 31% of respondents think that the methodology relating to stress testing and sensitivity analysis of loan provisioning model in compliance with IFRS will have to be re-evaluated. The assumptions and relative weightings of forward-looking scenarios associated with the determination of expected credit loss should reflect future economic conditions and credit behaviour of credit customers.

19% of respondents concluded that re-evaluation of credit analysis and review process will be carried to ensure the internal procedures of banks are able to properly identify, measure and assess risks with a higher level of certainty.

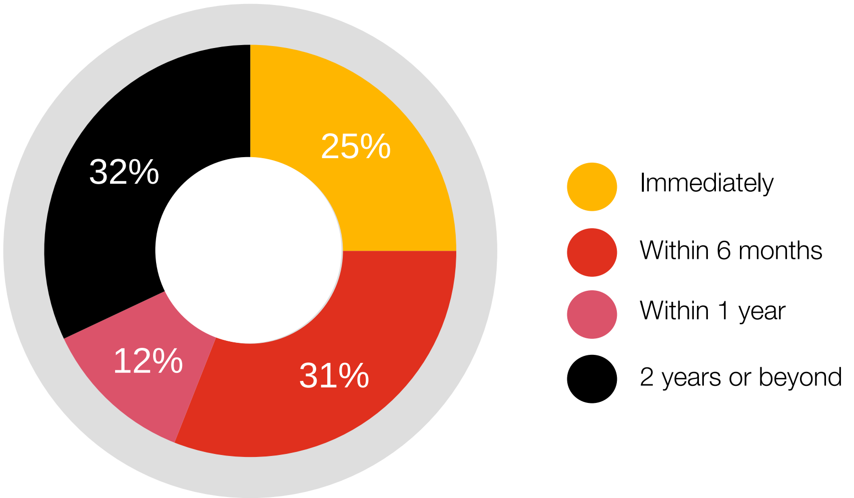
Entity Level



At the strategic level, 31% of respondents indicated that more effort and resources will be dedicated to stress testing of business recovery plans which have significantly evolved since the beginning of the pandemic. For another 31.3% of the respondents, they will develop technological infrastructure and resources in order to meet growing appetite for electronic and mobile banking. The primary objective will be facilitating transition to reduce the face to face interaction but maintaining the quality of services delivery. 25% of respondents have considered investment in resources to promote faceless interactions such as internal staff, management and board meetings, staff training and customer interactions as this is anticipated to minimize the cost of operations.

13% of respondents are considering changes in management roles and structures on delegation of authority and resources as a necessary action in response to COVID-19.

How long will it take your bank to go back to 'business as usual'?



> While there is little certainty about the pandemic and how soon it will be contained, over two-thirds (68%) of respondents expect business to go back to normal within a 12-month period. For most banks, a "new normal" will continuously evolve by merging the effective and efficient processes from the 'old' and 'now' ways of operating.

Do you think COVID-19 will have a long-term impact on your business?

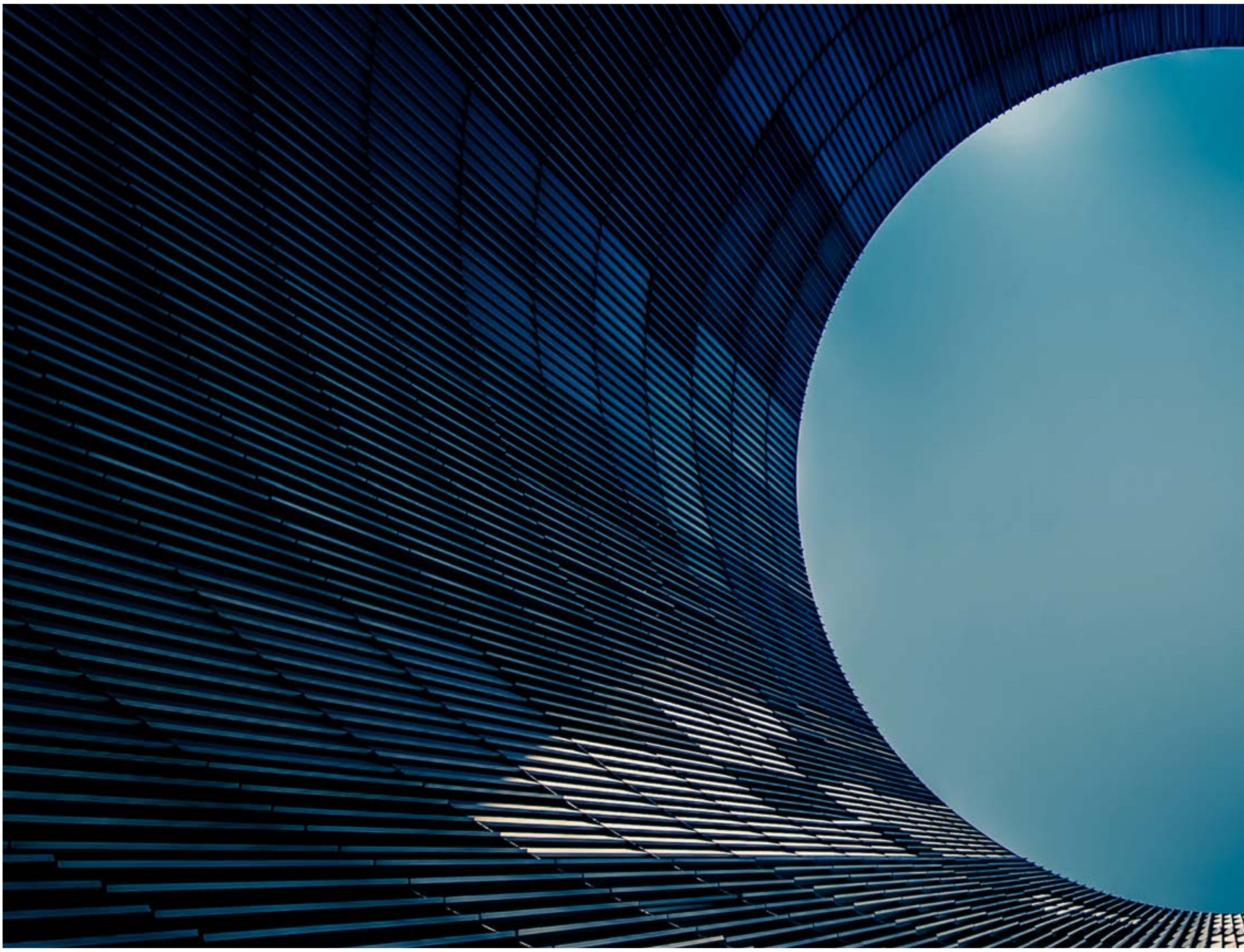
Majority of bank executives interviewed (94%) indicated that the pandemic will have a long-term impact on business going forward. The banking industry is expected to evolve: the way service is delivered to customers and how work is performed internally will change. Bank executives expect the introduction of more digital products and enhancement of existing ones, significant digitisation of internal operations to allow for business process efficiency and more remote working opportunities. Businesses from significantly affected industry sectors (including hospitality and aviation) are expected to be partially restored in when countries fully open borders for trade and human movement.

Trade and credit business, which have been significantly affected, are expected to make a faster recovery as restrictions are lifted. With this in mind, there is an increased willingness to partner with Fintechs to deliver superior products and services through product innovation and differentiation.

For some respondents, they anticipate minimal long-term impact of COVID-19 because their businesses were not really exposed to hard hit sectors of the economy. Banks will however continue to maintain regular interaction with customers to identify their challenges and offer solutions where feasible. According to the bank executives, the uncertainty surrounding the availability or otherwise of a vaccine for COVID-19 will most likely determine the duration to full business recovery.

Overall, has COVID-19 had a positive impact on the evolution of banking?

Bank executives interviewed generally viewed the pandemic as a positive driver of the evolution of banking in Ghana through the acceleration of the digital modes of banking and working. Banks have learned to do more with less resources. Banks have been highly responsive and adaptable in ensuring the right resources are being identified, deployed and developed in mitigating the impact of COVID-19 on a highly competitive industry which is central to economic performance. Going into the future, they will look to improve their systems and processes to optimise operations and support the increased traffic on their digital channels

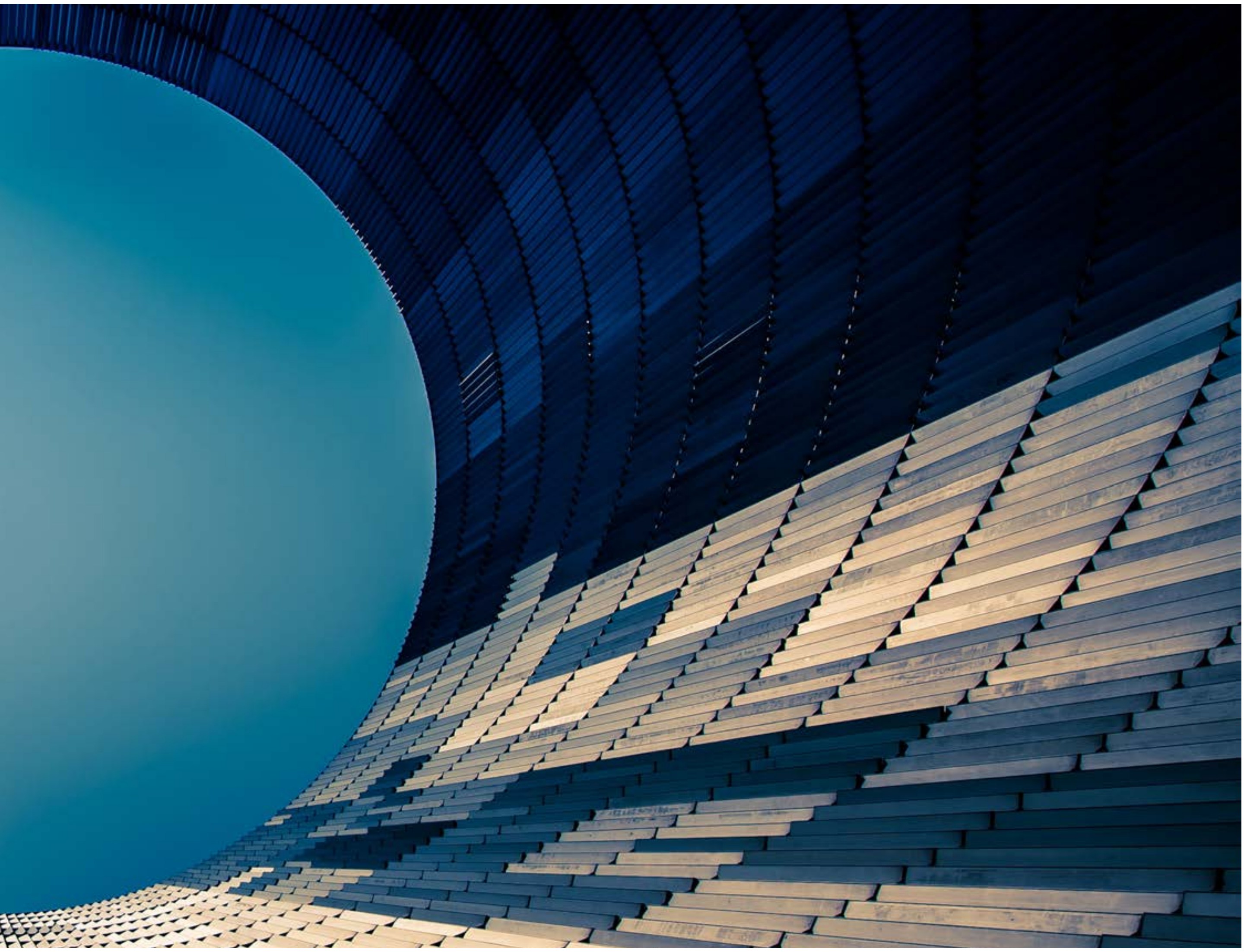


Conclusion

The harsh reality is that COVID-19 plummeted economies into wider imbalance but also created opportunities for growth. As Ghana and the world begin to measure the cost of lockdown restrictions and realign interventions to be implement, key sectors in the economy like the banking industry are instrumental to driving a rejuvenation agenda.

Lessons learnt from banking sector clean-up and other reforms in the industry would have equipped banks to withstand the immediate impact of the crisis on financial performance, workforce deployment, customer lending and business continuity planning. The resolve of banks to deliver superior products and services through product innovation and differentiation is in the right direction. Without losing sight of the heightened cyber security risk, remote working, increased digitalisation of operations and the restructuring of investments portfolio will characterise the 'new normal' of banking in Ghana. Monetary and fiscal policies will be very instrumental in determining the rate and extent of recovery while providing direction for sustained growth.

Banks will continue to support their customers and staff, while keeping pace with evolving market demands by developing new propositions and business models.



3 Banking Industry Overview

Banking industry overview

Industry overview

The banking industry ended 2019 with growing optimism in the sector after a year of clean up and recapitalisation. The sector reforms paved the way for directives from the regulator aimed at maintaining public trust and confidence.

In recent months, however, the sector has had to react to dramatic changes and uncertainties created by the COVID-19 pandemic. The industry faced unprecedented challenges in dealing with its workforce, customers and movement restrictions. This pandemic has affected the industry both directly and indirectly, as some of the key sectors that banks typically lend to; trade and commerce, hospitality, construction, oil and gas and education have been severely impacted.

The following are some of the key events which occurred since the beginning of 2019 within the banking sector.

Corporate Governance Directive implementation

In 2019, BoG continued its implementation of the Corporate Governance Directive issued in 2018. During the year, directors of banks were mandated to attend a certification training program. Key features of the directive include update on non-executive Ghanaian-based directors' qualifications and maximum tenures of 12 years for managing directors and 9 years for other board members. The implementation of this directive resulted in the reshaping of several boards within the sector.

Payment Systems and Services Act 2019 (Act 987) and National Payment Systems Strategic Plan (2019 - 2024)

The Payment Systems and Services Act 2019 (Act 987) was passed in May 2019. The objective of this Act is to consolidate existing laws and guidelines relating to payment systems and electronic money and expand the category of participants and services within the ecosystem. To achieve the objectives of the Act, BoG developed a National Payment Systems Strategic Plan (2019 - 2024) to foster efficient payments, improve financial inclusion, and enhance financial innovations.

Industry developments on the expansion of service and payment options have greatly facilitated transactions during COVID-19 crisis in response to limited traditional banking activities.

Revocation of licenses of non-bank financial institutions

BoG on 31 May 2019 revoked the licenses of 347 insolvent microfinance companies. This included 155 companies that had ceased operations. The regulator considered these entities as insolvent and dormant institutions that had no reasonable prospects of rehabilitation and had denied depositors access to their deposits.

Fit and Proper Persons Directive

In July 2019 BoG issued the Fit and Proper Persons Directive for compliance by banks and special deposit-taking industries, financial houses and financial holding companies. The key objectives of the directive are to:

- Provide guidance in determining the fitness and propriety of a significant shareholder, director or key management personnel in a Regulated Financial Institution
- Prohibit persons who are not "fit and proper" from engaging in or undertaking licensed or registered activities under Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930)
- Support sound corporate governance practices.

The directive will encourage greater scrutiny of persons trusted with the responsibility of leading the activities of institutions licensed under Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Revocation of licenses of insolvent savings and loans companies

On 16 August 2019, BoG revoked the licenses of 23 insolvent savings and loans companies and finance houses. This move was part of the regulator's measures to strengthen the Specialised Deposit-Taking Institutions (SDIs) and Non-Bank Financial Institutions (NBFIs) sectors.

Ghana Deposit Protection Scheme

The Ghana Deposit Protection Scheme became operational in September 2019. The Scheme, operated by the Ghana Deposit Protection Corporation ("GDPC"), seeks to protect a small depositor from loss incurred as a result of a bank becoming defunct.

The Scheme is funded by banks, who are expected to pay:

- Initial Premium – an initial one-off premium of 0.1% of required minimum paid-up capital (i.e. GHS 400k)
- Annual Premium at 0.3% of the insurable deposits (total deposits less exceptions in Section 13 of Ghana Deposit Protection Act, 2016).

Introduction of High-Value Banknotes and Coin

In November 2019 BoG introduced two new high-value banknotes (GHS 100 and GHS 200) and a GHS 2 coin. The new denominations were one of the outcomes of BoG's currency review and survey of small businesses.

Ghana Amalgamated Trust Plc ("GAT") capital injections in Agricultural Development Bank ("ADB") and OmniBSIC Bank Ghana Limited ("OmniBSIC")

In January 2020 ADB received a GHS 127 million capital injection from GAT, thereby fulfilling the minimum capital requirement of GHS 400 million set by BoG. In April 2020 OmniBSIC received GHS 130 million from GAT, which also enabled it to meet the threshold.

Enterprise Credit Scheme

In February 2020, BoG announced the establishment of an Enterprise Credit Scheme, aimed at stimulating growth among small and medium enterprises ("SMEs"). BoG shall set aside 2% of banks' primary reserve to support lending to suitable SMEs.

Barclays Ghana rebranded to Absa Ghana

After trading for over 100 years, Barclays Bank Ghana Limited concluded its rebranding to Absa Bank Ghana Limited in February 2020.

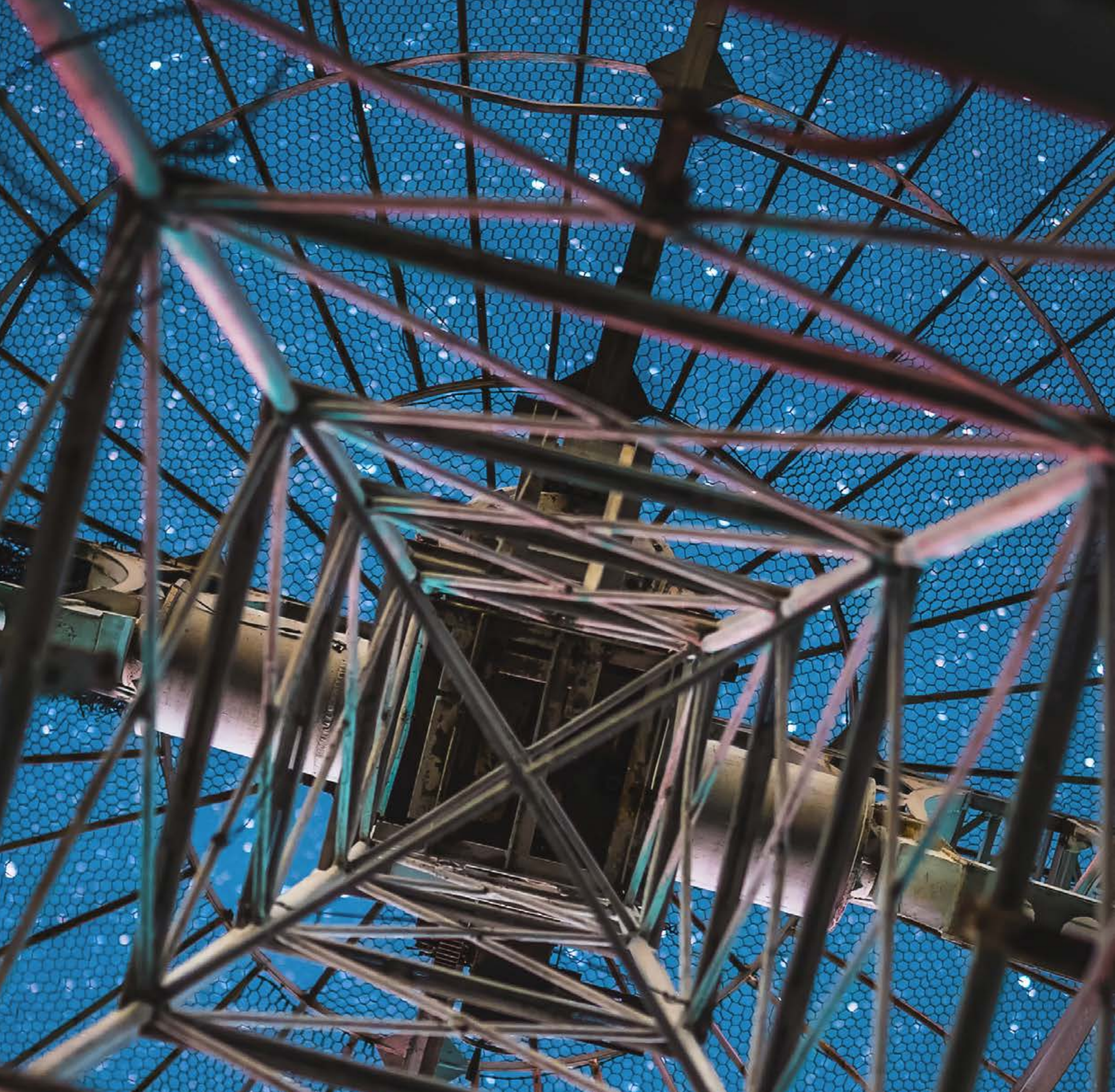
Impact of COVID-19

In response to the risks presented by the pandemic, BoG directed all banks, savings and loans companies, finance houses, microfinance institutions, rural and community banks and foreign exchange bureaux to:

- Activate and regularly review their business continuity and disaster recovery plans,
- Abide by the public notices and advisory issued by the Government of Ghana, the Ministry of Health, the Ghana Health Service and other relevant authorities, concerning the pandemic,
- Enhance protective and safety procedures for all staff,
- Ensure all electronic channels are always functional and ATMs do not run out of cash.

First National Bank merger with GHL

In June 2020, First National Bank Ghana Limited ("FNB") completed its merger with GHL Bank Limited ("GHL"). The merged entity will maintain FNB's name.



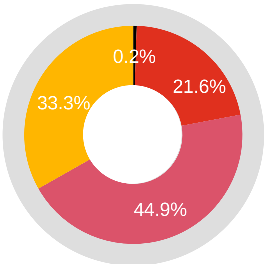
4 Total Operating Assets

Total operating assets

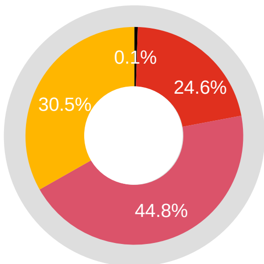
Operating assets are defined to include all assets used in generating interest income or fee income. These include cash and cash equivalents, treasury bills and bonds, interbank placements and loans and advances.

2019

- Cash Assets
- Liquid Assets
- Net Loans and Advances
- Other Operating Assets



2018



- Cash Assets
- Liquid Assets
- Net Loans and Advances
- Other Operating Assets

Profitability and liquidity of banks largely depend on the mix and quality of operating assets making these assets a key performance indicator for banks in our analysis. As shown above, the mix of operating assets remained unchanged except for a 3% reduction in cash assets from 25% to 22% of the portfolio to fund loans and advances to customers in 2019.

Whereas 16 banks responded to the survey, the financial results of 19 banks were used in the financial performance analysis. The audited accounts for the remaining banks were unavailable at the time of our analysis.

Total operating assets accounts for 93% of total assets of the participating banks and increased by 24.4% to GHS 109.5 billion at the end of December 2019. Liquid assets, which is made up of interbank placements, treasury bills and government bonds, grew by 24.7% to GHS 49.1 billion as compared to a 42% growth from GHS 27.7 billion to GHS 39.4 billion between 2017 and 2018.

This year's growth in liquid assets was driven by excess funds from capital injection of GHS 1.5 billion while banks critically assessed lending opportunities. Even though banks applied a prudent approach to issuing new loans, gross loans increased by 32.4% to GHS 39.4 billion in 2019.

The growth in loans and advances was driven by an expansion in loans to key sectors. Between 2018 and 2019, housing sector, transport, storage & communication sector, agriculture, forestry & fishing sector and mining sector witnessed growth in loans by 158.8%, 118.4%, 94.9% and 21.6% respectively. The commerce & finance sector remains the highest beneficiary of loans and advances as at December 2019, even though there was net decline of GHS 150 million to the sector.

The expansion in operating assets is also attributable to the funding from the significant growth in deposits which grew by 24.2% to GHS 81.3 billion. This is an outcome of the changes in the market perceptions from uncertainties related to a stable industry condition. It appears the reforms by the regulator is yielding the desired results.

The growth in deposits can also be attributed to recent reforms in the financial services sector as most customers are seeking to do business with commercial banks rather than microfinance institutions or saving and loans companies.

A concentration of the industry's operating assets (over 45%) in five banks; EBG, GCB, FBL, SBG, ABSA is emerging and eventually creating a local systemically important financial institutions. This threatens the stability of the industry in the event of systemic defaults. An immediate dilution is not likely but in common with more matured markets stronger supervision is necessary.

EBG holds 10.8% of the industry's total operating assets. FBL, SBG, ABSA (formerly BBGL), and EBG contributed in excess of GHS 2 billion each to the GHS 21.5 billion increase in industry's operating assets.

FBL and EBG increased their operating assets by 51.47% and 21.55% to GHS 10.1 billion and GHS 11.81 billion respectively. Both banks continued to hold significant investments in liquid assets; with FBL's liquid assets increasing by 23.6% to GHS 4.3 billion and EBG's increasing by 21.8% to GHS 3.75 billion.

Again, for FBL, net loans and advances recognised a significant growth in 2019, increasing by 72.9% to GHS 2.45 billion due to the bank's aggressive lending drive and the growth of mobile and internet banking, which has facilitated greater credit access. The growth in FBL's total operating assets was funded by a 52% growth in total deposits and borrowings.

SBG increased its operating assets by 45.9% to GHS 8.19 billion as at December 2019. The bank increased its liquid assets by only 0.01% but grew its net loans and advances by 52.7% during 2019. The increase in loans and advances were a result of extensions to and increased drawdowns of existing facilities of customers particularly from mining, manufacturing and commerce sectors. The 58.9% increase in its total deposits and borrowings contributed to the funding of loans and advances.

ABSA also experienced significant growth, with its operating assets increasing by 29% to GHS 11.3 billion. This is driven by significant growth in net loans and advances (33.9% arising from an aggressive retail loan campaign embarked on by the Bank) and liquid assets (28.6%). The improvement in ABSA's total assets was funded by a 30% growth in total deposits and borrowings, which is an outcome of various initiatives, including a promotion of credit cards and other new-branding activities.

The industry continued to experience growth in total operating assets with each of the 19 banks recording a growth rate between 16% and 65%. Other notable performers are GCB, SCB, CAL, ABG and SG-GH who recorded an actual increase of more than GHS 1 billion, but less than GHS 2 billion during the year.

Total operating assets (millions of Ghana Cedis)

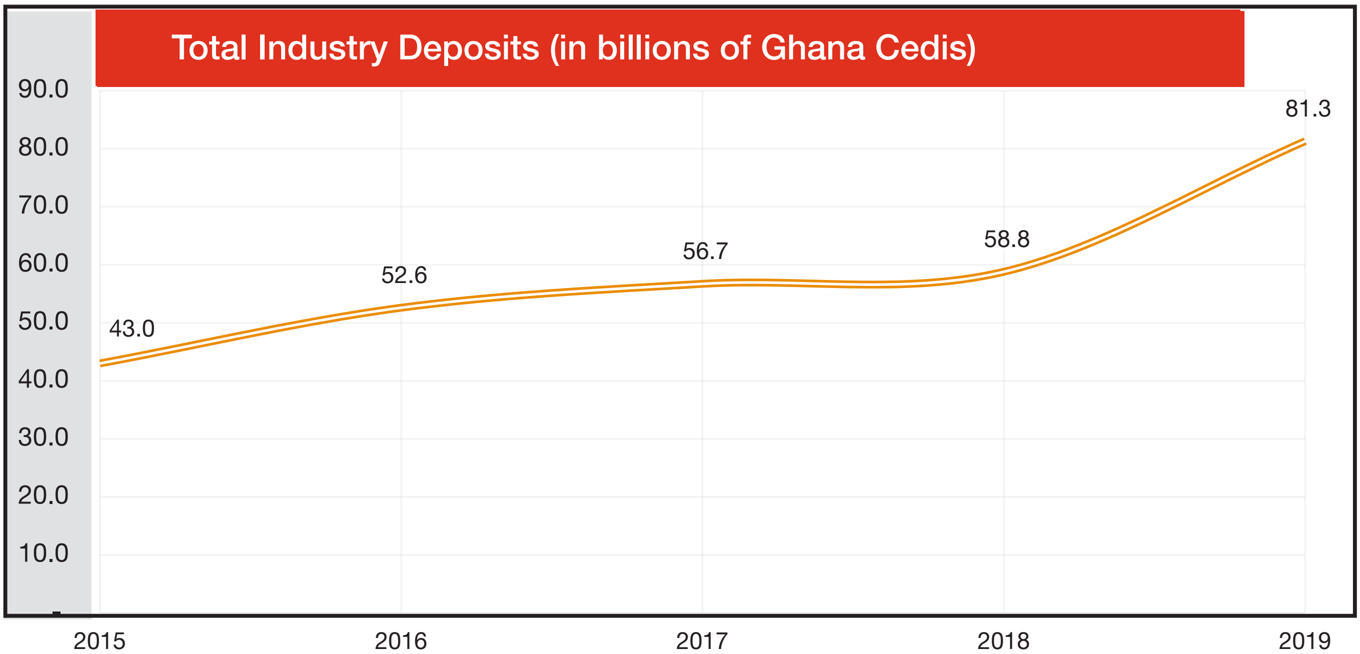
	2019	2018	2017	2016	2015	Change	Δ% between 2019 and 2018
EBG	11,810	9,717	8,151	7,279	5,954	2,094	21.55%
GCB	11,561	9,721	8,268	5,686	4,327	1,840	18.92%
ABSA	11,296	8,757	5,747	5,113	3,437	2,539	29.00%
FBL	10,093	6,663	5,115	3,981	3,948	3,430	51.47%
SBG	8,188	5,611	4,820	4,974	3,984	2,577	45.92%
SCB	7,005	5,556	4,379	4,068	3,147	1,449	26.08%
CBG	6,579	-	-	-	-	6,579	100%
CAL	6,354	4,867	3,847	3,198	3,151	1,487	30.55%
ZBL	6,331	5,332	4,298	3,193	2,396	999	18.74%
UBA	4,418	3,450	2,895	3,682	2,342	968	28.06%
ABG	4,339	3,195	2,892	2,437	2,250	1,145	35.83%
ADB	4,293	3,367	3,282	2,796	1,947	926	27.51%
SG-GH	4,089	3,082	2,478	2,329	1,878	1,006	32.64%
RBL	3,187	2,744	1,955	1,701	1,469	443	16.14%
GTB	3,032	2,165	1,803	1,493	1,319	867	40.05%
PBL	2,894	2,111	1,958	1,511	1,286	783	37.10%
BOA	1,896	1,153	1,192	1,004	1,080	743	64.44%
FBN	1,209	962	524	542	421	248	25.76%
FNB	913	603	224	255	132	310	51.43%
FABL	-	1,582	1,538	1,292	1,079	(1,582)	-
TRB	-	-	1,047	1,014	867	-	-
PRB	-	-	1,275	886	-	-	-
UMB	-	-	2,764	2,582	1,230	-	-
BSIC	-	-	599	537	466	-	-
OBL	-	-	585	433	-	-	-
BOB	-	-	387	291	266	-	-
ECB	-	-	296	324	329	-	-
TCB	-	-	106	-	-	-	-
UGL	-	-	-	5,528	3,650	-	-
GNB	-	-	-	658	484	-	-
SBL	-	-	-	348	-	-	-
NIB	-	-	-	-	2,016	-	-

5 Market Share Analysis

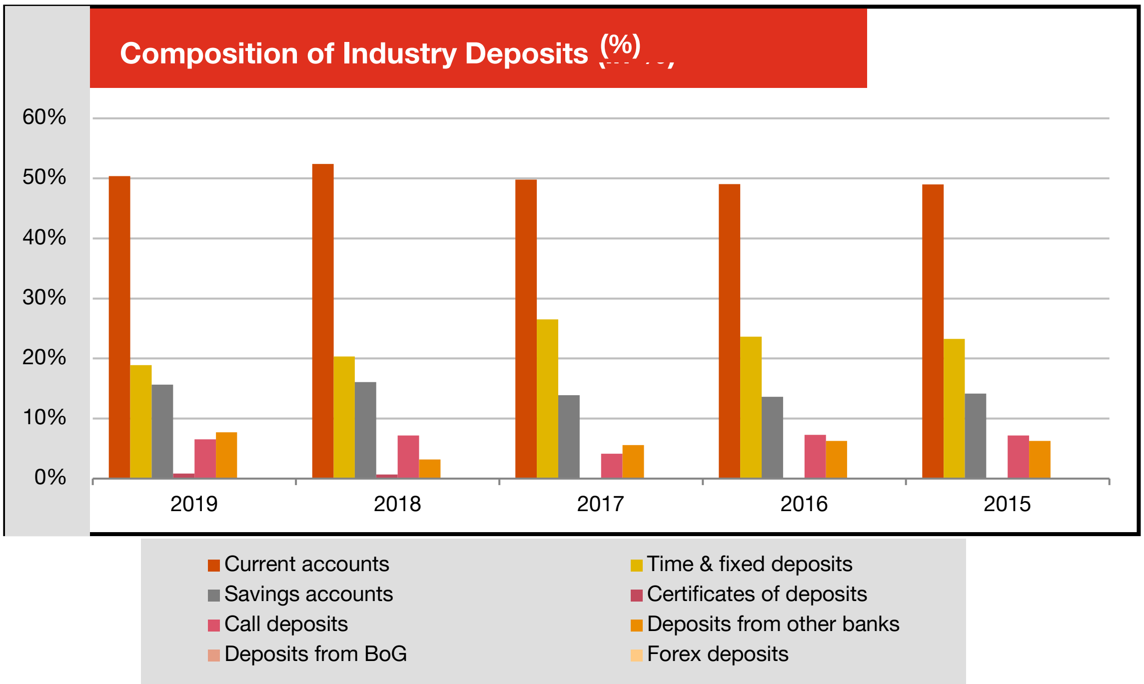
Market share analysis

Share of industry deposits

A growth of 38.3% was recorded in industry deposits within the last year. This trend is considerably higher than year on year average growth rate of 11.3% between 2015 and 2018. This growth can be attributed to improvements in deposit mobilisation strategies adopted by banks as well as the shift in customer preference to commercial banks in response to the series of revocation of licenses for savings and loans companies, microfinance companies and fund managers executed by their regulators. Strategies including improvements in digitisation and product customisation were key approaches used to attract new deposits. The growth in deposit indicates renewed confidence in the banking sector.



There is a downward trend in the availability of cheaper sources of funds in the industry. Although current and savings accounts deposits grew by 33.3% from GHS 40.3 billion to GHS 53.7 billion, this represented 66% of the industry deposits as compared to 68.5% in 2018. While banks continue to pursue strategies of mobilising cheaper deposits in the form of current and savings accounts, interbank deposits remain a short-term medium to fund operations. Deposits from other banks rose by 234.2% from GHS 1.87 billion to GHS 6.25 billion.



With a 13.4% share of total industry deposits, EBG in 2019 resumed dominance in market share in deposits from being ranked second to GCB in 2018. EBG's effort towards offering supportive digital channels, improved collection solutions and the promotion of its agency banking network contributed significantly to this growth of 39.4% from GHS 7.83 billion in 2018 to GHS 10.92 billion in 2019.

Although GCB's market share of deposits declined from 14.2% in 2018 to 12.1% in 2019, its total deposits increased by 18.1%. Having the largest network of branches, 185 in total, coupled with its strategy to digitise deposit mobilisation through products such as G-Money, the bank increased deposits from GHS 8.34 billion in 2018 to GHS 9.84 billion in 2019. GCB is optimistic that G-Money, which is equivalent to mobile money wallet and works across all mobile networks will help improve overall market share of deposits in the future.

SBG gained 1.3% of the market share to place third from its previous fourth position through intensified efforts in promotions such as the AFCON 2019 promo. The bank continued to enhance customer experience offered on various digital platforms. One of such products is MobyCash which allows cash collection agents to instantly credit customer accounts from any location. These factors contributed to 61.8% increase in the bank's deposits from GHS 4.5 billion in 2018 to GHS 7.3 billion.

CBG held 7.1% of total market share of deposits mainly driven by the bank's assumption of all the deposits of five defunct banks on 1 August 2018. The bank serves as an intermediary for the settlement of validated depositor funds of defunct micro-finance savings and loans institutions. Deposit balance of the bank includes unpaid validations. The bank also embarked on aggressive marketing strategies to maintain a good public presence and to maintain the assumed deposits.

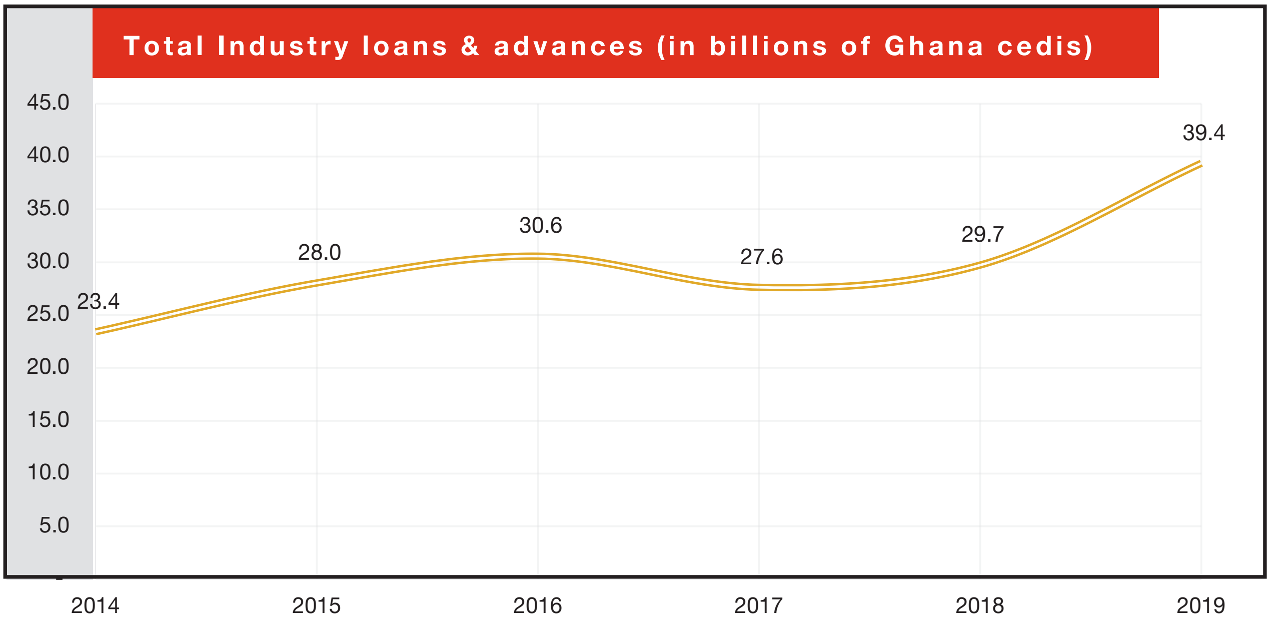
ABSA maintained the third position of total market share in deposit between 2016 and 2018. In 2019 however, the bank was overtaken by three banks resulting in a decline in market share in deposits from 8.4% to 6.8% in 2019. On the other hand, deposits increased by 12.8% from GHS 4.93 billion in 2018 to GHS 5.56 billion in 2019. Building up to the change and rebranding from Barclays Bank Ghana Limited to Absa Bank Ghana Limited, the bank embarked on intensive marketing and relationship building activities with key clients in telecommunication, non-banking financial institutions, fast-moving consumer goods and public sector. While these converted in growth of deposits, the rate of increase was significantly lower than the industry average of 38.2%.

Seven banks, FBL, ZBL,CAL, ADB, ABG, SG-GH and RBL, in addition to ABSA ranked lower in 2019 as compared to 2018. Although all banks in the industry recorded a growth in deposits, the reshuffle of ranks is a clear indication of heightened competition, and in some cases, the outcome of strategic decisions on the back reforms in the banking industry. Following guidelines by the regulator encouraging Ghanaians to minimise, or if possible, avoid contact with others through the exchange of cash as part of the COVID-19 safety practices, we expect customers to increase placements with banks. The array of digital and mobile banking platforms will significantly influence which banks are able to swiftly mobilise and hold on to customer deposits in the future.

Share of industry deposits

	2019	R	2018	R	2017	R	2016	R	2015	R
EBG	13.4%	1	13.3%	2	12.6%	1	11.3%	1	11.5%	1
GCB	12.1%	2	14.2%	1	12.3%	2	8.1%	2	7.8%	2
SBG	9.0%	3	7.7%	4	6.2%	5	7.8%	4	7.3%	4
CBG	7.1%	4	-	-	-	-	-	-	0.0%	-
SCB	6.9%	5	7.4%	6	6.1%	7	6.1%	6	6.0%	7
ABSA	6.8%	6	8.4%	3	8.0%	3	8.1%	3	6.6%	6
FBL	6.4%	7	7.6%	5	7.0%	4	6.1%	5	7.2%	5
ZBL	5.5%	8	5.8%	7	6.2%	6	5.1%	8	4.8%	9
CAL	4.8%	9	5.4%	8	4.4%	9	4.5%	10	3.7%	12
UBA	4.4%	10	3.6%	13	3.7%	11	5.7%	7	4.8%	8
ADB	4.2%	11	4.4%	9	4.5%	8	4.1%	11	3.5%	13
ABG	4.0%	12	4.4%	10	4.1%	10	3.8%	12	4.4%	10
SG-GH	3.9%	13	3.7%	11	3.5%	12	3.4%	13	3.3%	14
RBL	3.2%	14	3.7%	12	3.0%	14	3.0%	14	2.2%	17
GTB	2.9%	15	2.8%	15	2.6%	15	2.1%	18	2.2%	16
PBL	2.6%	16	3.0%	14	2.6%	16	2.5%	16	2.5%	15
BOA	1.4%	17	1.3%	17	1.6%	18	1.3%	19	1.6%	20
FBN	0.9%	18	0.8%	18	0.7%	23	0.8%	24	0.8%	24
FNB	0.6%	19	0.3%	19	0.2%	26	0.3%	28	0.0%	-
FABL	-	-	2.3%	16	2.6%	17	2.2%	17	2.1%	19
UMB	-	-	-	-	3.4%	13	2.7%	15	2.1%	18
TRB	-	-	-	-	1.2%	19	1.1%	21	1.3%	21
BSIC	-	-	-	-	0.9%	20	0.9%	23	0.9%	23
PRB	-	-	-	-	0.9%	21	1.0%	22	-	-
OBL	-	-	-	-	0.8%	22	0.7%	25	-	-
ECB	-	-	-	-	0.5%	24	0.5%	26	0.6%	25
BOB	-	-	-	-	0.3%	25	0.3%	29	0.3%	26
TCB	-	-	-	-	-	27	-	-	-	-
UGL	-	-	-	-	-	-	5.0%	9	7.5%	3
GNB	-	-	-	-	-	-	1.2%	20	1.0%	22
SBL	-	-	-	-	-	-	0.5%	27	-	-
NIB	-	-	-	-	-	-	-	-	4.1%	11
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

Share of industry advances



Total industry loans and advances experienced a GHS 9.63 billion increase between 2018 and 2019 representing a 32.4% growth. Despite the extreme caution in credit underwriting, this is the highest growth rate in the last five years.

As at 1 January 2019, GHS 1.5 billion fresh capital had been injected into the banking industry to secure the required minimum capital. The implementation of Capital Requirement Directive (CRD) and the credit loss assessment determined on the basis of expected rather than incurred loss under IFRS 9 translated to prudent deployment of loans and advances. These factors and the GHS 22.5 billion funds available from increase in industry deposits account for the growth in industry loan book. 89% of these loans were advanced to the private sector.

Composition of Industry Loans and advances (%)

	2014	2015	2016	2017	2018	2019
Agriculture, forestry & fishing	4.2%	3.9%	4.1%	5.7%	3.8%	5.6%
Mining & quarrying	3.1%	3.6%	3.1%	2.5%	3.8%	3.5%
Manufacturing	11.4%	10.0%	8.8%	10.7%	10.6%	7.8%
Construction	8.7%	9.5%	8.9%	7.8%	7.4%	3.2%
Electricity, gas & water	12.5%	14.1%	12.4%	7.4%	6.4%	5.3%
Commerce & finance	24.4%	24.9%	24.5%	23.4%	25.4%	18.8%
Transport, storage & communication	4.3%	4.3%	8.5%	7.9%	4.9%	8.1%
Services	19.7%	19.2%	19.5%	19.2%	22.4%	17.1%
Miscellaneous	11.5%	9.7%	9.5%	14.5%	14.0%	28.2%
Housing	0.2%	0.9%	0.8%	0.9%	1.2%	2.4%
Total Industry Loans & Advances	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

While the combined concentration of loans to the top three sectors, commerce & finance, services and miscellaneous, increased marginally to 64.2% in 2019 compared to 61.8% in 2018, mix of loans among these three sectors did not alter significantly. This trend is expected to continue into the foreseeable future as banks respond to Government and Bank of Ghana's policy measures to COVID-19 which promotes lending to retail customers, medical and pharmaceutical entities as well as other Small-Medium scale Enterprises (SMEs).

A growth in credit to agriculture, forestry, fishing, transport, storage, communication and housing sectors was observed from the previous year's combined share of 9.92% to 16.06% in 2019. The improvement in agricultural related loans is a likely outcome of the commencement of operations of the Ghana Incentive-Based Risk-Sharing System for Agricultural Lending (GIRSAL) in June 2019. GIRSAL is an entity set up to provide financial guarantees to mitigate risks associated with agricultural lending and promote lending by financial institutions as well as providing technical advice to financial institutions. Additionally, banks continue to increase partnership with companies participating in government's social intervention initiative.

Having received the biggest share of loans from the banking industry over the past five years, there was a general decrease in loans to commerce & finance sector. This was a fall out of the regulator's actions against insolvent non-bank financial institutions as part of measures to protect the stability of the financial system and to protect depositors' interests.

The lowest recipients of industry loans remained the construction, manufacturing, mining and utility sectors recording a combined declined from 28.20% in 2018 to 19.78% in 2019 of total market share. The slow pace of lending to the manufacturing sector is a concern because it is a key vehicle for economic growth. However, expected to respond to the effect of COVID-19 through expansion of the domestic capability towards deepening the country's self-reliance, as export trade has been impacted through mass production shutdowns and supply chain disruptions. An increase in credits within this sector is therefore expected over the upcoming year. Credits to mining and utility sectors increased marginally from GHS 1.13 billion and GHS 1.89 billion in 2018 to GHS 1.37 billion and GHS 2.11 billion respectively in 2019. This was due to the increase in gold price on the international market compelling domestic companies to increase operations.

Share of industry advances

	2019	R	2018	R	2017	R	2016	R	2015	R
EBG	14.6%	1	15.4%	1	10.9%	1	12.5%	1	12.1%	1
ABSA	11.8%	2	12.0%	2	10.5%	2	7.5%	3	6.6%	4
SBG	10.8%	3	9.6%	4	7.6%	4	6.0%	6	6.5%	6
GCB	10.4%	4	11.2%	3	9.4%	3	5.1%	7	6.6%	5
CAL	8.0%	5	9.1%	5	7.5%	5	7.0%	4	7.0%	3
SG-GH	7.3%	6	6.2%	6	5.7%	6	3.4%	14	3.5%	13
FBL	6.7%	7	5.3%	7	4.2%	11	4.7%	8	5.8%	7
SCB	4.9%	8	4.9%	8	5.6%	7	4.5%	10	4.7%	8
PBL	4.5%	9	4.1%	10	3.8%	12	3.3%	16	3.3%	14
ADB	4.0%	10	4.0%	11	4.6%	8	3.6%	13	4.2%	10
RBL	3.9%	11	4.4%	9	3.3%	14	3.3%	15	3.6%	12
ABG	3.5%	12	3.0%	12	3.6%	13	4.6%	9	4.7%	9
UBA	2.6%	13	2.4%	14	4.5%	9	6.6%	5	3.0%	15
BOA	2.0%	14	2.1%	15	2.0%	17	1.6%	19	1.5%	20
ZBL	1.8%	15	2.7%	13	3.3%	15	3.6%	12	3.8%	11
GTB	1.6%	16	1.6%	16	1.6%	18	2.2%	18	2.5%	18
FBN	0.7%	17	0.3%	19	0.3%	25	0.3%	25	0.5%	23
CBG	0.6%	18	-	-	-	-	-	-	-	-
FNB	0.3%	19	0.3%	18	0.1%	26	-	-	-	-
FABL	-	-	1.4%	17	1.0%	20	0.8%	21	1.4%	21
UMB	-	-	-	-	4.4%	10	3.7%	11	2.5%	17
TRB	-	-	-	-	3.1%	16	2.4%	17	2.2%	19
BSIC	-	-	-	-	1.1%	19	0.9%	20	0.7%	22
OBL	-	-	-	-	0.7%	21	0.3%	24	-	-
BOB	-	-	-	-	0.6%	22	0.4%	23	0.4%	24
PRB	-	-	-	-	0.4%	23	0.2%	27	-	-
ECB	-	-	-	-	0.4%	24	0.3%	26	0.1%	26
TCB	-	-	-	-	-	27	-	-	-	-
UGL	-	-	-	-	-	-	10.3%	2	9.6%	2
GNB	-	-	-	-	-	-	0.6%	22	0.3%	25
SBL	-	-	-	-	-	-	-	-	-	-
NIB	-	-	-	-	-	-	-	-	2.9%	16
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

EBG maintained its lead in market share of advanced credits in 2019, despite losing 0.8% share of the industry in 2019. The Bank's net loans and advances increased from GHS 4.15 billion in 2018 to GHS 5.38 billion in 2019. The introduction of a micro loan product offered to the general public through its mobile banking application and focus on SMEs can be the way forward in reaching out to the unbanked market segment. The dilution in concentration risk of the EBG's top 50 largest exposure to gross loan from 80% in 2018 to 69% in 2019 reduces the risk from significant exposure.

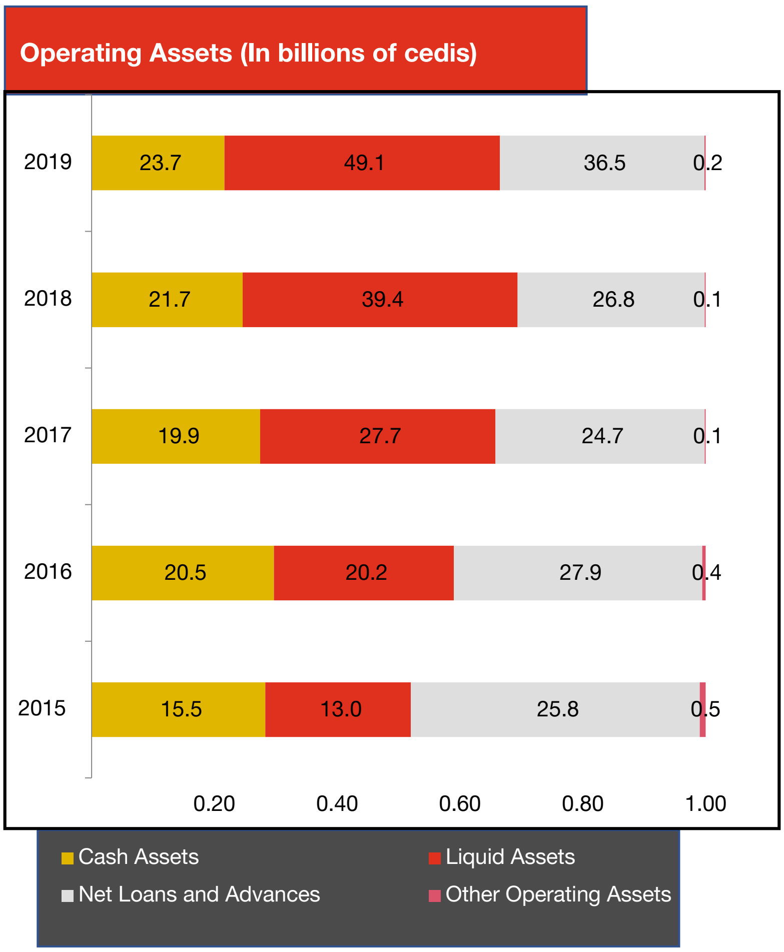
ABSA similarly maintained its second ranking in industry share of loans and advances in 2019, although its market share declined marginally from 12% in 2018 to 11.8% in 2019. A 27.8% growth in the Bank's loan book was recorded over the last one year, driven by loans to services and mining industries. Services industry loans, being one of the most significant component of total gross loans more than doubled in 2019, primarily due to the expansion of the sector over the period. However, a concertation risk can emerge because the bank's fifty largest exposures represented 61% of the loans and advances at the end of the year as compared to 51% in 2018.

SBG held 10.8% of the industry loan book in 2019 up from 9.6% in 2018. The bank's loan portfolio grew by 53% from GHS 2.58 billion in 2018 to GHS 3.95 billion in 2019. Growth was recorded in all its industry portfolio except for the construction and real estate industry which declined by 18%. The biggest growth in gross loans was recorded in the manufacturing sector from GHS 358 million in 2018 to GHS 722 million in 2019.

CBG despite holding 7.1% of industry deposits, posted only 0.6% of total industry loans. The rather unconventional outlook could be attributed to the implementation of a more stringent practices to reduce the bank's credit risk as well as a conservative approach to lending adopted by the bank.

Share of industry operating assets

The banking industry has continuously shown an increase in total operating assets, recording a 24% industry growth in 2019 (2018:21%). Liquid assets such as investment securities representing the most significant component of industry operating assets increased from GHS 39.4 billion in 2018 to GHS 49.1 billion in 2019, an indication of the industry's appetite for investment in risk-free government securities rather than funding of loans and advances with associated default risk.



Share of industry operating assets

	2019	R	2018	R	2017	R	2016	R	2015	R
EBG	10.8%	1	12.0%	2	11.3%	2	10.5%	1	10.9%	1
GCB	10.6%	2	12.1%	1	11.4%	1	8.2%	2	7.9%	2
ABSA	10.3%	3	10.9%	3	7.9%	3	7.4%	4	6.3%	6
FBL	9.2%	4	8.3%	4	7.1%	4	5.8%	7	7.2%	4
SBG	7.5%	5	7.0%	5	6.7%	5	7.2%	5	7.3%	3
SCB	6.4%	6	6.9%	6	6.0%	6	5.9%	6	5.7%	8
CBG	6.0%	7	-	-	-	-	-	-	-	-
CAL	5.8%	8	-	8	-	8	4.6%	9	5.7%	7
ZBL	5.8%	9	-	7	-	7	4.6%	10	4.4%	9
UBA	4.0%	10	-	9	-	10	5.3%	8	4.3%	10
ABG	4.0%	11	4.0%	11	4.0%	11	3.5%	13	4.1%	11
ADB	3.9%	12	4.2%	10	4.5%	9	4.0%	11	3.5%	13
SG-GH	3.7%	13	3.8%	12	3.4%	13	3.4%	14	3.4%	14
RBL	2.9%	14	3.4%	13	2.7%	15	2.5%	15	2.7%	15
GTB	2.8%	15	2.7%	14	2.5%	16	2.2%	17	2.4%	16
PBL	2.6%	16	2.6%	15	2.7%	14	2.2%	16	2.3%	17
BOA	1.7%	17	1.4%	17	1.6%	19	1.5%	20	2.0%	19
FBN	1.1%	18	1.2%	18	0.7%	23	0.8%	23	0.8%	24
FNB	0.8%	19	0.7%	19	0.3%	26	0.4%	29	0.2%	27
FABL	-	-	2.0%	16	2.1%	17	1.9%	18	2.0%	20
UMB	-	-	-	-	3.8%	12	3.7%	12	2.2%	18
PRB	-	-	-	-	1.8%	18	1.3%	21	-	-
TRB	-	-	-	-	1.4%	20	1.5%	19	1.6%	21
BSIC	-	-	-	-	0.8%	21	0.8%	24	0.8%	23
OBL	-	-	-	-	0.8%	22	0.6%	25	-	-
BOB	-	-	-	-	0.5%	24	0.4%	28	0.5%	26
ECB	-	-	-	-	0.4%	25	0.5%	27	0.6%	25
TCB	-	-	-	-	0.1%	27	-	-	-	-
UGL	-	-	-	-	-	-	8.0%	3	6.7%	5
GNB	-	-	-	-	-	-	1.0%	22	0.9%	22
SBL	-	-	-	-	-	-	0.5%	26		-
NIB	-	-	-	-	-	-	-	-	3.7%	12
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

EBG, GCB and ABSA dominated and together controlled 31.7% (2018: 35%) of the industry's total operating assets as at December 2019.

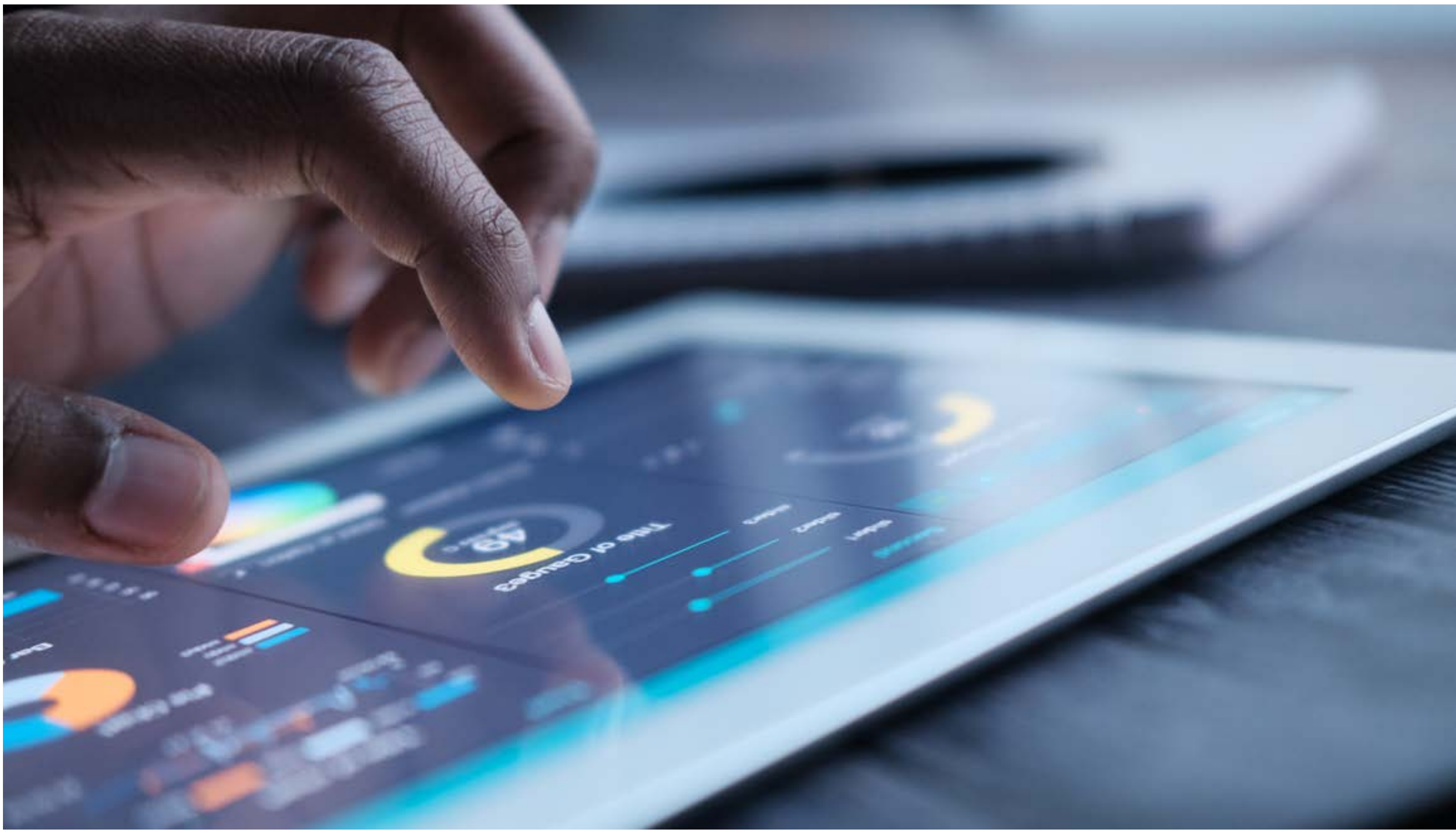
EBG improved its operating assets outlook to place tops with a total of GH 11.8 billion in 2019 (2018: GHS 9.7 billion) representing 10.8% of total market share in 2019 (2018:12%). The bank's 39.4% increase in deposits largely contributed to its 21.5% growth in operating assets.

GCB lost its leading market position to EBG in 2019 after ranking top for two consecutive years. This pattern is consistent with the industry share in deposits over the year. The Bank's investment in short term bills and bonds grew by GHS 1.19 billion while net loans and advances increased by GHS 788 million growth. Despite these positive trends in 2019 accounting for 18.9% growth in operating assets, the rate was relatively slow compared to the industry average growth rate of 22.4% over the year.

ABSA operating assets growth rate of 29% was primarily due to a 51.6% growth in total non-pledged trading assets from GHS 1.89 billion in 2018 to GHS 2.87 billion in 2019. The ratio of operating assets to deposits stood at 2.03:1 as at year end 2019, indicative of a greater reliance on short term borrowings and retained earnings.

FBL achieved 51.47% growth in operating assets from GHS 6.66 billion in 2018 to GHS 10.09 billion in 2019. Operating assets to deposit ratio of 1.93:1 in 2019 (2018:1.50:1) showed the bank's increase reliance on borrowings to funds operational activities. The bank's total borrowings grew by 139% to GHS 4.14 billion (2018: GHS 1.73 billion).

Although expansion may not be the primary focus of businesses across the globe and in Ghana due to the outbreak of COVID-19, the threat to business survival and sustenance due to the expected economic difficulty may necessitate businesses to seek product development.



6 Profitability and Efficiency

Profitability and efficiency

Profit margin

The banking industry in Ghana has for the third consecutive year since 2017 experienced growth in its profit before tax recording an increase of 41.6%, 38.1% and 36.4% in 2019, 2018 and 2017 respectively. The sustained improvement over the past few years can be attributed to regulatory reforms and economic policies implemented by the central bank and the Government of Ghana respectively.

These policies have instilled greater confidence and eased the uncertainty surrounding the safety of depositors' funds in the industry. Additionally, the increased capital base, has led to cheaper cost of funds and higher profitability across the industry.

The industry achieved 26% increase in net interest income from GHS 6.6 billion in 2018 to GHS 8.3 billion in 2019. This is attributable to an increase in interest income from government debt investment securities.

Interest income from investments increased by 40.1% from GHS 4.34 billion to GHS 6.1 billion in 2019 making up 49% of the total interest income. This is explained by the increase in the industry's investments in liquid assets by 25% from GHS 39.4 billion in 2018 to GHS 49.1 billion in 2019 which is a continuous upward trend from GHS 27.7 billion in 2017. The increase in investment securities was largely funded by the equity from capital injection and increased deposit mobilisation. Interest income from loans and advances constitutes 46% of total interest income in 2019.

Interest income from cash and placements with other banking institutions reduced again in 2019 by 10% from GHS 750 million to GHS 675 million. In 2018, interest income from these liquid assets decreased by GHS 296 million representing a 28.3% decline. This trend is consistent with the drive to maximise profitability.

Net fee and commission income recorded a 12% increase from GHS 1.53 billion in 2018 to GHS 1.71 billion in 2019. EBG, SBG and GCB contributed a combined 42.7% to the gross fees and commissions income. While EBG's fee income was significantly driven by credit related fees and commissions, SBG and GCB earned more fees and commissions from payment orders, bancassurance, mobile financial services, money transfers and account transaction fees.

Overall, we see, with the benefit of hindsight, that innovations in product development and regulatory reforms have paid off in the past and current year.

ABSA saw an upturn during the year with a 22% increase in profit before tax compared to the less than 1% increase between 2017 and 2018. This was driven by both net interest income, which grew by 20% from GHS 651 million in 2018 to GHS 785 million and a 26% increase in non-funded income driven by an increase in transactional activities.

EBG recorded a 14% increase in interest income from government securities from GHS 296 million in 2018 to GHS 338 million in 2019. This was driven by redeployment of matured placements with other banking institutions to investments in government securities. Interest income on loans also increased by 18% from GHS 704 million in 2018 to GHS 831 million in 2019 as a result of additional disbursement of loans, particularly, term loans in 2019. Net trading income declined by GHS 24 million from GHS 212 million in 2018 to GHS 188 million in 2019. This was largely driven by net liability exposure to foreign currency at the end of 2019 resulting in GHS 19 million decline in trading income on translation of foreign denominated balances between 2018 and 2019.

GCB maintained interest expense at GHS 387 million while growing its interest income by 14.7% to GHS 1.55 billion between 2018 and 2019. Additionally, the bank maintained fees and commissions expenses at GHS 51.6 million while fees and commission income grew by GHS 44 million representing a 17.7% increase between 2018 and 2019. These factors coupled with the 56% increase in net trading income accounted for the overall 30.3% growth in profit from GHS 323 million to GHS 421 million.

Net interest margin

The industry for the second year running witnessed a downward trend in net interest margin. However, the average NIM of the top 5 banks (GCB, GTB, FBN, SG-GH and BOA) grew from 9.38% in 2018 to 9.44% in 2019.

UBA recorded a significant decline in NIM from 10.5% in 2018 to 7.5% in 2019. This is as a result of a 38% decline in interest income on loans to customers during the year. Although gross loans increased by 34% in 2019, the new loans disbursed were towards the end of the year, as such, not much interest income was earned on these assets.

GTB recorded an improved NIM in 2019 of 9.7% from 7.7% in 2018. This is explained by a GHS 21 million reduction in interest expense on deposits from customers to GHS 80 million in 2019. The bank increased efforts in mobilisation of call and current deposits while renegotiating the price of term deposits during the year . Interest income also increased by 35.1% as the bank continues to deploy funds into long dated government securities.

SCB continued to experience a drop in its net interest margin for the third conservative year. Non-interest generating assets such as cash on hand and cash held with the central bank grew by 38.2% from GHS 1.8 billion to GHS 2.6 billion. The bank also recognised GHS 217 million as right of use assets on the back of the adoption of IFRS 16 – Leases. This growth in assets outmatched the 21.7% growth in net interest income for the period from GHS 488 million in 2018 to GHS 595 million in 2019.

Net interest margin

	2019	R	2018	R	2017	R	2016	R	2015	R
GCB	10.1%	1	9.6%	2	12.6%	3	16.6%	2	16.5%	2
GTB	9.7%	2	7.7%	11	8.9%	15	9.2%	13	7.8%	24
FBN	9.3%	3	5.6%	17	10.5%	10	10.5%	8	12.7%	4
SG-GH	9.3%	4	8.9%	4	10.9%	8	8.9%	14	9.5%	14
BOA	8.8%	5	7.3%	13	5.8%	25	9.8%	11	8.2%	20
SCB	8.8%	6	9.1%	3	11.6%	5	11.9%	7	10.9%	7
EBG	8.7%	7	8.8%	5	9.3%	13	9.6%	12	10.9%	8
FNB	8.6%	8	4.8%	18	10.3%	11	13.9%	3	18.2%	1
CAL	8.3%	9	8.6%	7	9.1%	14	7.1%	23	8.0%	23
ZBL	7.6%	10	8.3%	8	8.7%	16	8.8%	15	9.8%	11
ABSA	7.6%	11	8.7%	6	11.1%	6	10.4%	9	12.3%	5
UBA	7.5%	12	10.5%	1	16.8%	1	12.3%	6	8.2%	19
ADB	7.3%	13	7.4%	12	10.7%	9	7.1%	24	8.4%	18
FBL	7.3%	14	8.1%	10	8.6%	17	8.6%	16	10.4%	10
RBL	7.1%	15	7.2%	14	8.5%	19	7.0%	25	9.5%	12
SBG	6.9%	16	8.1%	9	8.3%	20	7.3%	22	8.7%	16
CBG	6.6%	17	-	-	-	-	-	-	-	-
PBL	6.6%	18	6.5%	16	8.6%	18	7.8%	20	8.1%	21
ABG	4.4%	19	6.5%	15	7.6%	21	7.8%	19	8.5%	17
FABL	-	-	4.8%	19	5.9%	24	7.9%	18	7.2%	25
BOB	-	-	-	-	12.7%	2	12.4%	5	12.1%	6
OBL	-	-	-	-	11.9%	4	17.7%	1	-	-
TRB	-	-	-	-	11.0%	7	8.3%	17	8.9%	15
UMB	-	-	-	-	9.7%	12	6.8%	26	14.0%	3
PRB	-	-	-	-	6.9%	22	5.1%	29	-	-
BSIC	-	-	-	-	6.4%	23	7.7%	21	8.1%	22
ECB	-	-	-	-	5.6%	26	5.5%	28	4.9%	26
TCB	-	-	-	-	3.6%	27	0.0%	-	-	-
SBL	-	-	-	-	-	-	13.3%	4	-	-
GNB	-	-	-	-	-	-	10.4%	10	-	13
UGL	-	-	-	-	-	-	6.3%	27	4.6%	27
NIB	-	-	-	-	-	-	-	-	10.4%	9
Industry	7.9%		8.0%		9.4%		9.2%		9.8%	

Cost to income ratio

The industry's cost to income ratio dropped slightly from an average of 53% in the last three years to 51% in 2019 in spite of the average inflationary of 10% during the period.

UBA consistently posts very low cost to income ratio. In 2019 the ratio declined further from 28% in 2018 to 27%. The cost control and reduction strategies resulted in a drop in other operating expenses by 15% and employee benefits by 10.9% in 2019. However, the gains were eroded by the depreciation charge of GHS 2.6 million for the right-of-use assets arising from the adoption of IFRS 16 - Leases.

ABSA recorded an improved cost to income ratio from 38% in 2018 to 37% in 2019 as a result of improved performance in its interest income. Despite the 25% increase in employee costs and additional amortisation of lease liabilities of GHS 5.6 million for leases the bank was able to sustain its cost income ratio because of the improved revenue performance. Interest income, fees and commission increased by 12% from GHS 135 million in 2018 to GHS 151 million in 2019.

ADB's cost to income ratio worsened from 89% in 2018 to 92% in 2019. The 10% growth in operating income of GHS 39.6 million was not sufficient to absorb the increase in operating cost. The significant increase in cost is attributable to the 25% growth in staff strength which contributed to the 14% increase in personnel expenses from GHS 181million in 2018 to GHS 207 million in 2019. The change in accounting for leases also had an impact on rental cost. Whereas the occupancy cost for leases dropped from GHS 51 million in 2018 to GHS 27 million in 2019, costs increased by GHS 32 million for amortisation relating to the right-of-use assets mainly for branch leases.

FNB is entrenching its operations in the industry and generated income to cover its cost. The 88% recovery of its cost is an improvement from prior year where cost was 1.7 times of its income. The bank experienced nearly three-fold growth in income from GHS 48.5 million in 2018 to GHS 91.5 million in 2019. Total operating costs remained fairly the same as in the prior year despite the cost push from inflation and growth in business. This is a likely outcome from an active cost control strategy.

Cost to income ratio

	2019	R	2018	R	2017	R	2016	R	2015	R
UBA	0.27	1	0.28	1	0.33	2	0.31	2	0.41	3
ABSA	0.37	2	0.38	3	0.36	3	0.40	4	0.43	4
GTB	0.37	3	0.38	2	0.45	7	0.44	7	0.50	11
SCB	0.39	4	0.40	4	0.38	4	0.31	3	0.44	5
ZBL	0.42	5	0.41	5	0.39	5	0.40	5	0.44	7
CAL	0.45	6	0.43	6	0.41	6	0.41	6	0.39	2
EBG	0.45	7	0.52	7	0.52	9	0.47	8	0.44	6
FBN	0.49	8	0.80	17	0.72	17	0.64	15	0.47	8
BOA	0.49	9	0.64	13	0.66	13	0.68	17	0.49	9
ABG	0.49	10	0.52	8	0.63	12	0.54	10	0.51	12
FBL	0.52	11	0.56	10	0.60	11	0.59	12	0.53	15
SBG	0.52	12	0.53	9	0.46	8	0.51	9	0.53	14
SG-GH	0.55	13	0.59	11	0.57	10	0.60	13	0.62	18
GCB	0.59	14	0.61	12	0.68	15	0.55	11	0.49	10
RBL	0.60	15	0.66	14	0.73	18	0.93	24	0.74	23
PBL	0.75	16	0.80	16	0.77	21	0.81	21	0.71	21
CBG	0.81	17	-	-	-	-	-	-	-	-
FNB	0.88	18	1.67	19	1.82	26	1.26	27	1.21	27
ADB	0.92	19	0.89	18	0.76	20	1.01	25	0.96	25
FABL	-	-	0.74	15	0.76	19	0.62	14	0.60	17
BOB	-	-	-	-	0.14	1	0.13	1	0.14	1
UMB	-	-	-	-	0.66	14	0.80	20	0.53	13
TRB	-	-	-	-	0.70	16	0.88	23	0.90	24
BSIC	-	-	-	-	0.79	22	0.71	18	0.63	19
ECB	-	-	-	-	0.81	23	0.75	19	0.66	20
OBL	-	-	-	-	1.01	24	1.26	28	-	-
PRB	-	-	-	-	1.05	25	0.86	22	-	-
TCB	-	-	-	-	6.09	27	-	-	-	-
NIB	-	-	-	-	-	-	-	-	-	16
UGL	-	-	-	-	-	-	-	16	0.73	22
GNB	-	-	-	-	-	-	-	26	1.06	26
SBL	-	-	-	-	-	-	1.31	29	-	-
Industry	0.51		0.53		0.54		0.54		0.53	

7 Return on Shareholders’ Funds

Return on shareholders' funds

The industry's response to the regulator's directive for a minimum share capital was achieved through a mix of capital injection, profit retention and business combinations. This led to a doubling of investment into the sector from GHS 3.5 billion in 2017 to GHS 7.4 billion in 2018.

Return on assets

At the onset of the year, some shareholders were optimistic about the capacity of the banks to underwrite bigger tickets and withstand shocks while others had the view that the capital was excessive for their market segment. Irrespective of the conflicting views, shareholders are looking to maximise returns from funds committed to the industry.

The industry's average return on assets improved marginally from 2.9% in 2018 to 3% in 2019. Through the various sources of funding the industry experienced growth in its earning capacity and achieved a 25.1% increase in total assets. The outcome was a 37.4% growth in profit before tax for the year ended 31 December 2019. A significant component of the growth was in the form of investment securities which grew by 25% and represents 42% of the total assets. The industry's advances which represents 31% of total assets grew by 36% from GHS 26.8 billion in 2018 to GHS 36.4 billion in 2019. The recognition of leases (previously treated as off balance sheet items) under IFRS 16 - Leases by the banks in 2019 resulted in the recognition of right-of-use assets of GHS 1.3 billion representing 1.08% of the industry's total assets as at 31 December 2019.

In line with the growth in total assets, profit before tax increased by 37% from GHS 3.6 billion in 2018 to GHS 5 billion in 2019. Total income grew by 23% from GHS 9.7 billion in 2018 to GHS 12.01 billion in 2019 mainly from net interest income which grew by 24% from GHS 6.7 billion in 2018 to GHS 8.3 billion in 2019. This is a direct result of the growth in loans and advances and investment securities given that average interest rates declined marginally by 1% between 2018 and 2019. Impairment charges also dropped from GHS 898 million in 2018 to GHS 881 million in 2019 attributable to an improvement in asset quality after the clean-up exercise and recoveries from previously impaired assets. Operating expenses however grew by 17.18% in 2019 which reflects increase in costs on adoption of IFRS 16 - Leases, inflation and the effects of a weaker cedi on foreign exchange denominated transactions.

52.6% of participating banks reported ROA above the industry average of 3%; an increase from 42.1% of participating banks for 2018. The industry has made some major strides and continues to invest in assets which provide greater returns for all stakeholders.

GTB's achieved strong ROA of 6.4% although it dropped from 6.6% in 2018. The drop is mainly attributable to lower growth rate in profitability of 39% as against a growth of 42% in total assets. The growth in profits was mainly from net interest income. This was depressed by operating expenses which increased by 52.8%.

Even though it reported ROA below the industry average, FNB's ROA of 0.3% is a significant turn-around for the bank as it had reported a deficit for the past two years. Total assets growth was centred around loans and advances and investment securities which accounted for 63.4% of total assets. A further boost to its profitability is the ability to contain costs in 2019; with only 0.03% increase in operating expenses.

FBN's ROA improved significantly from 0.9% in 2018 to 2.8% in 2019 reflecting the Bank's continuous profitable growth. The improvement is largely attributable to the returns from investment securities. These are funds from the capital injection deployed temporarily into government securities pending the identification of viable lending opportunities. The lending risk may threat the ability to sustain the improved return on assets. FBN's ROA improved significantly from 0.9% in 2018 to 2.8% in 2019 reflecting the bank's continuous profitable growth. The improvement is largely attributable to the returns from investment securities. These are funds from the capital injection deployed temporarily into government securities pending the identification of viable lending opportunities. The lending risk may threat the ability to sustain the improved return on assets.

Return on assets

	2019	R	2018	R	2017	R	2016	R	2015	R
GTB	6.4%	1	6.6%	1	4.7%	5	4.8%	5	4.5%	7
UBA	4.2%	2	4.3%	3	7.4%	1	3.8%	8	2.6%	14
ABSA	4.0%	3	4.3%	2	6.5%	3	5.8%	2	4.9%	4
SCB	3.7%	4	3.5%	5	5.9%	4	5.1%	3	2.0%	17
ABG	3.7%	5	1.4%	13	0.9%	19	1.6%	13	3.3%	10
ZBL	3.7%	6	3.3%	6	3.7%	7	4.1%	6	3.3%	11
GCB	3.4%	7	3.0%	8	2.2%	11	4.9%	4	5.3%	2
EBG	3.3%	8	3.2%	7	2.8%	10	4.1%	7	5.0%	3
BOA	3.2%	9	2.0%	11	1.8%	13	2.1%	11	2.4%	15
SBG	3.0%	10	3.6%	4	4.1%	6	2.8%	9	3.1%	12
SG-GH	2.9%	11	1.8%	12	3.2%	9	2.6%	10	2.2%	16
FBN	2.8%	12	0.9%	16	2.1%	12	0.6%	17	4.1%	8
FBL	2.5%	13	2.3%	10	1.7%	15	0.4%	19	3.6%	9
CAL	2.5%	14	3.0%	9	3.4%	8	0.2%	21	4.8%	5
RBL	1.9%	15	1.3%	14	1.8%	14	-2.1%	24	-2.5%	25
CBG	1.0%	16	-	-	-	-	-	-	-	-
PBL	0.8%	17	0.5%	17	-1.2%	23	0.5%	18	0.7%	20
ADB	0.3%	18	0.2%	18	0.7%	20	-2.3%	26	-3.7%	27
FNB	0.3%	19	-5.4%	19	-10.2%	27	-2.9%	27	-3.2%	26
FABL	-	-	1.0%	15	1.2%	18	1.1%	14	1.3%	18
BOB	-	-	-	-	6.6%	2	7.9%	1	6.8%	1
UMB	-	-	-	-	1.6%	16	0.7%	15	-0.4%	23
BSIC	-	-	-	-	1.2%	17	1.8%	12	3.0%	13
ECB	-	-	-	-	0.2%	21	0.2%	22	0.4%	21
PRB	-	-	-	-	-0.9%	22	0.2%	20	-	-
OBL	-	-	-	-	-2.2%	24	-5.8%	29	-	-
TRB	-	-	-	-	-4.0%	25	-3.5%	28	0.3%	22
TCB	-	-	-	-	-9.2%	26	0.0%	-	-	-
GNB	-	-	-	-	-	-	-1.0%	23	-1.0%	24
SBL	-	-	-	-	-	-	-2.2%	25	-	-
UGL	-	-	-	-	-	-	0.7%	16	1.0%	19
NIB	-	-	-	-	-	-	-	-	4.5%	6
Industry	**3.0%**		**2.9%**		**2.8%**		**2.3%**		**2.9%**	

SG-GH also improved its ROA position with profitability increasing from 26.2% in 2018 to 34.7% in 2019 and a growth in total assets from GHS 3.4 billion in 2018 to GHS 4.4 billion in 2019. Loans and advances constitute 60% of the bank's total assets and generates 67.4% of the total income. Despite the significant exposure to loans and advances, the impairment charge declined by 5% from GHS 58 million in 2018 to GHS 55 million in 2019. The favourable impact of the bank's operating results on ROA indicates that banks can sustain their return on assets by informed lending practices.

With an increase from 2% in 2018 to 3.2% in 2019, BOA showed a drive towards increasing profitability and its asset base. Interest income on investment securities and trading income accounted for the growth in total income making up 54% of total income in 2019 as against 32% in 2018. This was driven by an increase in investment securities from funds injected into the bank to meet the minimum capital requirements.

ABG reported the biggest increase in ROA from 1.4% in 2018 to 3.7% in 2019. Net interest income declined by 17% from GHS 219 million in 2018 to GHS182 million in 2019. However, the drop was offset by the significant increase in unfunded income comprising commission, fees and trading income by 60.2% from GHS 114 million to GHS 183 million. Costs were also well contained with total operating expenses increasing by 4.5%.

CBG is gradually establishing its market presence and business culture. The reported ROA of 1% in 2019 stems from the yields on the bank's bonds and income earned from loans advanced during the year as the bank underwrites viable credits. The operating assets of the bank decreased by 10.5% in 2019; where placements with other banks and treasury bills were liquidated to pay off some expensive time and fixed deposits during the year. This also translated to relatively lower cost of funds on deposits and thereby increased profitability.

SBG saw a decrease in ROA from 3.6% in 2018 to 3.0% in 2019; this was mainly due to the disproportionate growth in assets and profitability. Total assets grew at a higher rate of 49.8% whereas total income grew by 22.4%. The increase in total assets were from growth in loans and advances as well as placements with other banks. The growth in deposits which partly funds the earning assets came at a high cost because interest expense increased from GHS 83.6 million in 2018 to GHS 148.9 million in 2019.

Return on equity

	2019	R	2018	R	2017	R	2016	R	2015	R
FBL	29.8%	1	23.7%	5	16.9%	12	3.0%	18	29.3%	5
ABSA	28.8%	2	29.1%	1	36.7%	2	38.4%	2	30.3%	3
GTB	26.4%	3	25.9%	2	26.3%	4	26.0%	6	26.2%	6
GCB	25.5%	4	24.4%	4	19.1%	10	29.5%	4	30.0%	4
EBG	25.0%	5	25.7%	3	24.9%	5	34.2%	3	37.2%	1
SCB	24.2%	6	20.1%	10	30.8%	3	29.3%	5	11.9%	18
UBA	22.7%	7	23.7%	6	40.0%	1	43.7%	1	23.6%	8
ZBL	22.0%	8	21.3%	7	23.1%	7	24.4%	7	19.1%	12
ABG	21.6%	9	7.9%	13	6.3%	18	9.8%	13	22.4%	9
SBG	20.7%	10	21.0%	9	23.5%	6	21.7%	8	25.0%	7
CAL	18.1%	11	21.3%	8	22.4%	9	1.4%	21	31.6%	2
SG-GH	16.0%	12	8.8%	12	17.4%	11	19.2%	9	16.9%	13
CBG	14.0%	13	-	-	-	-	-	-	-	-
RBL	11.2%	14	7.5%	14	16.3%	13	-27.4%	28	-21.8%	26
BOA	10.9%	15	11.8%	11	12.7%	15	14.7%	11	19.9%	11
FBN	7.4%	16	2.1%	17	9.2%	16	2.8%	19	16.5%	14
PBL	4.2%	17	3.3%	16	-11.1%	24	5.7%	17	6.8%	20
ADB	1.9%	18	0.9%	18	5.5%	20	-15.4%	26	-23.7%	27
FNB	0.6%	19	-8.0%	19	-19.4%	26	-6.0%	23	-3.6%	23
FABL	-	-	5.5%	15	8.6%	17	7.7%	16	10.0%	19
UMB	-	-	-	-	22.4%	8	12.4%	12	-4.0%	24
BOB	-	-	-	-	15.3%	14	16.3%	10	15.3%	16
BSIC	-	-	-	-	6.3%	19	8.8%	14	16.5%	15
ECB	-	-	-	-	1.2%	21	0.9%	22	2.0%	22
TCB	-	-	-	-	-10.0%	22	-	-	-	-
PRB	-	-	-	-	-10.1%	23	1.7%	20	-	-
OBL	-	-	-	-	-14.3%	25	-24.4%	27	-	-
TRB	-	-	-	-	-70.0%	27	-58.7%	29	2.9%	21
GNB	-	-	-	-	-	-	-6.2%	24	-4.2%	25
SBL	-	-	-	-	-	-	-6.7%	25	-	-
NIB	-	-	-	-	-	-	-	-	22.1%	10
UGL	-	-	-	-	-	-	8.8%	15	13.0%	17
Industry	20.0%		17.9%		19.7%		17.3%		20.0%	

Following the recapitalisation which depressed ROE by 1.8% in 2018 the industry bounced back to report an increase in ROE from 17.9% in 2018 to 20% in 2019. While equity in the industry remained relatively stable after the capitalisation, industry profit after tax grew by 44.2% as banks settle to utilise equity funds in generating profitable returns for investors. 74% of participating banks experienced an increase in their return on equity.

Shareholders' investments began to yield positive returns as six banks paid out dividend in 2019. This was a significant departure from the retention of earnings which characterised 2018 and only, three banks paid dividend.

FBL reported the best ROE of 29.8%; an increase from 23.7% in 2018 and 16.9% in 2017. This growth was as a result of increase in profitability by 59.4% in 2019 arising from increased volumes from foreign currency dealings, improved yields on investment securities coupled with the growth in income from loans and advances. However, the favourable operating income was depressed by impairment charges and personnel expenses which together increased by 46% from GHS 215 million in 2018 to GHS 315 million in 2019.

SG-GH's ROE improved from 8.8% in 2018 to 16% in 2019. Profitability increased by 107.4% in 2019 mainly from interest income, net trading income on foreign currency dealings and gains from swap arrangements.

ADB experienced an increase in ROE from 0.9% in 2018 to 1.9% in 2019. Rights issue in 2019 increased share capital to GHS 421.7 million to fully meet the recapitalisation requirements. Profits after tax increased by 150.9% and although income grew by 10.2% in 2019, the 10.4% decline in interest expense absorbed operating expenses which increased by 14.6% to promote the bottom line.

CAL dropped from an ROE of 21.3% in 2018 to 18.1% in 2019 mainly from an increase in profit after tax of 6.9% as against a 25.6% increase in total equity which is attributable to increase in revaluation surplus for property, plant and equipment.

With the capital injection, shareholders will expect greater returns on their investments. Fundamentally, banks will change the way assets are deployed and risk assessed as well as preserve the restoration of public confidence in the industry. Banks are still shying away from underwriting credits, which is key to sustainable growth and profitability of the banks.

8 Liquidity

Liquidity

The banking sector maintained high liquidity during the year, with only marginal declines in indicators such as the liquid funds cover for deposits and the liquid funds available to service interest-bearing liabilities. The consistent strength of its liquidity over the past five years is the emergence of a risk averse industry in response to the lessons of capital erosion suffered from the past inappropriate lending practices.

Liquid funds/ total deposits

Liquid funds to total deposits decreased by 2% from 91% in the prior year to 89% in 2019. This is attributable to the sharp increase in total deposits from GHS 58.8 billion in 2018 to GHS 81.3 billion in 2019. The record growth of 38.3% in total deposits compared to 3.7% in 2018, is bolstered by the regained confidence and stability within the banking sector following the 2018 reforms. Banks remained conservative in shoring up liquidity in the form of cash and marketable securities. Cash and liquid assets held grew by 19.27% to GHS 72.8 billion as at year end compared to GHS 61 billion in prior year. 42% of the participating banks are holding an equivalent of their entire deposits in liquid funds. There is no indication of an unusual high tendency for withdrawal, but abundant caution has been exercised in disbursing loans.

Over the past five years, FNB has consistently demonstrated strong liquidity coverage over deposits well above the sector's average ratio. The bank's ratio of liquid funds to total deposits, however, dropped from 281% in 2018 to 165% in 2019, as a result of the positive impact of the bank's deposit mobilisation effort, compared to the 22.1% drop in liquid assets of the bank from GHS 668 million in 2018 to GHS 520 million in 2019. Total deposits reached GHS 489.3 million in the current year, an increase of 165.8% from the previous year, while liquid assets fell by GHS 148 million in the current year.

FBL's has experienced a consistent increase in its holdings of liquid funds. Deposits grew by GHS 760 million to stand at GHS 5.22 billion at year end. Despite holding some deposits with maturities over one year, its liquid funds of GHS 7.6 billion is dominated by money market placements of GHS 2.5 billion and short-term investment securities of GHS 4.3 billion. This is indicative of an investment approach where short-term investments are preferred. The increase in the bank's money market placements and short-term government securities from GHS 4.3 billion in 2018 to GHS 6.8 billion in 2019 explains the bank's comfortable liquidity position of 146% of total deposits.

Liquid funds/ total deposits

	2019	R	2018	R	2017	R	2016	R	2015	R
FNB	1.65	1	2.81	1	1.89	3	1.86	1	89.39	1
FBL	1.46	2	1.17	5	1.03	6	0.81	15	0.79	9
FBN	1.32	3	1.78	2	1.10	5	1.01	6	0.91	5
ZBL	1.26	4	1.34	3	0.96	7	0.82	14	0.69	17
ABSA	1.25	5	1.13	6	0.69	22	0.70	21	0.60	19
CBG	1.10	6	-	-	-	-	-	-	-	-
BOA	1.05	7	0.74	14	0.79	19	0.82	13	1.00	4
GTB	1.03	8	1.05	7	0.96	8	0.78	18	0.71	14
UBA	0.97	9	1.33	4	0.87	12	0.62	23	0.76	11
ABG	0.94	10	0.93	9	0.87	11	0.57	25	0.55	23
SCB	0.93	11	0.98	8	0.86	14	0.87	11	0.75	12
CAL	0.89	12	0.77	13	0.79	18	0.52	27	0.84	7
ADB	0.83	13	0.89	10	0.84	16	0.83	12	0.57	22
GCB	0.79	14	0.80	12	0.85	15	0.99	7	0.77	10
RBL	0.69	15	0.72	15	0.66	23	0.49	28	0.55	24
EBG	0.59	16	0.71	16	0.76	20	0.63	22	0.57	21
PBL	0.59	17	0.57	19	0.70	21	0.45	29	0.39	26
SBG	0.58	18	0.66	17	0.83	17	0.81	16	0.73	13
SG-GH	0.45	19	0.65	18	0.53	26	0.77	19	0.70	16
FABL	-	1	0.88	11	0.89	9	0.89	10	0.80	8
TCB	-	-	-	-	20.29	1	-	-	-	-
PRB	-	-	-	-	2.43	2	1.63	2	-	-
BOB	-	-	-	-	1.34	4	1.45	3	1.48	2
OBL	-	-	-	-	0.88	10	0.99	8	-	-
UMB	-	-	-	-	0.86	13	1.09	5	0.65	18
ECB	-	-	-	-	0.65	24	0.79	17	1.10	3
BSIC	-	-	-	-	0.60	25	0.60	24	0.70	15
TRB	-	-	-	-	0.41	27	0.55	26	0.52	25
SBL	-	-	-	-	-	-	1.39	4	-	-
UGL	-	-	-	-	-	-	0.94	9	0.33	27
GNB	-	-	-	-	-	-	0.72	20	0.85	6
NIB	-	-	-	-	-	-	-	-	0.59	20
Industry	0.89		0.91		0.84		0.77		0.66	

FBN's liquidity position to total deposits dropped by 46% in 2019 from 178% in 2018. Total deposits of the bank increased by 44.2% from prior year's GHS 494.6 million to GHS 713.2 million as a result of the increase in deposits held for other banks and financial institutions. These deposits increased from GHS 190.3 million in 2018 to GHS 364.2 million in 2019.

ZBL and ABSA held significant amount of cash assets, investment securities and money market placements at the close of 2019. The total liquid funds held by ZBL and ABSA as at year end were GHS 5.7 billion and GHS 6.9 billion respectively representing a cumulative share of 17.3% of the total industry liquid funds.

CBG also reported above the sector average with some peculiar reasons. The bank did not participate in the previous year's survey, having just taken over five defunct banks in August 2018. CBG experienced a drop of GHS 893.5 million from the total deposits of GHS 6.7 billion reported for 2018. This is mainly due to settlement of validated claims of customers of these defunct banks whose licenses were revoked.

BOA's investments in treasury bills increased from GHS 147.7 million to GHS 595 million in 2019. Customer anxiety eased with conclusion of the capital injection of GHS 321.3 million resulting in growth of deposits from GHS 790.3 million to GHS 1.1 billion in 2019.

GTB has in the last three years fully covered its deposits by holding investment securities and maintaining cash balances. This indicates that the bank's approach to being conservative with lending has not changed. Investment securities held for the purposes of collecting the interest and principal within a year constitutes 83% of the liquid assists.

EBG's liquidity cover of deposits position stood at 59% of total deposit, shedding 11.9% off prior year's position of 71%. This drop in liquidity cover is attributable to the bank's willingness to lend. The bank's loan portfolio increased by 31.5% from the reported gross position of GHS 4.3 billion in 2018.

UBA's liquidity cover for deposits dropped from the 1.3 times in 2018 to 0.97 in 2019. The bank's liquidity is largely investments in government securities and commercial paper of which 88% matures within a year. Although liquid assets increased from GHS 2.8 billion to GHS 3.5 billion, the dilution of the liquidity cover experienced in 2019 is due to the rise in deposits taking activity from other banking institutions from GHS 582 million in 2018 to GHS 1.2 billion in 2019.

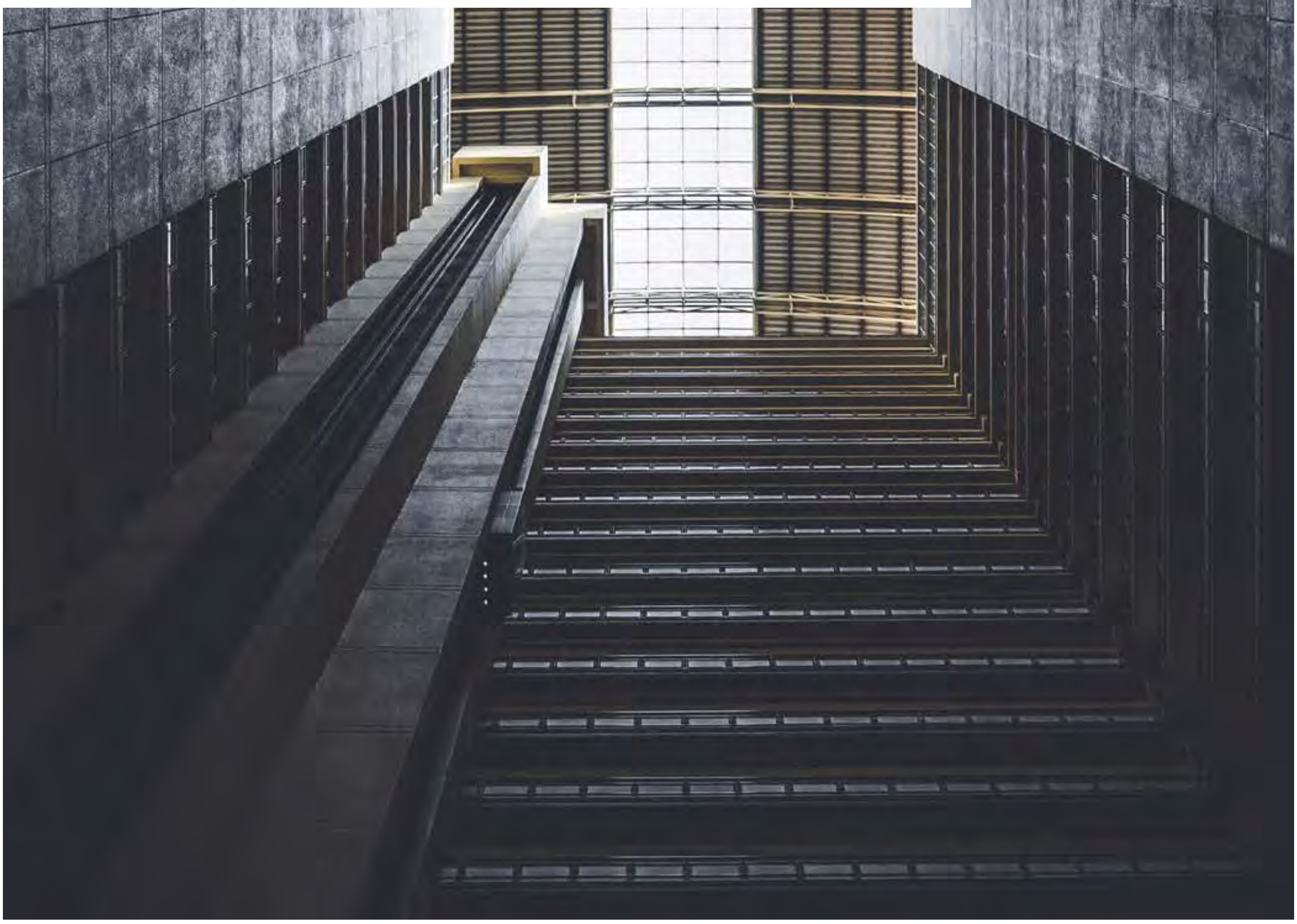
At 45%, SG-GH reports the least liquidity to deposit position for the year 2019. The drop from previous year's 65% is consistent with the bank's strategy to extend the customer lending activities by deploying it resources and growing the loan portfolio by 49.8% to GHS 2.94 billion in the current year.

The industry's trend indicates that banks have taken a cue from the past inappropriate lending practices and thoroughly assessed lending opportunities. The current capital requirements which considers the bank's exposure and the revised capital adequacy requirements does not encourage aggressive lending practices by banks. Increasingly, the declining yields on government securities and lack of alternative risk-free instruments will compel banks to resume lending and dilute the excessive liquidity cover.

Liquid funds/ total assets

The composition of liquid funds to total assets for the entire sector remained unchanged at 62% in 2019, which purports a rather slow approach to customer lending despite the growth in funds. The growth in gross loans and advances from GHS 29.7 billion to GHS 39.4 billion in the current year was equally matched by a significant growth of 24.7% in banks' holdings of short-term securities of GHS 49.1 billion. This further diversifies the risk within the operating assets portfolios of banks as the risk in loan portfolios become consolidated.

Over 50% of the participating banks reported above the 62% industry average liquid funds to total assets ratio, which resounds that most banks are posting strong liquidity. CBG ranked first with 91%, followed by ZBL and FNB with 85% and 82% respectively. The change in liquid funds to total assets ratio, year-on year, remains marginal. The practice which begun in 2017 to preserve capital by scaling down lending to stem off the capital erosion from increasing defaults has not changed. Banks are keen on maintaining their capital and having met the minimum requirements are showing the enthusiasm to lend with proper evaluation and is indicative of the sector's consolidated position in liquidity while trading off high yields in loans and advances and high growth through capital investments.



Liquid funds/ total assets

	2019	R	2018	R	2017	R	2016	R	2015	R
CBG	0.91	1	-	-	-	-	-	-	-	-
ZBL	0.85	2	0.83	2	0.72	8	0.64	9	0.55	12
FNB	0.82	3	0.81	3	0.75	6	0.89	2	0.89	1
UBA	0.77	4	0.79	4	0.61	14	0.49	20	0.65	4
GTB	0.75	5	0.76	5	0.75	7	0.56	18	0.49	15
FBN	0.74	6	0.89	1	0.82	3	0.78	4	0.66	3
FBL	0.73	7	0.75	6	0.76	4	0.63	11	0.59	9
SCB	0.69	8	0.71	7	0.63	10	0.64	10	0.57	10
ABG	0.65	9	0.67	8	0.63	9	0.43	24	0.43	18
GCB	0.62	10	0.63	11	0.62	13	0.70	6	0.56	11
ADB	0.62	11	0.64	10	0.60	15	0.59	14	0.40	21
ABSA	0.59	12	0.62	12	0.53	20	0.57	16	0.48	17
BOA	0.57	13	0.47	16	0.52	22	0.49	21	0.60	8
RBL	0.53	14	0.55	13	0.54	19	0.41	26	0.33	24
EBG	0.49	15	0.53	14	0.60	16	0.47	23	0.43	19
CAL	0.49	16	0.45	17	0.47	24	0.34	28	0.40	22
SBG	0.45	17	0.48	15	0.56	18	0.61	13	0.54	14
PBL	0.39	18	0.42	18	0.47	25	0.36	27	0.31	25
SG-GH	0.32	19	0.41	19	0.38	26	0.57	17	0.49	16
FABL	-	-	0.65	9	0.76	5	0.73	5	0.62	7
PRB	-	-	-	-	0.89	1	0.87	3	-	-
TCB	-	-	-	-	0.86	2	-	-	-	-
BOB	-	-	-	-	0.63	11	0.65	8	0.62	6
OBL	-	-	-	-	0.62	12	0.69	7	-	-
UMB	-	-	-	-	0.56	17	0.55	19	0.41	20
ECB	-	-	-	-	0.52	21	0.62	12	0.85	2
BSIC	-	-	-	-	0.48	23	0.47	22	0.55	13
TRB	-	-	-	-	0.24	27	0.30	29	0.30	26
SBL	-	-	-	-	-	-	0.91	1	-	-
GNB	-	-	-	-	-	-	0.59	15	0.63	5
UGL	-	-	-	-	-	-	0.43	25	0.27	27
NIB	-	-	-	-	-	-	-	-	0.40	23
			-							
Industry	0.62		0.62		0.60		0.55		0.48	

CBG's 91% liquid funds to total asset ratio is attributable to the GHS 4.4 billion bonds issued by government in settlement of the funding gap arising from the purchase and assumption arrangements of the defunct banks. As customers gain greater confidence in the bank's ability to meet demands for deposits when due, there will be increased lending to customers to improve profitability. The structure of its liquidity skewed towards government securities will be diluted.

ZBL on the other hand, has shown commitment to improve its position over the past five years with a marginal growth of 2% due to some acquisition of investment in short-term securities.

FBN is deepening the diversification of the assets held. The liquid funds composition of total assets dropped by 15% from 89% in prior year to bring the ratio down to 74% in 2019. The huge increase in gross loans and advances from GHS 78 million in 2018 to GHS 282.6 million explains the trade-off between liquidity in the short-term and high returns from lending to customers.

CAL, PBL and SG-GH have reported liquid funds to total asset ratios below the industry average over the past five years. Along with the other banks which reported below 50%, these banks are optimistic and confident about their current business strategy to generate profitability through earnings from loans and advances.

With tighter regulatory requirements coupled with the general focus of banks to preserve capital and hold liquid funds, profitability was adversely impacted in the current year. The sector reported a decline of 0.3% in the ratio of total operating income to total assets for the year 2019.

Liquid funds/ total interest-bearing liabilities

Interest-bearing liabilities of the sector increased from GHS 75 billion in 2018 to GHS 95.8 billion in 2019, as total liquid funds hit GHS 72.8 billion in 2019. The 3% decline in the ratio of liquid funds to interest-bearing liabilities was caused by the deployment of funds to loans and advances which increased by 57.8% to GHS 39.4 billion in 2019.

Liquid funds/ total interest-bearing liabilities

	2019	R	2018	R	2017	R	2016	R	2015	R
FNB	1.56	1	2.81	1	1.89	2	1.86	1	89.39	1
FBN	1.28	2	1.78	2	1.10	4	1.01	5	0.91	4
ZBL	1.08	3	1.04	4	0.88	9	0.78	11	0.68	14
CBG	1.08	4	-	-	-	-	-	-	-	-
GTB	1.03	5	1.04	3	0.94	6	0.71	16	0.61	15
UBA	0.97	6	1.00	5	0.77	12	0.56	23	0.76	6
SCB	0.86	7	0.92	6	0.84	10	0.85	9	0.75	7
BOA	0.81	8	0.59	16	0.63	22	0.60	22	0.73	10
FBL	0.81	9	0.85	8	0.88	8	0.73	13	0.71	12
ABG	0.79	10	0.83	9	0.76	13	0.52	24	0.52	21
ADB	0.76	11	0.80	10	0.71	17	0.71	17	0.49	22
GCB	0.75	12	0.77	11	0.75	15	0.88	8	0.73	9
ABSA	0.73	13	0.76	12	0.69	18	0.70	18	0.60	16
RBL	0.65	14	0.67	14	0.64	21	0.46	26	0.40	24
EBG	0.58	15	0.70	13	0.74	16	0.61	20	0.53	20
CAL	0.57	16	0.54	18	0.58	24	0.42	27	0.49	23
SBG	0.57	17	0.65	15	0.80	11	0.78	12	0.72	11
PBL	0.49	18	0.52	19	0.55	25	0.41	28	0.35	26
SG-GH	0.43	19	0.56	17	0.51	26	0.70	19	0.60	17
FABL	-	-	0.88	7	0.89	7	0.88	7	0.73	8
TCB	-	-	-	-	20.29	1	-	-	-	-
BOB	-	-	-	-	1.12	3	1.29	3	1.16	2
PRB	-	-	-	-	0.97	5	1.02	4	-	-
OBL	-	-	-	-	0.75	14	0.92	6	-	-
UMB	-	-	-	-	0.66	19	0.71	15	0.55	18
ECB	-	-	-	-	0.65	20	0.79	10	1.10	3
BSIC	-	-	-	-	0.60	23	0.60	21	0.68	13
TRB	-	-	-	-	0.26	27	0.32	29	0.36	25
SBL	-	-	-	-	-	-	1.39	2	-	-
GNB	-	-	-	-	-	-	0.72	14	0.85	5
UGL	-	-	-	-	-	-	0.49	25	0.31	27
NIB	-	-	-	-	-	-	-	-	0.54	19
Industry	0.76		0.79		0.75		0.68		0.60	

The industry's liquid funds held to cover interest-bearing liabilities has remained fairly stable in the last three years. The ratio remains strong although generally declined for all banks at the end of the year. FNB, FBN, ZBL, CBG and GTB have posted more than 100% liquidity cover against interest-bearing obligations. It implies an overly conservative approach to liquidity risk management as higher earnings in profitable business segments within the banks' loan portfolio may have been missed. Except for ZBL these banks rely on deposits from customers and financial institutions as source of funding and have no borrowings.

On the contrary, banks reporting below 50% liquidity to interest-bearing liability may be considered aggressive in their business strategy and willing to extend their lending activities to improve earnings. Likewise, depositors are knowledgeable of markets rates offered for money market instruments and are seeking competitive rates for funds held in fixed deposits, call deposits and term deposits. The significant holding in liquid funds may not be sustainable as earnings from the risk-free instruments drop and interest margins are squeezed.

Banks such as PBL and SG-GH reporting the least liquidity position to interest-bearing liability as a significant portion of their total assets sits in loans and advances. BOA on the other hand, recorded the most significant increase in liquidity cover for interest bearing liabilities from 59% in 2018 to 81% in 2019. The liquidity cover was not diluted because a significant component of its funding is attributable to the equity capital injection of GHS 321.3 million.

The economic impact of this pandemic on businesses and livelihoods is unpredictable and uncertain at this stage. Banks would have to deploy effective liquidity management strategies, while coping with regulatory requirements as they navigate the challenges of the current era.

9 Asset Quality

Asset quality

The reforms initiated by the regulator in the industry have had a positive impact on the industry during the year. The industry delivered a year on year growth of total assets of 25.1%, with gross loans and advances growing by 32.4% at the end of 2019 funded largely by equity injection and new deposits mobilised during the year. Gross loans and advances grew to GHS 39.36 billion in 2019 from GHS 29.73 billion in 2018. However, the impairment charge on financial assets for the year decreased by 2% from GHS 899 million in 2018 to GHS 881 million in 2019 resulting in an overall improvement in asset quality across the industry.

Non-Performing Loans (NPL) ratio decreased by 0.3% from 9.8% in 2018 to 9.5% in 2019. The decline experienced during the year is an outcome of loan recoveries, write-offs, and improvements in the quality of collateral used to secure loans during the period. Government's settlement of the Bulk Distribution Company (BDC) legacy debts also extinguished significant non-performing exposures to the oil and gas sector.

The non-performing loans of participating banks declined by 33% from GHS 4.5 billion in 2018 to GHS 3.0 billion in December 2019. The industry has experienced a significant improvement in comparison with the last five years. Similarly, industry's impairment charge to gross loans and advances saw a modest improvement from 3% in 2018 to 2.9% in 2019. This reflects the industry's gradual and steady improvement in credit administration and recovery.

ABG recorded an overall impairment release to gross loans ratio of 1.8% in comparison with a charge of 9.3% in the previous year. This was largely driven by recoveries from exposure to some BDCs. Its gross non-performing loans in 2019 was GHS 323 million constituting 22.49% of the total gross loans and advances, a proportionate decline from GHS 319 million constituting 32.12% of the total gross loans and advances in 2018.

SCB made significant strides in 2019 towards recoveries of previously impaired assets. Total recoveries from previously impaired loans in 2019 was GHS 15.5 million as against recoveries of GHS 11.2 million in 2018. Additionally, the bank was able to recover GHS 16 million impaired investment securities in 2019 after recording an impairment charge of GHS 8.5 million in 2018. These accounted for the improved NPL ratio of 5.2% in 2019 against 6.7% recorded in the previous year.

FBN and FNB had the highest impairment charge to gross loans and advances ratio of 5.51% and 6.45% respectively.

Impairment charge/ gross loans and advances

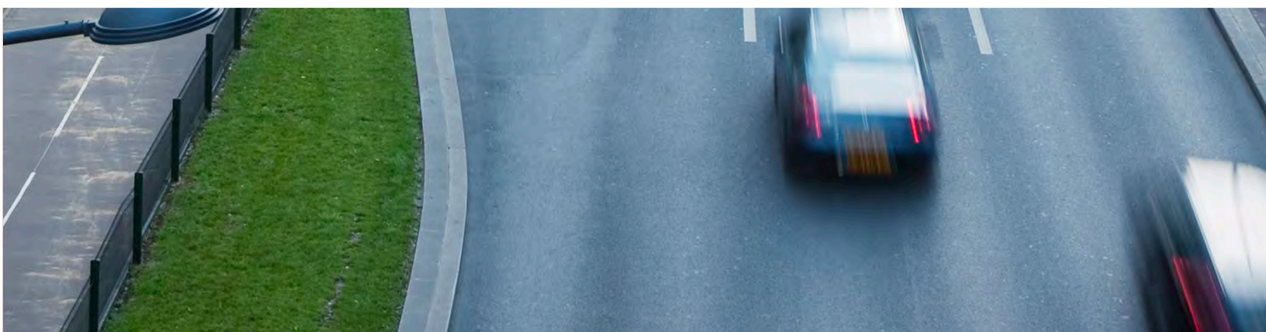
	2019	R	2018	R	2017	R	2016	R	2015	R
ABG	-1.8%	1	9.3%	18	4.3%	20	4.2%	17	1.2%	5
ADB	0%	2	0.7%	2	3.3%	19	8.0%	23	8.6%	24
SG-GH	0%	2	2.9%	11	2.4%	13	3.4%	15	3.6%	15
CAL	0%	2	2.6%	8	2.7%	18	9.6%	25	1.9%	6
BOA	0%	2	2.6%	9	1.7%	10	2.5%	12	7.4%	22
UBA	0.5%	6	10.6%	19	2.7%	16	4.4%	18	5.7%	20
SBG	1.3%	7	1.4%	5	2.7%	17	3.8%	16	3.5%	13
ABSA	1.4%	8	1.0%	3	0.7%	5	0.4%	3	5.0%	18
ZBL	1.5%	9	6.9%	17	0.9%	8	1.2%	7	5.0%	19
GTB	1.5%	10	-4.5%	1	-0.4%	1	1.4%	9	0.2%	2
GCB	1.8%	11	1.8%	6	1.9%	12	1.6%	10	4.9%	17
PBL	2.0%	12	2.4%	7	6.3%	24	1.7%	11	3.3%	11
RBL	2.1%	13	3.3%	13	-	2	6.6%	21	8.1%	23
CBG	2.1%	14	-	-	-	-	-	-	-	-
EBG	3.8%	15	3.0%	12	6.0%	23	5.0%	19	3.5%	14
FBL	4.4%	16	3.7%	14	5.8%	22	11.8%	26	3.5%	12
SCB	5.2%	17	6.7%	16	-	3	5.0%	20	14.0%	25
FBN	5.5%	18	1.1%	4	2.4%	14	19.5%	29	3.9%	16
FNB	6.4%	19	4.9%	15	0.8%	7	0.8%	4	2.4%	8
FABL	-	-	2.9%	10	1.9%	11	13.2%	28	7.2%	21
TCB	-	-	-	-	-	3	-	-	-	-
BOB	-	-	-	-	0.7%	6	-	1	-	1
BSIC	-	-	-	-	1.5%	9	2.5%	13	2.3%	7
UMB	-	-	-	-	2.6%	15	1.0%	6	17.0%	26
ECB	-	-	-	-	4.7%	21	7.2%	22	21.3%	27
OBL	-	-	-	-	8.1%	25	12.6%	27	-	-
PRB	-	-	-	-	8.7%	26	1.2%	8	-	-
TRB	-	-	-	-	10.8%	27	8.2%	24	0.5%	3
NIB	-	-	-	-	-	-	-	-	2.8%	10
SBL	-	-	-	-	-	-	0.3%	2	-	-
GNB	-	-	-	-	-	-	1.0%	5	2.8%	9
UGL	-	-	-	-	-	-	2.7%	14	0.8%	4
Industry	2.9%		3.0%		3.0%		4.5%		4.6%	

UBA experienced a significant drop in its impairment charge from GHS 97.6 million in 2018 to GHS 5.6 million in 2019. The drop is an outcome of aggressive recoveries drive especially from BDCs. However, the composition of non-performing loans in its loan book of 23% remains above the industry average.

GTB is gradually changing from its conservative lending approach which has seen its gross loans decrease by 67% in 2018 to a more aggressive lending practice in 2019 with 32.8% growth in the loan book. The bank continued to sustain the quality of the loan book, however, it was unable to achieve remarkable recoveries as in prior years. This may be an indication of improved credit administration because of decline in defaults as shown by the drop in the composition of non-performing loans to gross loans from 5.2% in 2018 to 3.2% in 2019.

Ongoing measures like the alignment of credit risk frameworks with the Capital Requirement Directive (CRD) issued by the Bank of Ghana in 2018 and increased recovery efforts, continue to strengthen the credit risk management practices of banks', minimise the credit risk of the industry, sustain growth and quality of the industry's loan portfolio, and safeguard the quality of the new capital of the industry.

Appendices



Appendices

Banks in Ghana

The banks operating or issued with universal banking license as at June 2020 are presented in the table below.

Bank	Year bank commenced business	Majority ownership	Number of branches
Absa Bank Ghana Limited	1917	Foreign	54
Access Bank (Ghana) Plc	2009	Foreign	53
ADB Bank Limited	1965	Local	83
Bank of Africa Ghana Limited	1997	Foreign	25
CALBank Limited	1990	Local	31
Consolidated Bank Ghana Limited	2018	Local	106
Ecobank Ghana Limited	1990	Foreign	67
FBNBank Ghana Limited	1996	Foreign	19
First National Bank Ghana Limited	2015	Foreign	11
Fidelity Bank Ghana Limited	2006	Local	69
First Atlantic Bank Limited	1994	Foreign	37
GCB Bank Limited	1953	Local	185
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	32
National Investment Bank Limited	1963	Local	48
OmniBSIC Bank Ghana Limited	2019	Local	46
Prudential Bank Limited	1993	Local	41
Republic Bank Ghana Limited	1990	Foreign	42
Société Générale Ghana Limited	1975	Foreign	42
Stanbic Bank Ghana Limited	1999	Foreign	38
Standard Chartered Bank Ghana Limited	1896	Foreign	21
United Bank for Africa (Ghana) Limited	2005	Foreign	28
Universal Merchant Bank Ghana Limited	1972	Local	36
Zenith Bank Ghana Limited	2005	Foreign	28

Glossary of key financial, terms, equations and ratios

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

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

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

Cash tax rate
Actual tax paid/ Net operating income

Cost income ratio
Non-interest operating expenses/ Operating income

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

Dividend pay-out ratio
Proposed dividends/ Net profit

Dividend per share
Proposed dividends/ Number of ordinary shares outstanding

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

Financial leverage ratio
Total assets/ common equity

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

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

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

Loan loss rate: Bad debt provisions/ Average operating assets

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

Net interest income: Total interest income - Total interest expense

Net interest margin: Net interest income/ Average operating assets

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

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

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 nonoperating assets

Total debt ratio
Total liabilities/Total assets

Our Business School

PwC Ghana Business School:

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

The focus of PwC's Business School is to:

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

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

PwC's Business School is therefore focused on delivering relevant learning and development solutions based on this knowledge, as well as offering public courses on selected topics and a wide range of bespoke training solutions tailored to the needs and capacity of organisations.

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

Abbreviations

1D1F	One District, One Factory
ABG	Access Bank Ghana Plc
ABSA	ABSA Bank Ghana Limited
ADB	Agricultural Development Bank Limited
BBGL	Barclays Bank Ghana Limited
BDC	Bulk Distribution Company
BOA	Bank of Africa Ghana Limited
BOB	Bank of Baroda Ghana Limited
BoG	Bank of Ghana
BSIC	Sahel Sahara Bank Ghana Limited
CAL	CalBank Limited
CAP	Coronavirus Alleviation Program
CBG	Consolidated Bank Ghana Limited
CBN	Central Bank of Nigeria
CIT	Corporate Income Tax
CRD	Capital Requirement Directive
CSP	Country Senior Partners
DPO	Development Policy Operation
EBG	Ecobank Ghana limited
ECB	Energy Commercial Bank Limited
ETR	Effective Tax Rate
EUR	Euro
FABL	First Atlantic Bank Limited
FBL	Fidelity Bank Ghana Limited
FBN	FBN Bank Ghana limited.
Fintech	Financial Technology Companies
FNB	First National Bank
FX	Foreign Exchange
GAB	Ghana Association of Bankers
GBP	Great Britain Pound
GCB	GCB Bank Limited
GDP	Gross Domestic Product
GDPC	Ghana Deposit Protection Corporation
GHL	GHL Bank Limited
GHS	Ghana Cedi
GIPC	Ghana Investment and Promotion Centre
GIRSAL	Ghana Incentive-Based Risk-Sharing System for Agricultural Lending
SBG	Stanbic Bank Ghana Limited
SBL	Sovereign Bank Limited
GNB	GN Bank Limited
GRA	Ghana Revenue Authority
GRR	Ghana Reference Rate
GSF	Ghana Stabilisation Fund
GTB	Guaranty Trust Bank (Ghana) Limited
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
KYC	Know Your Client
MPC	Monetary Policy Committee
MPR	Monetary PolicyRate
N	Naira
NBSSI	National Board for Small Scale Industries
NFSL	National Fiscal Stabilisation Levy
NGO	Non-Governmental Organisation
NIB	National Investment Bank Limited
NIM	Net Interest Margin
NPL	Non-Performing Loans
OBL	OmniBank Ghana Limited
PBL	Prudential Bank Limited
PBT	Profit Before Tax
PRB	Premium Bank Ghana Limited
PRMA	Petroleum Revenue Management Act
RBL	Republic Bank Ghana Limited
ROA	Return on Assets
ROE	Return on Equity

Abbreviations

SCB	Standard Chartered Bank Ghana Limited
SG-GH	Société General Ghana Limited
SME	Small and Medium Scale Enterprises
SSC	Shared Services Centre
T-bills	Treasury Bills
TCB	The Construction Bank (Gh) Limited
TIN	Tax Identification Number
TRB	The Royal Bank Limited
TTA	Technology Transfer Agreement
UBA	United Bank for Africa (Ghana) Limited
UGL	UniBank Ghana Limited
UMB	Universal Merchant Bank Limited
US	United States
US$	United States Dollars
VAT	Value Added Tax
VPN	Virtual Private Network
WHT	Withholding Tax
ZBL	Zenith Bank (Ghana) Limited

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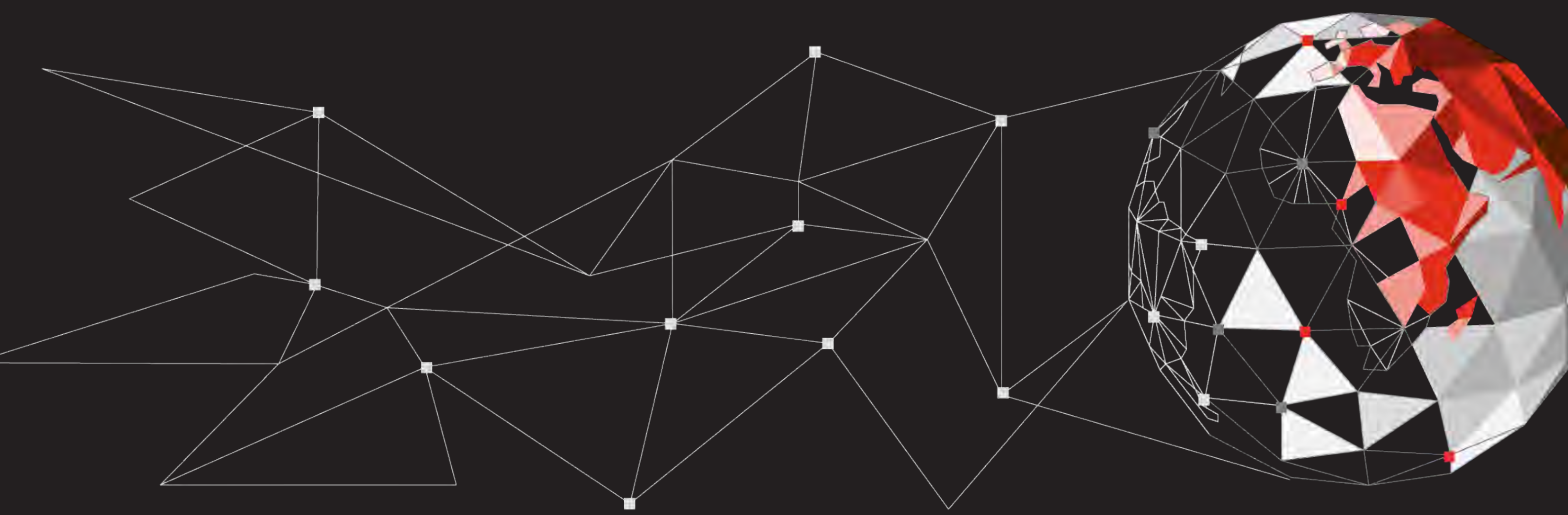

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