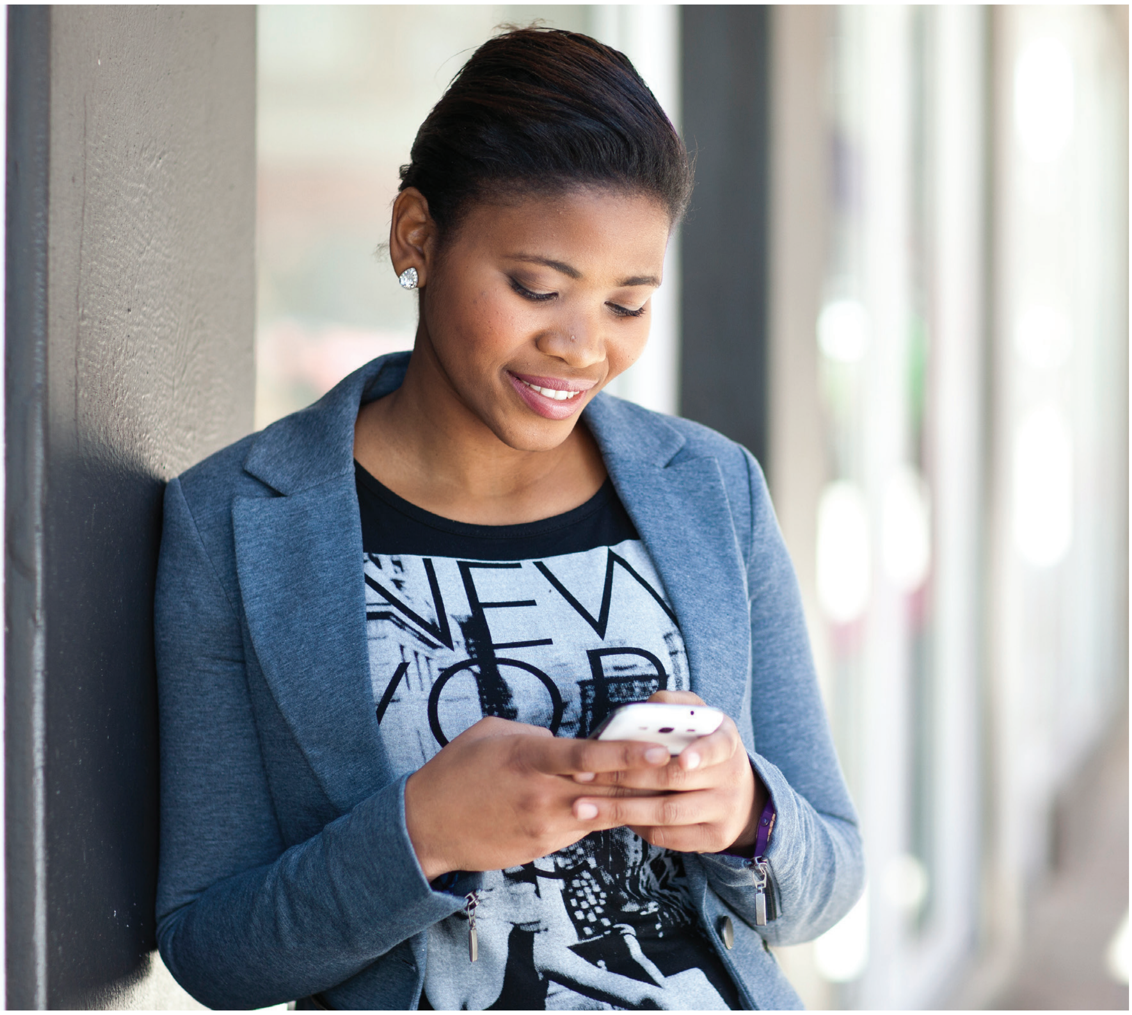
2016 Ghana Banking Survey

How to win in an era of mobile money

August 2016



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A message from our CSP

Vish Ashiagbor

Country Senior Partner

Seven years after the launch of the first mobile money solution in Ghana, the service can be said to be a game changer in the country's financial services industry. From a humble start in 2009, mobile money solutions now account for cash flows that compare with aggregate deposits of commercial banks in the country. A recent Bank of Ghana publication indicated that the value of mobile money transactions in 2015 was GH¢35.4b, up from GH¢11.2b in 2014. Clearly, this shows a meteoric rise that evidences the acceptance of the service and demonstrates its relevance in attaining a cashlite economy in Ghana. Of course, we expect other electronic payment systems to emerge to complement mobile money if our economy is to attain a cashlite status.

While mobile money in Ghana so far has been mainly driven by mobile network operators, we note that it has required the partnership of banks and it is expected to significantly impact on banking in coming years as it is helping to address one key concern of Government and bankers: financial inclusion. With millions of subscribers across the country, mobile money is expected to serve as an important delivery channel for consumer banking. Besides, it offers huge cheap deposits that banks could use to create money in the economy. It is against this backdrop that we focused this year's banking survey on "*How to win in an era of mobile money*".

Unlike the 2015 banking survey that sought responses from bank executives as well as bank customers, this year's survey was based on responses from bank executives only. The intention was to understand from the perspective of bankers the extent to which mobile money is expected to affect their business. Additionally, we sought to understand the importance bankers attach to critical success factors in the delivery of mobile money service. We obtained the responses primarily through questionnaires and followed up with interviews to further understand the context of each response.

We gathered from our survey that while bankers perceive mobile money as an opportunity to be explored, especially in the consumer banking segment, it is also perceived as a potential threat if non-banks are allowed to provide the service in competition with traditional banking services. The services offered on the mobile money platform include inland remittances, bill payment as well as point of sale payments for services offered in restaurants and items purchased in certain shops. These functions were traditionally offered by banks, often at a charge whereas mobile money enables these same transactions at a lower cost. Bank executives believe that this serves as a direct threat to the sustainability of similar services offered by banks and could affect performance of the banking industry, which is a critical partner in the development of any economy around the world. In light of this, bank executives propose that the upcoming mobile money regulations being designed by Bank of Ghana should engender close collaboration between telcos and banks in the delivery of mobile money services. Most bank executives interviewed rated Regulation and Partnership as key critical success factors. PwC believes that the onus to create a vibrant mobile money industry lies primarily with the Regulator in designing a practical and forward looking regulation that will streamline operations in the mobile money market. This will require extensive consultation locally and leveraging the experience of other countries such as Kenya that are advanced in the delivery of the service.

In addition to regulations and partnerships, the other critical success factors which we discussed with bank executives were technology, network reach and product offerings. While generally most interviewees believe that these factors are highly important, product offering received a relatively low rating. This is because the executives believe that mobile money product offerings can be easily replicated across service providers. Service offerings themselves will therefore not be a game changer for providers, but rather the way the product is delivered to consumers is what is expected to be a differentiating factor.

Details of our survey have been presented in our survey report. For banks and telcos willing to strategically position themselves to win in this era of mobile money, this survey report is a must read as it sheds light on the issues that matter. If you wish to discuss some of these findings in some more detail, do not hesitate to get in touch with us; our survey team and Financial Services Industry Group will be pleased to engage with you further.

A message from the Executive Secretary of Ghana Association of Bankers

D. K. Mensah

Executive Secretary, Ghana Association of Bankers

The level of awareness and trust so far exhibited by participants in the mobile money industry especially those in the informal sector who account for the larger proportion of the unbanked Ghanaian population gives hope that mobile money operations will deepen financial inclusion. It is in view of this that the Ghana Association of Bankers welcomes this year's PwC Ghana banking survey theme "*How to win in an era of mobile money*". The survey explores the opportunities and challenges mobile money brings to the Ghanaian banking industry and is expected to help banks align their operations, systems and strategies to better position themselves to win in this era of mobile money.

Mobile money: Participants and regulatory environment

Mobile money is a way of transferring money, making payments and initiating other transactions using a mobile phone and other mobile devices. It is seen as an opportunity to cross-sell banking, insurance and other financial products, playing an important role in extending financial services to the unbanked and underserved population. Participants in the industry claim it is fast, simple, convenient, secure and affordable. The key participants include, telecommunication companies, partnering banks or financial institutions or any other duly registered e-money issuers, agents of these e-money issuers and users of the service. The service is either "bank-led" or "telecom-led", a distinction cited as one of the crucial factors contributing to the failure or success of this service in other parts of the world where it has been deployed.

In Ghana, the service is regulated by Bank of Ghana ("BoG"), exercising its powers under Section 51 (A) (3) of the Banking Act, 2004 (Act 673) and Section 4 (1) (d) and (e) of the Bank of Ghana Act, 2002 (Act 612) in line with BoG's mandate to promote and supervise electronic and other payments, funds transfer, clearing and settlement systems under the Payment System Act 2003 (Act 662). In July 2015, BoG issued guidelines for E-Money Issuers which replaced the previous guidelines for branchless banking. The National Communications Authority ("NCA"), the regulator of the telecoms sector also played a key role in issuing the new guidelines.

Benefits, obstacles and challenges

While market participants of mobile money attribute a number of benefits to the service, they also identify some challenges.

Benefits associated with mobile money include:

- Shorter transaction time;
- Lower transaction cost;
- Improved security;
- Convenience;
- Easy accessibility;
- Smaller transaction thresholds; and
- New employment opportunities.

Challenges associated with mobile money include:

- Network instability;
- Fee considered high by some users;
- Transaction limits imposed by the Regulator;
- Transparency in sharing of returns accruing on the floats; and
- Liquidity of agents in meeting some transactions.

Mobile money experience in Africa

The Kenya and Nigeria experiences with mobile money readily come to mind. While the service in Kenya was mainly telecom-led and is widely acclaimed to be successful due to the high penetration of Safaricom, a local telecom operator, the service in Nigeria was rather bank-led. The Nigerian Central Bank's protectionist stance aimed at avoiding money laundering and concerns about loss of control largely influenced Nigeria's approach to mobile money. The success of M-PESA, the mobile money platform used in Kenya is attributed to investment made in infrastructure by Safaricom, training provided to the agents, awareness created about the service, demographic variables (many high income earners concentrated in the cities with dependents living back in villages boosting the need for fund transfers/remittances) and the low level of regulation at the growth stage, facilitating market innovation.

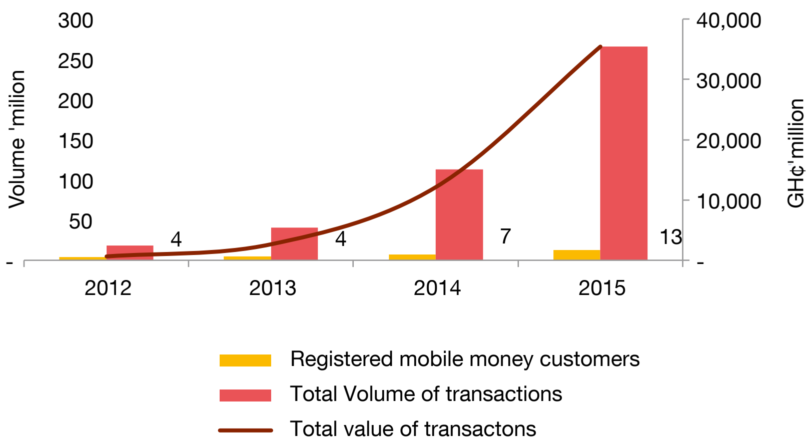
In Nigeria, however, the mobile money business seems to be more legislated and the telecommunication companies restricted in providing the needed infrastructure. Given that mobile money typically targets lower income earners while the banks target middle to high income earners the banks were said to be less motivated to develop the mobile money service.

The Ghanaian mobile money experience so far

So far it appears the Ghanaian mobile money experience is collaborative, with BoG and the NCA working together with other industry participants and leveraging the experiences elsewhere to ensure the success of mobile money operations in Ghana.

Mobile money has however been remittance/fund transfer focused and using the service for payments is yet to catch up. The level of trust users currently associate with the service is high and provides an indication of continued deepening of financial inclusion via mobile money. Usage of card based products and services offered by banks is not widespread in Ghana. This, coupled with the general low income level of the unbanked population in Ghana provides an avenue for increased usage of mobile money in the coming years. The chart below shows growth indicators of mobile money operations in Ghana from 2012 to 2015.

Growth in mobile money operations



Source: Bank of Ghana

The view of the Ghana Association of Bankers and the way forward

Our view is that mobile money is a growing service which provides opportunities and threats to some traditional banking products and services. The opportunities, if well exploited could lead to increased mobilization of cheap deposits via mobile money wallets of users which are kept with the banks. This could improve profitability of the banks by helping reduce interest cost as compared to mobilizing these deposits from traditional corporate institutions which demand higher returns. Transaction fees and commissions related to keeping and maintaining these accounts for the e-money issuers and agents will also contribute to the profitability of banks. Even though the Regulator has agreed the minimum interest payable on these deposits of 7.0% per annum, we foresee the possibility of banks advertising interest rates they are paying as way of attracting these deposits. The e-money issuers will continue intensifying the competition among the banks to keep these deposits by moving the funds around and invariably drive up interest rates.

Traditional banking products and services threatened by mobile money include money transfer services, bill payment platforms, drafts and even savings and current accounts which customers would open but for the mobile money platform. Fees and commissions associated with these services which hitherto accrued entirely to the banks may now have to be shared with the e-money issuers and agents. We do not however, expect mobile money to completely replace traditional banking services.

It is in this light that we expect collaboration among the various participants to ensure a win-win mobile money experience in Ghana. The role of BoG in ensuring compliance and sanity cannot also be overemphasized. Mobile money provides an engine for achieving financial inclusion and is a catalyst for a cashless Ghanaian society. When well harnessed, mobile money will contribute to the development of the Ghanaian economy.

Comments on 2016 Ghana Banking Survey

Dr. Emmanuel O. Kumah

Chairman, KEDSS Economics

The focus of the banking survey is on mobile money viewed from the perspective of bank executives with a view to determining "how to win in an era of mobile money". Essentially the survey sought to understand from the perspective of bankers the extent to which mobile money is expected to affect their business as well as understand the importance bankers attach to critical success factors in the delivery of mobile money service. Two broad conclusions emerged that form the basis of my commentary. The first conclusion is that while bankers perceive mobile money as an opportunity to be explored, especially in the consumer banking segment, it is also perceived as a potential threat if non-banks are allowed to provide the service in competition with traditional banking services. The second conclusion is that in addition to regulations and partnerships, the other critical success factors identified by bank executives were technology, network reach and product offerings.

How should we interpret these findings in the light of the current economic and financial conditions in Ghana and the experience elsewhere with mobile money?

First, Ghana's economic and financial environment has been characterized in recent years by macroeconomic instability as evidenced by high and variable inflation rates, high budget and external current account deficits, and high domestic and external debt levels. At the same time, high domestic monetary expansion affecting both the monetary base and broader monetary measures has been accompanied by high nominal interest rates and some exchange depreciation. The deterioration of the macroeconomic fundamentals and the rising cost of living as well as the cost of doing business have led to an industry-wide credit and asset quality deterioration. As the survey notes, "the rise in NPLs for many banks was partly attributed to the "legacy debt" which resulted from unpaid subsidies on energy prices and foreign exchange under recoveries in relation to state organizations in the energy sector preventing these institutions from repaying their bank loans on schedule". Against this back drop, the government has embarked on a three-year IMF-supported program to redress these challenges and restore macroeconomic stability through 2017, through many measures including in particular fiscal consolidation.

It is therefore important to situate the discussion of mobile money within the proper context of supporting and promoting the role of monetary instruments and monetary institutions in economic transformation and development. The role of formal and informal financial institutions is heightened in the current economic environment to support and facilitate economic growth, improve financial transmission mechanisms and signals, and promote financial inclusion objectives. The challenge facing policy makers is how to nurture and develop a vibrant mobile money market where instruments, institutions and systems converge in an efficient manner underpinned by flexible regulations to promote a broader use of these services by economic agents and consumers. Ordinarily like most monetary instruments, mobile money if harnessed properly could serve a host of services including making transactions, serving as a store of value and providing some income in the form of interest to their holders. Indeed available evidence suggests that some rural communities and some informal business are indeed quite content with the array of transactions they could undertake through the advent of mobile money.

Mobile money is however different from traditional money in terms of the range of instruments, transmission channels and the demographics of its key holders. Therefore policy has to evolve to take advantage of its unique features while minimizing any associated risks in order for mobile money to play an important role in serving as a convenient means of transaction and exchange in the rural and largely unbanked sectors of the economy. Whether mobile money can be nurtured to play this enhanced role depends on many factors some of which are mentioned in the survey including in particular, regulation, partnership, and technology. One must tread carefully however with the usual temptation to jump in with new regulations to attempt to solve any perceived problems or threats or risks as the advent and evolution of these informal financing mechanisms reflect market failures whose redress is neither straightforward nor quickly fixed.

At the present time, mobile money is essentially cash based or focused on over-the-counter transactions (where people do not cash into an e-wallet to undertake a transaction via a phone menu). Mobile money's cash addiction is problematic for the long-term survival of these services and for deepened financial inclusion. Also related to cash is the fact that airtime purchases, remittances and bill payments are the top uses of most mobile money services suggesting that there is some distance to go before a range of financial products associated with mobile wallets could be developed. This point reinforces one of the survey's strong observations that bank executives view mobile money as an opportunity for partnership with each other and also with telecom companies who have taken the lead in mobile money services.

The evidence from other countries in Africa and Asia is instructive in this regard. The M-Pesa (mobile money in Kenya) continues to impress and deserves the attention it has garnered in this area with a reported 93% of the adult population registered for M-Pesa and a reported 60% actively using the service (more than 11.6m people). Some recent reports suggest that the success of M-Pesa in Kenya does not appear to have taken opportunities away from other financial service providers. On the contrary, there is some evidence to suggest that since M-Pesa launched in 2007, the number of bank accounts in the country has reportedly increased from 4 million to 20m. By partnering with over 140 financial institutions, M-Pesa has revolutionized the ability of banks to scale up rapidly. This increasing evidence of the need for partnership to exploit the opportunities in this area is not limited to Kenya but in other countries such as Tanzania, Uganda, Bangladesh and Pakistan that are also developing successful mobile money businesses.

The above ongoing evidence provides useful guidance for developing winners in the mobile money era. Financial inclusion is clearly not a zero sum game. Innovative partnership models are still emerging but it will not be long before we see banks or their customers driving the development of a successful mobile money/banking system in Ghana. This is possible if the authorities create the enabling environment where innovative formal financial institutions take advantage of these opportunities. Examples abound in Kenya where banks have leveraged M-Pesa for loan repayments, savings mobilization and even loan disbursements.

In this connection, we view as exaggerated fears the banking industry executives' perception as a potential threat if non-banks are allowed to provide the service in competition with traditional banking services. The services offered on the mobile money platform include inland remittances, bill payment as well as point of sale payments for services offered in restaurants and items purchased in certain shops. It is no accident that some of the functions traditionally offered by banks, often at a higher charge, are offered by mobile money operators at a lower cost. We suspect that given the amount of financial resources outside the formal banking system, the strengths of the mobile money operators in this niche market, the technology and the demographic characteristics of the market, it is possible for banks to find their level and space in this financial industry unaided by official support.

We also agree fully with the survey respondents on the importance of the other critical success factors such as technology, network reach and product offerings. Nonetheless, we suspect that technology towers over all other factors because it provides the appropriate infrastructure to capture the mobile data which directly or indirectly is the silent engine behind the products being developed in the mobile money space. Institutions with the capacity to develop the technology to mine the data from mobile wallet and cell phone data will definitely have some comparative advantage. Financial institutions need to accelerate their investments in technology to replicate and in some cases dovetail the revolutions taking place in the information technology/telecommunications industry in order to remain abreast with the requirements of successful and fast-paced information transmission and retrieval.

Finally, it goes without saying that new regulations may be necessary in future to streamline activities in the mobile money space but these should have as their overriding objective to protect the consumer interest at the core. These carefully drafted regulations must facilitate the evolution of new instruments, institutions, promote innovation, and facilitate competition so as to drive costs lower and thereby encourage the growth of mobile money services. Above all, we cannot but agree unreservedly that any new regulations should undergo wide consultations with market participants and be informed with the lessons from other countries before they are enacted.

A message from our Tax Leader

George Kwatia

Partner, Tax leader

Upsurge of mobile money business in Ghana – the Tax and regulatory implications

Introduction

Imagine an economy of Ghana where most bank customers will freely make it their second nature of utilising funds in their respective bank accounts to make payments for goods and services and even settle their tax liabilities via mobile phones and other electronic platforms provided by the telecommunication service providers ("Telcos") as pertains in other jurisdictions. This will make the economy of Ghana cashlite - with little or no physical cash being handled by the citizenry and in line with global initiatives such as the "G20 Global Partnership for Financial Inclusion", "the Bill and Melinda Gates Foundation" and "the Better than Cash Alliance" for greater speed, security, transparency and cost efficient means for doing business. With the upsurge of mobile money business in recent years, I believe Ghana is on the right track to achieving this.

A move towards a cashlite economy could also help reduce the incidence of bribery and corruption in Ghana as the use of mobile money provides evidence which can be used for investigations.

As banks undertake strategies to increase their participation in the mobile money business, they need to be aware of the tax impact of engaging in mobile money transactions or operations in Ghana.

Tax impact on mobile money transactions

Considering the kind of services to be offered by banks on mobile money platforms, the main stream of income that banks earn are commissions or fees on transfers or facilitation. Under the Ghana tax laws; there may be corporate income tax on the profits made from such transactions. The service may equally be impacted by Value Added Tax ("VAT"), National Health Insurance Levy ("NHIL") and withholding tax on the revenue (commission and fees) earned from mobile money operations. We highlight in the paragraphs below, the key tax implications for banks involved in mobile money service operations.

Corporate income tax

Based on the Income Tax Law of Ghana as amended, companies including banking institutions established in Ghana are required to pay income tax on all the income they earn from business and investment at the general rate of 25.0%. Income on which companies are required to pay tax on are interest income, fee income and commissions. Accordingly, the profits or net income earned by banks from mobile money transactions or platforms is subject to corporate income tax at the rate of 25.0%.

VAT and NHIL

Generally, VAT and NHIL are ordinarily chargeable on consumption of goods and services, unless such goods or services are specifically exempt from the tax. The laws on VAT and NHIIL impose VAT and NHIL respectively on some qualifying fee-based financial services at the rates of 15.0% and 2.5% (summing up to 17.5% in total). This means that for services such as bank-to-mobile wallet transfers for which fees are charged, VAT and NHIL of 17.5% of the value of the fees chargeable by a bank may apply. Moreover, any charges on bill payments from bank accounts using mobile money, ATM cash withdrawals from mobile wallet and similar services for which a fee is charged on the platform may be subject to VAT and NHIL at the rate of 17.5% once the service is deemed as a fee based financial service.

Another stream of income which may be subject to VAT and NHIL is commissions banks receive from telecommunication companies for banking support provided in respect of mobile money transactions given that such commissions received for supporting mobile money banking services are not exempt from VAT and NHIL in Ghana.

Withholding taxes (WHT)

Ordinarily, payments for supply of goods, works and services by resident persons in excess of GH¢2,000 is subject to withholding tax at the rates of 3.0%, 5.0% and 7.5% respectively. As such, withholding tax of 7.5% applies on commission income received by banks for mobile banking services where the payer is a person other than an individual. This rate applies in the absence of a specific provision in the law addressing commissions payable to banks for mobile money services.

Interestingly, countries such as Tanzania, have since 2013 introduced a specific withholding tax rate applicable to commissions paid or payable for mobile money transfer services. I believe that this is the right time for Ghana to consider a specific regime for the sector with a proposed lower withholding tax rate of say 3.0% (as against the general service rate of 7.5%) to further promote the growth of the sector.

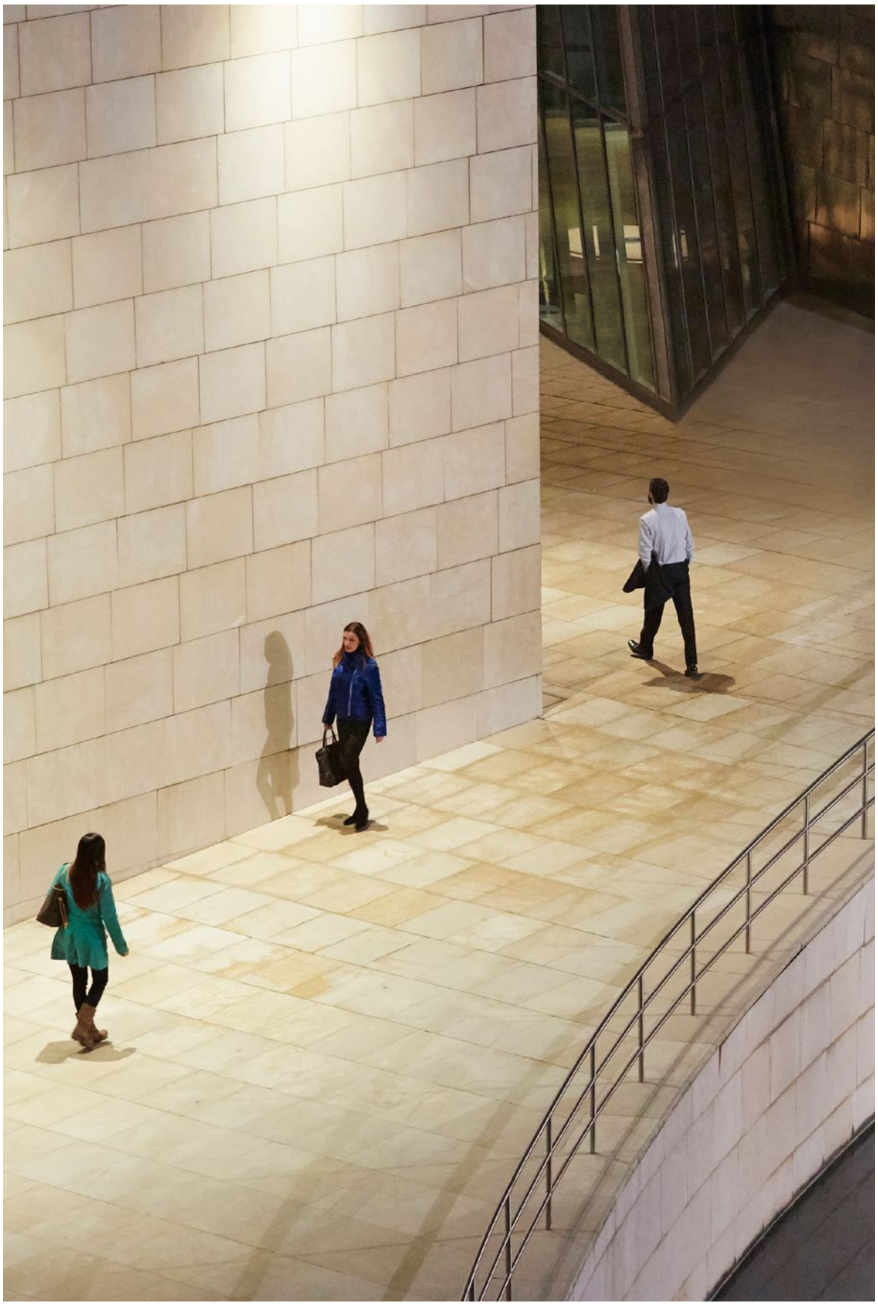
Need for regulations

Given the ease with which owners can lose their mobile phones and the lack of reporting of financial transactions that can result in undocumented mobile money transactions, there is the need to have some rules on mobile money operations, especially in the areas of information security, documentation of transactions, regulator reporting among many others in Ghana. In Kenya and Uganda for example, there are laws on the regulation of mobile money activities such as mobile transfers and bill payments. I believe that it is in line with this thinking and happenings in other countries that the Bank of Ghana ("BoG") recently issued new guidelines – "the Electronic Money Issuers (EMI Guidelines) and Agent Guidelines" – to regulate mobile financial services in the country. These guidelines are designed to promote use of agents as channels for the delivery of financial services via mobile phones and establishment of necessary controls to mitigate risks associated with such transactions while protecting customers from unintended consequences of patronising such services.

Currently, the BoG-issued guidelines do not include rules that specifically address the participation of banks in the mobile money business.

Area of concern for banks is the competition ensuing between banks and telcos in the provision of financial services such as advancement of loans via mobile platforms. It is my hope that BoG would issue further guidelines or regulations to protect the interest of all stakeholders.

When strict rules are designed and implemented to guide the operations of mobile money, this will provide a level playing field for the banks and the telcos to operate in the market as there would be more clarity on the rules and processes governing the operation in the market.



1 How to win in an era of mobile money

Introduction

Over the last decade, mobile phone penetration rate in Ghana has grown tremendously. As at April 2016, there were about 36.4m mobile voice subscribers in Ghana according to the June 2016 Telecom Subscriptions Report by NCA. This number far exceeds the estimated 27.8m population of the country (National Population Council Secretariat, Ghana Statistical Service). While it is acknowledged that the penetration rate does not translate into unique phone subscriptions, it still provides a strong indication of the extensive use of mobile phones in the country.

The deep penetration of mobile technology in Ghana has made it a great medium for innovation around service delivery. The banking industry is one which has seen significant impact from innovation around mobile phone technology – the introduction of mobile money as an alternative or complement to the services banks offer.

Since the introduction of mobile money to the Ghanaian market in 2009, it has played a key role in the push for financial inclusion. According to data from the World Bank[1] , in 2010 a relatively large segment of the Ghanaian population (44.0%) was excluded from the financial services sector altogether. During this time period, access to formal banking services hovered around 34.0%, with banks creating innovative channels to penetrate the market further. By 2015 however, the segment of the population excluded from the financial services

1 http://www.cgap.org/blog/ghana-dfs-helps-spur-41-increase-financial-inclusion

system had dropped to 25.0%, according to the same report by the World Bank.

A further look at the data in the chart below shows that by 2015, there had been a 15.0% increase in the share of Ghanaians who participate in the financial system through non-bank formal means. This increase has been driven primarily by the widespread adoption of mobile money for financial services activities.

According to the August 2015 Telecom Subscriptions Report by the NCA, mobile money made significant strides in 2012 and 2015. Registered subscribers increased from 3.8m to 13.1m and registered agents also increased over tenfold from 8,660 to 93,376. The number of transactions also increased substantially from 18m to 266m, while the value of transactions soared from GH¢594m to GH¢35bn. By the end of 2015, the mobile money balance on float stood at GH¢548m.

With mobile money making such drastic inroads into the banking space, we set out to understand what bank executives are making of the development and how they are planning to win in this era. For us, winning in this era does not mean eliminating mobile money but rather being competitive both in spite of any threats, and due to any opportunities, that mobile money presents.

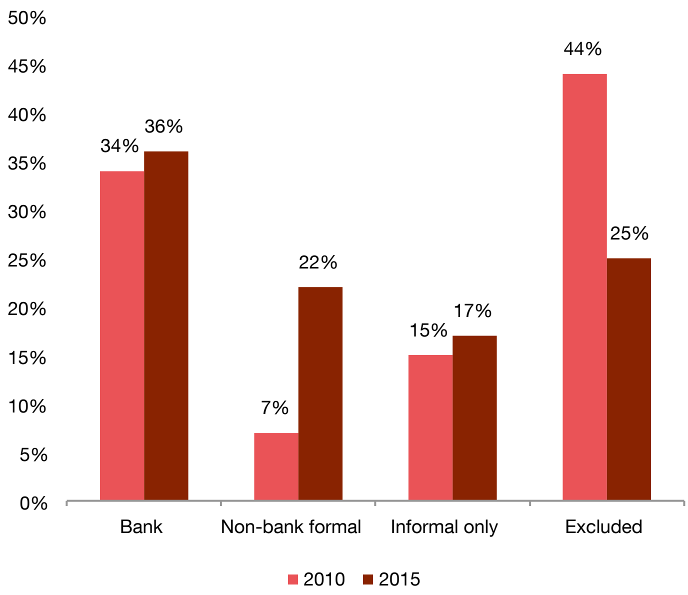
Survey methodology

PwC surveyed executives – CEOs, CFOs and Heads of E-banking - of banks in Ghana through interviews and questionnaires carefully designed to elicit candid assessment of mobile money vis-à-vis banking services in Ghana.

Our questionnaire was in two sections. The first section considered how bank executives view mobile money's current and potential impact on the business of banking. We explored topics such as whether mobile money is a threat or an opportunity to the industry, and whether the influence of mobile money on the industry is likely to increase or wane.

The second section sought to delve into their plans to stay competitive in the era of mobile money. In this section, we focused on critical success factors that will determine whether or not a bank succeeds in this era of mobile money. The five critical success factors discussed with bank executives are regulation, technology, partnerships, product offerings and network reach. We also asked bank executives to discuss any factors other than the five which they felt would be critical to success in the era of mobile money.

Participation rate of Ghanaians in the financial services system



How to win in an era of mobile money

All questions and responses were weighted equally. The percentages shown in our analysis are therefore based on actual counts of responses to each question.

The responses from bank executives to the two sections of our survey provided interesting insights into how Ghanaian banks view the mobile money phenomenon and how they plan to succeed in the face of such a potent disruption to the industry. We have presented these insights, together with our thoughts on them, in the rest of this report.

Our review and comments on the BoG E-Money Issuers Guidelines and related regulatory framework

The BoG has been mandated by various Acts of Parliament to establish, operate, promote and supervise payment, funds transfer, clearing and settlement systems, subject to such rules as it may publish. The enabling Acts are the Bank of Ghana Act, 2002 (Act 612), the Payment Systems Act, 2003 (Act 662), and the Banking Act, 2004 as amended (Act 673). These Acts use the terms 'may' and 'shall', which connote discretion and compulsion to reflect the nature of the obligation imposed by the statute. BoG, through its mandate under the three enabling Acts, published the Guidelines for E-money Issuers (EMI Guidelines) on 6 July 2015 to regulate electronic and mobile money activities in Ghana.

The preamble to the EMI Guidelines suggests that the BoG has two main objectives:

1. To promote the use of e-money within the economy for retail payments and as a funds transfer mechanism, i.e. promote a cashless economy; and
2. To bring about financial inclusion of the unbanked.

If it looks like a bank then is it a bank?

There have been discussions at various stakeholder forums about whether EMIs are conducting banking business. A cursory look at the table below highlights more similarities than differences between banks and EMIs. The EMIs are entering the banking space with their services and have gradually become a competitive threat to the current operating models of banks in Ghana.

Regulatory Area	Banks	EMIs
Licensing requirements:		
Minimum Capital Requirement	Y	Y
Liquidity Requirement	Y	Y
Permitted Activities include:		
Accepting deposits	Y	Y
Lending	Y	L
Financial leasing	Y	N
Investment in financial securities	Y	N
Money transmission services	Y	Y
Issuing and administering means of payment	Y	Y
Guarantees and commitments	Y	N
Trading for own account or account of customers in money market instruments, foreign exchange or transferrable securities	Y	N
Domestic money transfers, including to and from banks	Y	Y
Over the counter transactions	Y	Y
Inward international remittances	Y	Y
Insurance products underwritten by a duly licensed insurer	Y	Y
Credit reference services	Y	N
Safe custody of valuables	Y	N
Electronic banking	Y	Y
Prohibited Activities include:		
Banking business under section 90 of Act 673	Y	L
Lending or investment activity other than those permitted	Y	L
Oversight & Reporting:		
Annual audit of books of account	Y	Y
Annual audit of IT system	N	Y
Monthly reporting	N	Y

Legend: Y – Yes; N – No; L – Limited

From the table, it is clear that there are enough similarities between the permitted activities of banks and EMIs, as well as the way in which they are regulated to ask the question of whether EMIs are now doing the business of banking. BoG has recognised the need to regulate the operations of EMIs as can be seen in the table above, but another question raised is whether these EMIs are being regulated in the same way as banks considering the similarities between the permitted services of the two. For example, while the minimum capital requirement for banks is GH¢120m, that for EMIs is GH¢5m. Although EMIs are prohibited from engaging in banking business as defined in Section 90 of the Banking Act (Act 673), they are indirectly permitted so to do by the EMI Guidelines. Is such a wide discrepancy in minimum capital requirement therefore reflective of the differences in permitted services?

The Banking Act explains banking business to mean accepting deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, orders or by any other means; and financing, whether in whole or in part or by way of short, medium or long term loans or advances, of trade, industry, commerce or agriculture and other business may so described. Most, if not all, of the businesses carried out by EMIs are characteristic of banking business within this meaning.

To ensure that Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) rules are not circumvented by individuals through the use of e-money services, BoG has instituted maximum daily limits, as well as the aggregate maximum value of transactions that can be effected each month. All these are indicative of BoG's initiative to distinguish the non-bank EMIs from banks, but stakeholders have asked whether BoG has done enough to define the turf.

Perhaps the strongest way in which the BoG maintains a distinction between banks and EMIs is mandating that e-money accounts be actually maintained with banks. This requirement therefore treats EMIs as customers of banks and further requires the EMIs to diversify their e-money accounts among banks so that an EMI's account does not exceed 15.0% of the net worth of any one universal bank.

Limiting the limitations

EMIs could either be banks, who are more heavily regulated by BoG or non-banks, which entity may be regulated by a body other than BoG. Non-bank EMIs have less stringent documentation requirements compared to those of the banks. Customers who previously could not meet the Know Your Customer ("KYC") requirements of traditional banks can now indirectly maintain bank accounts through their mobile money accounts. E-money business has three tiers of KYC requirements depending on the needs of the customer. To satisfy the Customer Due Diligence ("CDD") requirements, the Minimum KYC account holder for instance needs to only provide any photo ID in addition to basic biodata. With a "susu" passbook, school ID, or work ID as show of a photo ID, one can set up a mobile money account.

The easy KYC requirements for setting up an account with an EMI contrasts with the more stringent requirements for opening a bank account. It is however convenient for the customer so there is little surprise that customers are quickly adopting the mobile money offerings of EMIs. The convenience of maintaining an e-money account for the average Ghanaian is valued. Beyond the common money transfer services, utility bills, school fees and other related transactions can be paid for. The benefits of mobile money to consumers are therefore unquestionable and the suggestion here is to encourage its use in the financial services arena.

Mobile Network Operators - an unexpected force in banking?

Since the introduction of e-money in Ghana, Mobile Network Operators ("MNOs" or "telcos") have become a major participant in the industry. With the required technology and the customer base, MNOs are reaching sectors that the traditional banks have failed to service in the past. Mobile money began as a payment service made from a mobile phone, and has gradually evolved to include a wide range of other financial services.

The drafters of the EMI Guidelines however may have failed to anticipate the potential dominant role of telcos in the area. In fact, MNOs are mentioned only once in the EMI Guidelines, in Chapter III, paragraph 13 (2). As a result, the MNOs are operating in a terrain not adequately defined for their participation. This has given MNOs room to innovate quickly around banking products. It is probably only a matter of time before MNOs start taking deposits and lending in bigger sums, offering investment solutions and selling insurance products. The rules of engagement will therefore have to be clarified ahead of such evolution in mobile money.

The EMI Guidelines are far from being ironclad but the best part of it is that it gives BoG great powers. Everything is at the discretion of BoG, including references such as "whether or not BoG is satisfied", "rules may from time to time change", and "as "BoG deems fit". BoG therefore has the opportunity to adapt to the evolving landscape even within the current guidelines.

Expanding pie

To avoid having a myopic view of what the reality is, we also note that whether mobile money is bank-driven or telco-driven, the two industries are

How to win in an era of mobile money

interdependent in the arena. Telcos provide the technology and banks offer the financial know-how, tried and tested products and consumer confidence. Rather than being viewed as taking part of a fixed pie, MNOs should be viewed as contributors to an expanding pie. With new solutions come new products, services and new revenue channels. The banks that will win in this era will therefore be ones that view the era of mobile money as one where the pie is growing and see opportunities where others see only threats.

Banks' views on the impact of mobile money on their business

The first section of our survey of bank executives explored their views on the current and potential impact of mobile money on their business, as well as whether the new phenomenon will lead to Ghana finally joining the ranks of cashlite societies. We asked bank executives to assess the impact of mobile money on the banking industry in Ghana through a discussion around the following five questions:

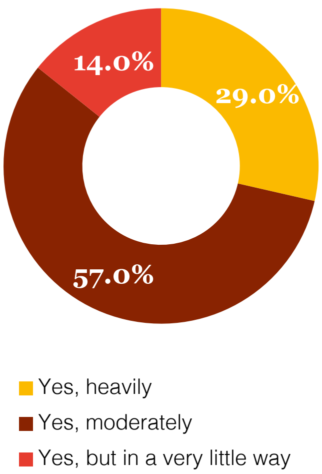
1. Has Mobile Money impacted the way you conduct your business?
2. Does your bank view Mobile Money as an opportunity or a threat to your business?
3. How do you rate the threat or opportunity provided by Mobile Money to your business on a scale of 1-5?
4. What stage of growth do you think Mobile Money technology has reached in Ghana?
5. Will mobile money lead to a cashlite society in Ghana?

This section of our report discusses the feedback from bank executives on the current and anticipated impact of mobile money on their business, and the country.

Q1: Has mobile money impacted the way you conduct your business?

Bank executives were unanimous in their view that Mobile Money has had some impact on the way the business of banking is conducted. 100.0% of survey respondents indicated that Mobile Money has affected the way they conduct their business.

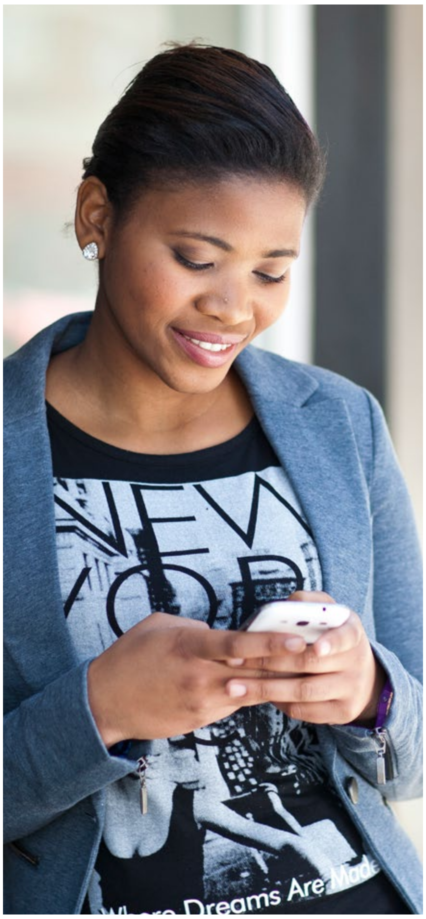
Impact of mobile money on banking operations



There were however differences in how bank executives perceive the *scale* of impact mobile money has had on the business of banking. Over half of respondents are of the view that mobile money has **moderately** impacted the way they conduct business. This reflects the stage of development of mobile money in Ghana and also the suite of services available from mobile money providers. Both of these are addressed further in this section. The fact that over half believe the impact has been moderate raises questions for banks with regards to whether the impact is going to get stronger, and if so what measures bank executives are taking to succeed in the face of the new phenomenon.

It is also worth noting that another 29.0% of respondents indicated that mobile money has already impacted their business **heavily**. For these executives, mobile money has already strongly impacted the products and services they provide, and the channels through which these products and services are offered. The other 14.0% of respondents indicated that mobile money has impacted their business **in a very little way**. These executives did not however rule out the potential of mobile money to have an increasingly bigger impact on how they conduct business.

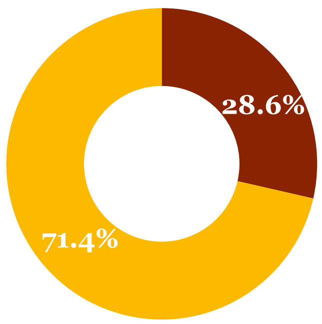
Overall, it became obvious from our discussions that bank executives are feeling the impact of mobile money on their business, either positively or negatively.



Q2: Does your bank view mobile money as an opportunity or a threat to your business?

Following confirmation that Mobile Money is impacting their business at least moderately, we asked bank executives to share their views as to whether mobile money is a threat or an opportunity for their business. Again bankers were unanimous that it represents an opportunity for the banking industry.

Mobile money as an opportunity or threat



All survey participants agree that mobile money presents an opportunity for their business, with 28.6% of respondents believing that mobile money presents nothing but opportunities to the banking industry. Bank executives view mobile money as an opportunity because it has generally enhanced the channels by which certain services are delivered, especially domestic remittances and bill payment services. The CEO of one of the banks indicated that, "*bringing products and services to all customers, wherever they are, is key for us*". Mobile money is presenting opportunities to achieve distribution previously not available to banks.

Also, the partnership between mobile money operators and banks has enabled the financial system to use mobile money as a vehicle to reach the unbanked population especially in rural areas. In most of these areas, mobile telephony is usually present even though traditional banking services may not be available. Banks have found new business in areas such as charges on mobile money fund transfers, and are indirectly, through the telcos, mobilising large deposits of money from the unbanked and the underbanked populations.

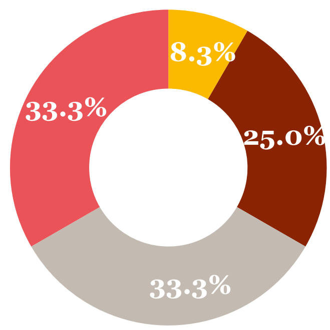
In spite of the opportunities banks believe mobile money presents, a large percentage of respondents viewed it as a threat as well. 71.0% of our respondents believe mobile money is **both a threat and an opportunity** for banks. The major threat, according to banks, emanates from the potential for telcos and other mobile money operators to enter into the banking space. To most respondents, mobile money is evolving into "banking on your phone". This provides customers with alternatives to traditional banking and customers are taking advantage of these alternatives. Moreoever, bank executives believe that the E-Money Issuer (EMI) Guidelines of the BoG have set the stage for a possible entry into the banking arena by telcos. As the framework stands, respondents believe it is possible for telcos to develop to the point where they can operate mobile money services independently of banks. Telcos will at that point become direct competitors to banks instead of partners and service providers to the industry.

To curtail this threat, most banks are quickly building the relevant infrastructure that allows them to partner with telcos to jointly deliver mobile money services. Respondents believe there is enough opportunity in mobile money for both banks and telcos, and with the appropriate partnerships both players can be equally successful.

Q3: On a scale of 1-5, with 5 being the highest, how do you rate the threat or opportunity provided by mobile money to your business?

Following on from the overwhelming view of respondents that mobile money is both an opportunity and a threat to the banking industry, we asked bank executives to help quantify the scale of the threat and the scale of the opportunity mobile money presents to the banking industry.

Rating of how much of an opportunity mobile money is to banking

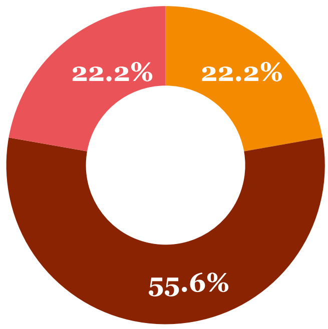


Bank executives, on average, rated mobile money as a 4 out of 5 on the opportunity scale, confirming their view that the service represents a high business opportunity for banks. Many banks such as Fidelity and Zenith are partnering with telcos and adapting their systems and services to accommodate mobile money service offerings. Banks that have partnered with telcos now have opportunities as increased deposit receipts from mobile money payments, and earn service charges for the use of mobile money services on their platforms. Most importantly, banks with mobile money integration platforms are able to tap into deposits that would have gone to rival banks via direct bank transfers or bank deposits.

On the opposite side of the spectrum, 55.6% of banks rated the threat of mobile money as 3, on a scale of 1-5. Bankers believe while it is an opportunity, mobile money presents threats to the traditional ways in which the industry operates, even if these threats do not measure up to the opportunity.

Since its initial introduction as a money transfer and airtime top-up service, the mobile money platform has expanded its functionality and service offerings to include bill payment as well as payments for services offered in restaurants and items purchased in certain shops. These functions are also offered by banks, often at a charge whereas mobile money enables these same transactions at a lower or no cost at all. Bank executives believe that this serves as a direct threat to banks' service offerings such as fund transfers, bill payments as well as airtime top-up. Also, the EMI Guidelines present the threat of telcos cutting out the intermediary function of traditional banking in the mobile money value chain, and this serves as another threat to the business operations of banks.

Rating of how mobile money is a threat to banks



Q4: Where you perceive mobile money as a threat to your business, please indicate the four current products or services of your bank which face the greatest threat from mobile money?

The banking products and services facing the most threat from mobile money, according to respondents to our survey, are those easily replaced by the pseudo-banking services of mobile money operators. The four current products and services mainly affected by mobile money are:

1. **Domestic fund transfers**. Fund transfers using mobile money is instant, even when the transfer is across different telcos. All one requires to execute a mobile money fund transfer is their mobile phone. This is in contrast to the online internet-based fund transfer system of most banking institutions which require some level of internet proficiency to navigate. Additionally, fund transfers across different banks typically take more than one working day, sometimes up to three working days, to reflect in the account of the recipient. Bank transfers also tend to attract higher bank charges than those charged by mobile money operators. For customers, it is therefore cheaper and more efficient to use mobile money to effect domestic transfers than to use traditional banks.

2. **Payment solutions**. Mobile money is significantly threatening the payment solutions offered by banks. Executives believe both bill payment services and point of sale (POS) payment offerings are currently under threat. Mobile money is now used to pay for utility bills, in store purchases and even in historically cash-based transactions such as payments for goods in local markets. Bank executives believe that should current trends continue, banks will soon command a smaller portion of the payments market compared to mobile money operators.

3. **Current accounts (deposits)**. With mobile money wallet allowing fund deposits, withdrawals and transfers, it has essentially become a current account. Most bank executives are of the view that this function of mobile money threatens their various current account products in that it diverts deposits from the traditional banking system to the various mobile money operators. The widespread availability of mobile money agents, their locations as well as working hours attract consumers to maintain funds on their mobile money wallets to facilitate quick deposits and withdrawals.

4. **Debit/ATM cards.** For a very long time since its inception, the mobile money system was at a disadvantage against the banking sector's ATM network which allowed cash withdrawals 24

hours a day. Now many banks offer cash withdrawals from one's mobile money wallet through their ATM networks. This means mobile money users can walk to these banks' ATMs and withdraw funds at any time of the day at their convenience. Also, the ubiquity of mobile money agents make them more accessible than ATM machines. Added to the fact that interbank ATM withdrawals still incur sometimes hefty charges make ATM withdrawals less appealing than mobile money withdrawals.

Q5: Where you perceive mobile money as a threat to your business, please indicate the four key attributes of mobile money which make it a strong threat to your business.

We also explored the features and attributes of mobile money which are making it such a strong competitor to some of the current offerings from banks. We asked respondents to name and discuss the four attributes of mobile money which make its advent a strong threat to their business.

The four attributes of mobile money most discussed by respondents are outlined below.

1. **Convenience.** Mobile money rides on the backbone of the mobile telephony infrastructure of the telcos which operate them. This means it is possible to operate mobile money wherever these telcos have network coverage. The telcos have also signed up thousands of agents throughout the country. Customers now tend to be closer to a mobile money agent than to their bank. The combination of these two factors enables mobile money services to be administered quickly and efficiently, and in the most remote of areas. Mobile money is therefore providing the ideal pseudo-banking platform to serve the unbanked and underserved population.

2. **Device agnosticism.** Device agnosticism is the capacity of a computing component to work with various systems without requiring any special adaptation. This is especially true for mobile money services where the most requirements for users are an active mobile phone subscription and a mobile handset capable of sending and receiving text messages. This contrasts sharply with how difficult it is to make interbank transactions and the length of time it takes to complete in order to comply with the relatively more stringent requirements of banks.

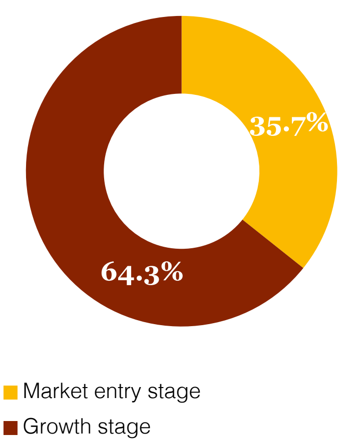
3. **Ease of setup**. The ease with which individuals can sign on to the mobile money service far exceeds the relatively cumbersome setup process of opening a bank account. All that prospective mobile money customers require are a registered SIM card on the network of choice and a valid national photo ID. With these they can be set up and ready to use their mobile wallets within minutes. The processes for setting up and using bank accounts are however more complex. Bank executives attribute the complexity in part to stricter KYC requirements for banks. Executives therefore indicated that to be successful in an era of mobile money, banks will have to work with regulators to refine KYC requirements for banks to make them less cumbersome.

4. **Expanding product and service offerings**. Mobile money started in Ghana largely with two products – airtime purchases, and domestic remittances for small amounts. With time, mobile money service offerings have expanded to include bill payments, POS payments, fund transfers in increasingly larger amounts, and deposit collection by some savings and loans companies. The wider the suite of offerings from mobile money become, the more appealing it becomes to customers. Customers are therefore keeping larger amounts on their wallets than they used to, and are using the expanding offerings from mobile money at the expense of existing products from the banks.

Q6: What stage of growth do you think mobile money technology has reached in Ghana?

We also sought to understand from respondents where they believe mobile money's evolution has reached in its life cycle. All survey participants (100.0%) indicated that mobile money is neither at its peak nor at the start of a decline. Respondents believe that mobile money will continue to grow and impact the business of banks, either positively or negatively.

Stage of mobile money in Ghana



35.7% of surveyed bank executives believe that mobile money is in its infancy and the market is going to see an even bigger impact on the banking industry going forward. 64.3% of respondents however believe we are in the middle of the mobile money revolution, with expected future impact likely to match the impact already seen in terms of scale.

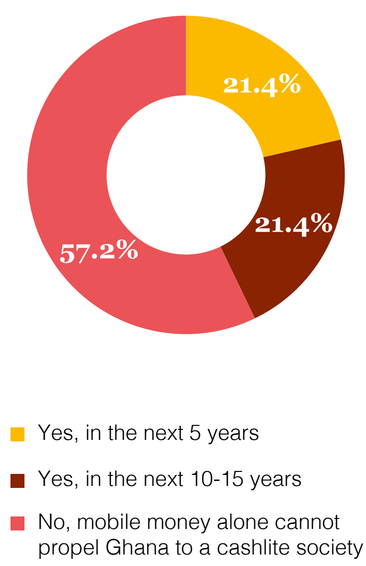
Since the first mobile money platform (MTN Mobile Money) was introduced in 2009, mobile money has been steadily increasing and expanding. Bank executives believe that the issuance of the Branchless Banking Guidelines in 2008 and EMI Guidelines in 2015 respectively by the BoG were necessary and have helped to accommodate the changing climate of the mobile money revolution and to enable better regulation of the service.

Aside regulatory reforms the product offerings and service providers of mobile money have undergone significant evolution since inception. As at June 2016, four telcos – MTN, Vodafone, Airtel and Tigo - offered mobile money services. These telcos represent 97.0% of the market share of mobile telephony in Ghana (NCA). The service is currently undergoing growth in terms of both subscriptions and service delivery, with the expansion of the platform to include school fees payment, ticket purchasing and settlement of bills in addition to the traditional services of airtime top-up and fund transfers. According to BoG, the volume and value of mobile money transactions carried out in 2015 were GH¢266.2m and GH¢35.4bn respectively. This represents a 135.0% increase in volume and a 192.0% increase in value over 2014 figures and shows no sign of slowing. It is therefore understandable how bank executives view the phenomenon as still evolving. Banks are therefore introducing multiple measures – partnerships, integrated technology platforms, new product offerings – to both take advantage of, and mitigate the evolving impact of mobile money on their business.

Q7: What stage of growth do you think mobile money technology has reached in Ghana?

To wrap up our discussion with executives on how they perceive mobile money and its role in the financial services industry, we asked respondents to indicate whether they expect mobile money to finally lead Ghana to join the ranks of cashlite societies.

Would the economy ever become cashlite?



According to research by Bankable Frontier Associates, a global strategy consulting firm, "cashlite" society is one in which cash is no longer the most common means of payment. Cashlessness would lie beyond this point, but it is not considered a practical or likely scenario here; rather, it is likely that cash will co-exist with electronic payments, increasingly in the margins of a cashlite society. With this in mind, our discussion with bank executives included whether they believed that over the short to medium term, mobile money will propel Ghana to become a cashlite society, whether that status will be achieved by a combination of mobile money and other forms of digital payments, or whether that is a status too far for Ghana's cash heavy society.

Respondents were overwhelmingly of the view that mobile money will contribute to Ghana becoming a cashlite society at some point in the future. There were however differences in perception about whether mobile money could achieve this on its own or not, and also the time frame it will take for Ghana to attain a cashlite status.

Over half of respondents indicated that mobile money alone cannot propel Ghana to a cashlite society within the medium or even the long term.

Close to half of bank executives were of the view however that a combination of mobile money's widespread use and other forms of non-cash solutions such as bank cards, e-payments, and direct deposits will propel Ghana to a cashlite society. 21.4% of respondents expect this to occur in the next five years, with another 21.4% taking a longer term view, expecting Ghana to become a cashlite society within the next 10 to 15 years.

Also, bank executives shared the view that certain critical success factors must be present in order to make Ghana a cashlite society, and respondents agree that mobile money will be an essential component of these factors. Before the advent of mobile money, banks and other financial institutions sought to facilitate cashless payments in the Ghanaian economy through credit cards and debit cards tied to bank accounts. Ezwich was another such effort at cashless payments, this time, by the government. However, none of these payment instruments have had the penetration and adoption rates of mobile money. Bank executives therefore expect mobile money to be the catalyst of the drive to a cashlite society.

How banks plan to win in the era of mobile

From the first section of our discussions with bank executives which centred around the current and anticipated impact of mobile money on the business of banks, it is obvious that banks view mobile money as a game changer for the industry. Most bank executives are of the view that mobile money presents both opportunities and threats to their business.

With banks faced with a changing landscape in their industry driven by mobile money, our next set of questions to executives sought to find out what they are doing or plan to do to achieve success in this new environment. We attempted to find out from banks how they propose to win in this era of mobile money.

For the second section of our interview, we discussed some of the critical success factors ("CSFs") for banks in this era of mobile money. Critical success factors were selected based on a review of literature on the subject, including work done by PwC in other territories. The five main CSFs discussed in depth are:

- Regulation;
- Technology;
- Partnerships;
- Product offering; and
- Network reach.

As it became evident from the first section of our survey, mobile money is penetrating the financial services market in Ghana at such a rate that it has become a threat to some current banking products and is poised to threaten even more products going forward. It is also clear that although mobile money is competing with some traditional banking products and services, banking executives overwhelmingly view mobile money as an opportunity. The question for bank executives is therefore "what factors will let us take full advantage of the opportunities and minimise the threats?"

In order to fully understand from the bank executives how the selected CSFs will impact their plans to win in this era, we asked respondents to:

i. rate each CSF on a scale of 1 to 5, with 5 being the highest

ii. provide reason(s) for the rating of each CSF

iii. explain how their respective banks are planning around each CSF

The table below presents the percentage distribution of how respondents rated the CSFs. The percentages are based on the actual number of responses received on each CSF.

	RATING				
CSF	5	4	3	2	1
Regulation	50.0%	28.6%	14.3%	7.1%	-
Technology	50.0%	35.7%	14.3%	-	-
Partnerships	50.0%	35.7%	14.3%	-	-
Product Offering	28.6%	14.3%	14.3%	21.4%	21.4%
Network Reach	42.9%	14.3%	21.4%	14.3%	7.1%

From the table above, bank executives interviewed suggest that, in general, Technology, Partnerships and Regulation are the three most important CSFs in this new era. Half of respondents gave each of these three factors the highest rank of 5. These three factors are therefore believed by respondents to have the biggest impact on their ability to win in the era of mobile money.

The survey also suggests that the impact of network reach on the success of banks in this mobile money era cannot be discounted. The wide reach provided by the mobile money service allows for the service to be easily accessed in a more convenient and time-efficient manner across the country. Therefore for the banks to compete effectively, they must find a way to either tap into the reach provided by mobile money or find alternative ways to compete with that reach.

It is also worth noting that most banks do not think product offering will be a key factor in their ability to win in this era. A major reason given for this position is the fact that a bank's products are easily imitated by competitors causing it to lose its competitive edge. In addition, the strength of the telcos lies mainly in their ability to develop superior technology which allows them to offer customer experience that traditional bank products usually lack. In this regard, some bank executives suggested that banks should focus more on how products are served to customers instead of the products themselves. For example, some bank executives indicated that improving customer experience and convenience of service will be better investment of bank resources than overinvestment in new product offerings.

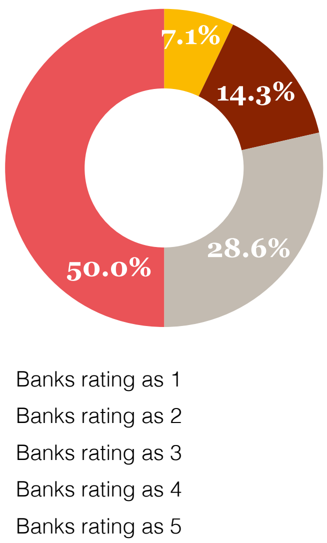
Regulation

Our analysis of survey responses received indicates that 50.0% of respondents placed emphasis on regulation as a CSF by rating it at 5, with another 28.6% rating it a 4. These strong ratings of regulation indicate that banks view regulatory development as a key factor for winning in the mobile money era.

Prominent among the reasons provided for the relatively high rating given to regulation were as follows:

1. Regulation is key in protecting the integrity of the financial services market. The right regulations were important to safeguarding confidence in the financial system irrespective of the technologies and methods that would prevail among banks.
2. Regulation ensures the stability of the financial system.
3. Regulation provides a level playing field for all participants in the financial services industry.

Regulation as a CSF for winning in the mobile money era



Bank executives were particularly concerned about how regulation would in future protect the core business of banking from intrusion by participants whose core business is not banking and who may not be adequately prepared and equipped to protect customers and the industry. Bank executives expressed views that current regulation does not do enough to define the turf. A poorly defined turf may lead to grey areas that may affect market integrity and stability, according to some of the respondents.

Although wary of regulation and how it can create an uneven playing field or unfair competition, respondents were still of the view that regulation should still prioritise the consumer. Bank executives therefore advised against any form of stringent regulation that could significantly affect financial inclusion and growth in the sector. Also respondents were also of the view that overly protective regulations on the part of BoG at the expense of customer convenience will likely be met with customer discontentment due to the current mass acceptance of the mobile money service in the country. It is therefore important that any form of regulation seeks to foster shared success for all stakeholders, in a guided manner.

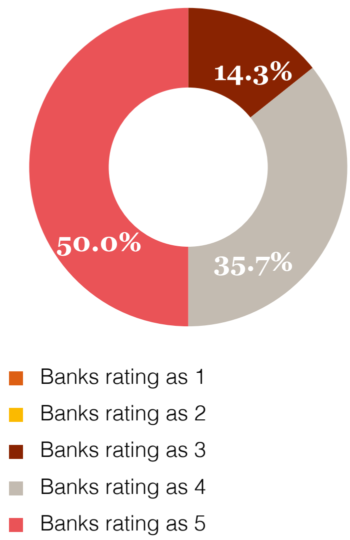
On what the banks are currently doing about this CSF, most of the responses indicated that banks were already in discussions among themselves under the umbrella of the GAB and with BoG, to make changes to the current regulatory regime over mobile money in the financial services sector. The overarching goal of these ongoing changes, according to survey respondents, is to arrive at a regulatory framework which ensures a more level playing field for all actors and also protects the consumer.

Technology

Our analysis of survey responses received indicated that bank executives also strongly view technology as a critical success factor in the era of mobile money. Over 85% of respondents rated technology as either a 5 or a 4, with 50.0% of respondents rating it at 5. To underscore the importance of technology as a CSF, no respondent rated it lower than a 3.

Almost all the respondents appear to agree that banks will not be able to compete effectively without leveraging technology as a resource. We also note that most respondents were of the view that the telcos are stronger when it comes to technology, technology being a core part of telcos operations, and are therefore at a competitive advantage over banks.

Technology as a CSF for winning in the mobile money era



Respondents therefore see banks that are quickly able to invest in the technology that allows for integration with telcos as being the ones who will be positioned for greater success in this era. Furthermore, the respondents were generally of the view that technology will be key in helping banks adapt to the fast-changing business environment. Better technology will make banks more accessible to customers, enhance convenience of service delivery and improve customer experience. Banks can therefore position themselves to win by both leveraging mobile money while also developing their own technological solutions to position them for success in this new era. One bank CEO interviewed indicated that he foresees a future where banks that do not invest in technology will become vulnerable to acquisitions for cheap, possibly even by telcos, as their value will fall in this new era. These views underscore the relatively high rating given to technology as a CSF.

On what the banks are currently doing to leverage technology, the responses were fairly varied, including:

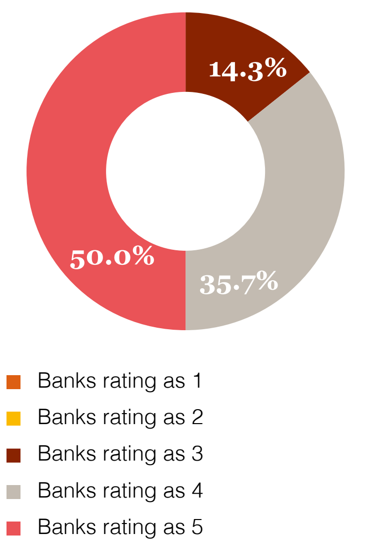
1. Developing platforms that will allow for seamless integration with those of the telcos as well as platforms that allow for integration with other banks. Integration with platforms of mobile money operators allows banks to receive deposits from mobile money users and also provide related mobile money services within the bank. Integration with the platforms of other banks, on the other hand, allows banks to increase their network reach and accessibility which is key in competing with the mobile money services.

2. Deploying technology that will allow for products and services with features that can compete with the mobile money services. An example here is banks' internet banking platforms and smartphone applications. These help banks provide services like intra-bank transfers, balance enquiries and bill payments, services which are also provided relatively easily by mobile money operators.

Partnerships

Partnerships is the third of the three most critical success factors based on our survey. 50.0% of respondents scored partnerships 5 out of a possible 5, with another 35.7% rating it a 4 out of 5. Similar to the responses for technology, no respondent rated partnerships below a 3. It becomes quite obvious from our analysis of the survey results that bank executives view partnerships as strongly critical to success in this new era.

Partnerships as a CSF for winning in the mobile money era



Respondents viewed two types of partnerships as critical to success: bank-to-bank partnerships and bank-to-telco partnerships. Bank-to-bank partners were already gathering pace even before the advent of mobile money. With customers requiring faster, more efficient services, banks have been partnering in areas such as cross-platform ATM use, direct debit and direct deposits, and faster cheque clearing. Bank executives see such partnerships continuing to increase going forward as banks primed for success adapt to the changing needs of the customer.

Bank-to-telco partnerships are also going to be critical, according to our respondents. Telcos have entered the financial services arena but are not yet able to offer the entire range of services that banks have traditionally offered. There is therefore a range of opportunities that have arisen for joint commercialization between banks and telcos.

The era where a bank used to do everything by itself is giving way to an era where a bank is part of chain of solution providers covering network operators, payments processors, information service providers and financial service providers. Banks that will win in this era will therefore be banks that provide the financial services functionality within a value chain of mobile and internet services.

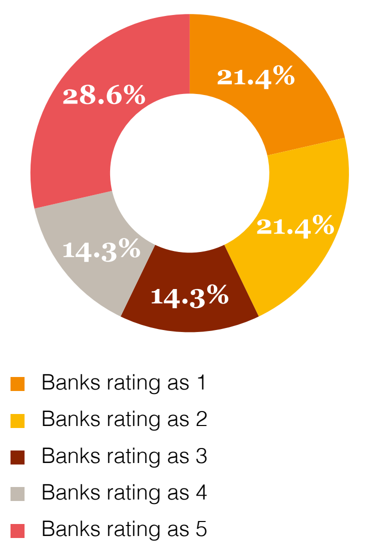
In terms of what the banks are currently doing about partnerships as a CSF, responses mainly reflected the claim that banks are looking to strengthen already existing partnerships with each other and with telcos. The surveyed banks indicated that they already have integration with one or more telcos to provide mobile money solutions. Those that do not have such partnerships at this stage are currently exploring plans to establish such partnerships.

How to win in an era of mobile money

Product offerings

Our analysis of the survey responses indicates that most respondents viewed product offerings as a critical success factor if banks were to win in this mobile money era, albeit not as strongly as they viewed regulation, technology and partnerships. About 28.6% of respondents rated it at 5, with another 14.3% of respondents rating it at 4. Over 40.0% of respondents rated product offerings as either 2 or 1.

Product offering as a CSF for winning in the mobile money era



The main reasons given by respondents who gave relatively high rating to product offerings as a CSF include:

1. Need to compete using products with features similar to those of the mobile money service, plus add-on benefits; and

2. Need to create new products in partnership with the telcos in order to take advantage of the superior reach offered by these telcos.

Bank executives who did not rate product offerings highly however, indicated that a bank's product or service can be easily imitated by competitors. Products and service offerings therefore do not provide lasting competitive advantage. Some executives believe that the focus should be on the customer experience and the methods for delivering the products and services instead of the products and services themselves.

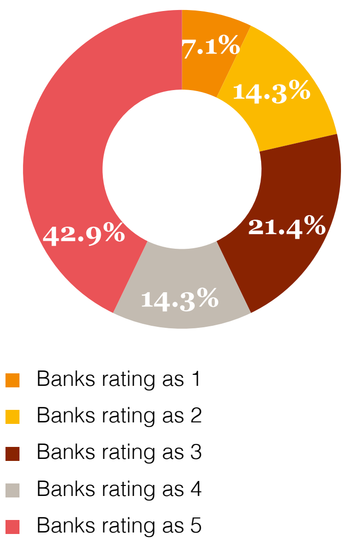
We noted from our discussions that, while some banks have already developed products using the mobile money platform and taken advantage of the wide network reach offered by the mobile money service, a few have also developed products that work like the mobile money services. These services from banks however lack the network reach required to effectively compete with the mobile money service. Examples of services offered by banks on mobile money platforms are bank-to-mobile wallet transfers, bill payments from bank accounts using mobile money and ATM cash withdrawals from mobile wallet. In general, bank executives interviewed acknowledge the need for banks to continue to invest in product innovation in order to remain competitive in the mobile money era though products alone may not be adequate to win in this new era.

Network reach

Our analysis of the survey responses indicate that most respondents place a strong value on network reach as a success factor for banks in the mobile money era. About 43% of respondents rated it a 5, with another 14.3% rating it a 4.

Respondents indicated that the major advantage of telcos over banks in delivering financial services is reach. The reach of mobile money operators has contributed significantly to the convenience of mobile money and this appeals to customers.

Network Reach as a CSF for winning in the mobile money era

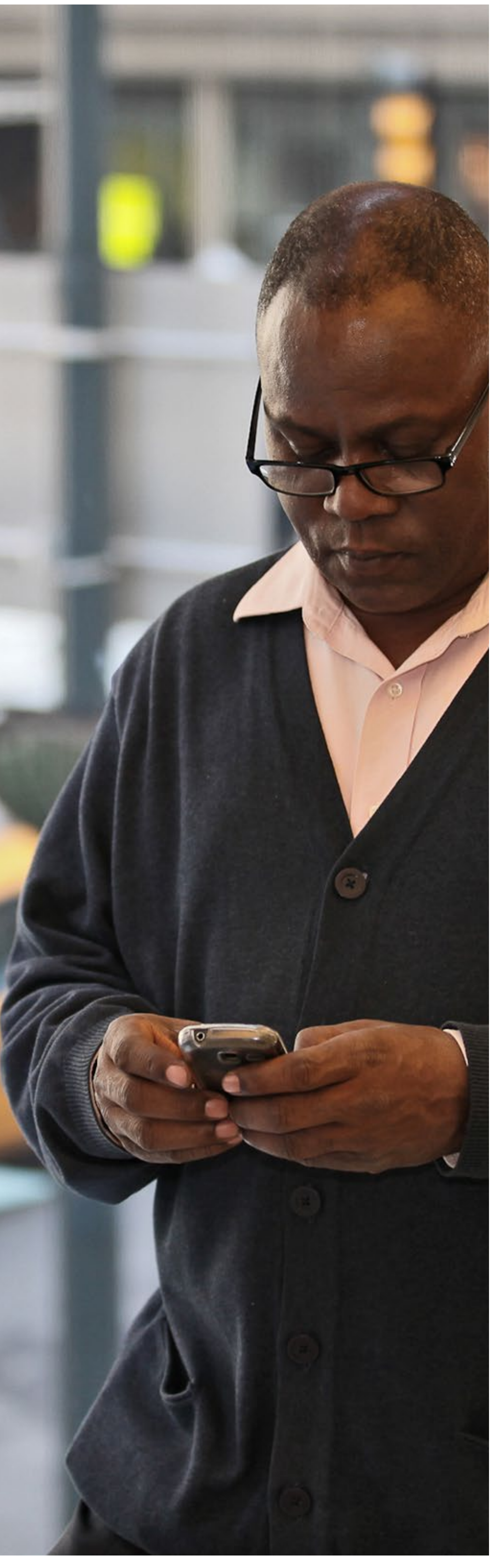


As discussed during the first section of our interview when asked to name the attributes of mobile money which make it a strong threat to the business of banks, respondents reiterated that mobile money patronage derives primarily from its accessibility and availability, factors directly underlined by the network reach of operators. To succeed in this era of mobile money, banks have to find ways to match the reach offered by telcos. This requires banks to innovate around multiple channels, especially e-channels, to replicate the reach of mobile money operators. A part of such innovation was discussed under partnerships.

Respondents who attributed low ratings to network reach did so mainly on the basis that banks are currently in no position to compete with telcos in terms of network reach. In this regard, some bank executives were of the view that banks would be better off using the mobile money network as a backbone for the delivery of their own services.

We noted from the responses received that, banks are addressing the network reach factor in two main ways. Some banks are working to develop networks that rival the coverage of the mobile money service. They aim to achieve this through strategic partnerships with other banks (particularly their ATM networks), by investing in mobile technology to provide the convenience offered by mobile money and to offer more services through agency banking. Other banks seek to take advantage of already established mobile money network infrastructure as a vehicle for the delivery of their own products through partnerships with telcos. Bank-to-wallet integration as well as ATM withdrawals from mobile wallets are examples of such partnerships.

How to win in an era of mobile money



Our point of view

It is clear from our discussion with bank executives that mobile money is viewed by the industry as being here to stay. As it also became obvious in our survey last year under the theme "Bank of the Future: What bank customers want to experience by 2020", the needs of bank customers are rapidly changing. Customers are placing a lot of emphasis on convenience and efficiency. They also have more options to choose from, with internet and mobile phone technology driving innovation around the way customers receive and consume various kind of services.

Like the respondents to our survey, we are also of the view that we are in the middle of a mobile revolution in the financial services industry, just as mobile technology is transforming other service industries. The high penetration rate of mobile device technology in Ghana, coupled with the large ecosystem of innovators in this area make it a strong medium for innovation for all services, banking included. It is therefore imperative for banks to take a critical look at the many opportunities that mobile money presents.

It is instructive to note that the industry executives surveyed unanimously view mobile money as an opportunity. It is also encouraging to note that majority of respondents believe that the best way to win in this era is through partnership with each other and also with telecom companies who have taken the lead in mobile money services. We believe such partnerships are essential to the future of banking. We agree with the view expressed by some executives that banking will in the future be a component of a suite of services provided within the mobile services bouquet. Banks that will win in this era will therefore be those that have partnerships with telcos and other technology companies and develop products and services around mobile and other new technology offerings.

In addition to building partnerships, banks that will win in this era will be those that prioritise technology. Indeed, it is virtually impossible to build partnerships in this era without investing in cutting edge technology. Technology will help banks in two ways – by integrating with other actors in the industry as already discussed, and also by helping banks develop products, services and channels that appeal to their customers directly. To win, banks will need to combine integrated and game changing technologies that enables them to serve clients directly.

We also believe that the way regulation evolves will also be a critical factor affecting the success of banks in the era of mobile money. The purpose of regulation has been to safeguard stability of the financial system, ensure a level playing field and protect the interests of the consumer. We therefore urge any review of the current E-Money Issuers Guidelines and any future regulatory changes to serve this purpose. We agree with the views expressed by bank executives in this area too – regulation should not be motivated by protectionism. Regulation should attempt to define the turf for banks, telcos and other participants in the mobile money space. Regulation should be clear and fair, and firm in its objective of protecting the best interests of the consumer. With such regulation in place, we believe banks, telcos and other participants in the mobile money space will find the right working relationships to serve the evolving needs of the customer in this era.

Conclusion

The advent of mobile money technology in Ghana presents both opportunities and threats to banks. Bank executives believe that the opportunities presented by mobile money outweigh its threats and we agree with this view. Banks that win in the era of mobile money will do so by identifying actions that have to be taken to benefit from the opportunities present in this new era, while mitigating the risks. For us, we believe priority should be placed on the three most important critical success factors, according to our survey of bank executives.

- **Regulation** will be critical. While this is largely outside of the control of an individual bank, bank executives are currently addressing this success factor jointly through their association, the GAB. For banks that plan to win in this era, the engagement with the GAB and therefore the BoG is important. The GAB indicated in our discussions with them that they are already working with banks to present the industry's suggestions on future regulatory changes to BoG. We believe this is the right step, and urge bank executives to channel the suggestions and recommendations that came up during this survey through the GAB to BoG to influence any future changes to regulation.
- **Technology** will continue to be pivotal in this era. Banks that win in this era will have to be innovative around delivery of their own products while forming partnerships. Success in both of these areas will be influenced strongly by technology. Bank executives unanimously accept this view and majority of them are actively pursuing new technologies to stay competitive. Technology however comes at a cost, and with banks in Ghana beginning to have their incomes squeezed for the first time in years, there is a requirement for smart investment in technology. Banks must continually evaluate the long term benefits of their investment in technology and choose solutions that offer the best returns on investment.
- **Partnerships** will be imperative. Although telcos are entering into an area historically reserved for banks, they can positively be viewed as potential partners instead of competitors. Banks have the trust, the legacy of operations and the products. Telcos have the technology and reach. The banks that win in this era will therefore find a way of forming partnerships with telco companies, and some of the banks we surveyed are already ahead of the curve in this respect. Banks that win will also form partnerships with other banks and with other service providers to expand their reach and deliver services to the customer in a timely manner. A bank can no longer afford to operate in isolation. Banks that do not form the right partnerships quickly will find themselves behind while those that do will set themselves up to win in the mobile money era.

2 Overview of the economy

Introduction

This section presents an overview of the macroeconomic conditions that existed in 2015, and is intended to give background and context to the economic environment in which banks operated in 2015. While the trends in the global and the Sub-Sahara African (SSA) economies presented here represent excerpts from IMF publications, the trends in the Ghanaian economy noted below are based on economic data published by various institutions and regulatory bodies in Ghana.

Overview of global economic growth

The World Economic Outlook ("WEO") report (April 2016) of the International Monetary Fund ("IMF") reported global economic growth in the year 2015 to be 3.1% (2014: 3.3%). The slowdown in 2015 is attributed to a slow down of business activity in advanced economies, especially in the United States, China, Japan and other advanced Asian economies; a decline in commodity prices – especially for oil; and a decline in capital flows to emerging markets and developing economies.

Global activity is however projected to gather a slightly higher pace in 2016, with growth rate for 2016 estimated at 3.2%. According to the IMF, Global growth in 2016–17 is projected at 3.2% and 3.5%, downward revisions of 0.1% relative to the projections made in the October 2015 WEO report. The revisions reflect a combination of factors including a moderate slowdown of prospects in China (a major commodities export market) as well as contracted economic growth in oil-exporting countries resulting mainly from the sharp drop in oil prices.

China is currently going through a rebalancing of its economic growth after decades of being the key driver of global economic growth. The resultant slump in economic activity in China is expected to have a toll on the global economic growth in 2016.

Emerging markets and developing economies such as India, Brazil, South Africa and Nigeria recorded the highest growth rate of 4.0% in 2015 and are projected to marginally increase to 4.1% in 2016, whereas a growth rate of 1.9% was recorded for advanced economies with projected growth for 2016 unchanged.

Lower oil prices and the slowdown in China coupled with a related slowdown in investment and trade in emerging markets might generate substantial uncertainty which is consistent with a subdued outlook for the global economy.

(Source: IMF World Economic Outlook Update –April 2016)

Economic growth in Sub-Saharan Africa

Economic activity in sub-Saharan Africa ("SSA") has weakened notably with growth for the region as a whole sliding to 3.5% in 2015, the lowest level in some 15 years.

The growth rate in 2015 is markedly lower than the 2014 growth rate of 4.4%, and is projected to decline further to 3.0% in 2016, well below the range of 5.0% to 7.0% experienced over the past decade.

The slump in economic growth in SSA in 2015 is attributed mainly to the sharp decline in commodity prices, particularly oil. The decline in commodity prices has stifled growth in the SSA region, which derives significant revenues from exporting commodities. This decline in prices was occasioned mainly by a slowdown in economic activity in some advanced countries such as China, Japan and the US, which are major commodity export markets for the region. In addition, economic growth in 2015 was affected by the outbreak of epidemics such as Ebola in some countries (Guinea, Liberia, and Sierra Leone), as well as severe drought in some countries (Ethiopia, Malawi, and Zimbabwe).

Notwithstanding the slump in growth, many countries in the region, particularly oil importers, continue to register robust growth, with growth in excess of 5.0% and even higher in countries such as Côte d'Ivoire, Kenya, and Senegal. While the decline in oil prices was largely favourable to these countries, growth in most of these countries is being supported by investment in infrastructure and increasing private consumption.

The projected decline in growth in 2016 is based on expected continued decline in commodity prices with its consequent negative impact on income flows into the region. The slowdown of economic activity in major countries such as China and the US is expected to continue into 2016, and would largely account for low commodity prices. In addition, a slowdown in capital flows from advanced economies to SSA is expected to manifest in 2016 which would also contribute to a slight decline in economic growth in the region.

Although the immediate outlook for many sub-Saharan African countries remains difficult due to downside risks, the underlying drivers of growth in the region over the past decade, particularly the much improved business environment, generally continue to be in place. Overall, the medium-term growth prospects remain favourable.

(Source: IMF Regional Economic Outlook –April 2016)

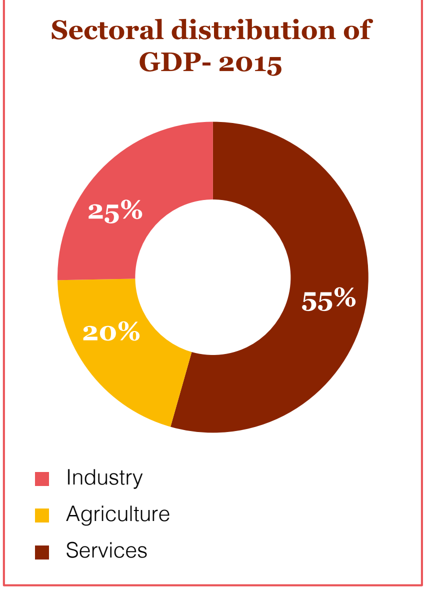
Overview of the economy

The Economy of Ghana

Gross domestic product

Revised data from the Ghana Statistical Service ("GSS") indicated Gross Domestic Product ("GDP") growth of 3.89% in 2015. The Services sector recorded the highest growth rate of 5.7%, with the Agricultural and Industry sectors recording 2.4% and 1.2% respectively.

The services sector remains the largest contributor to GDP. Its share of GDP increased from 51.9% in 2014 to 54.4% in 2015. This is followed by Industry (25.3%) and agriculture (20.3 %) as at the end of 2015.



Source: Ghana Statistical Service

The Agricultural sector contracted from a growth of 4.6% in 2014 to 2.4% in 2015 with its share of GDP declining from 21.5% to 20.3% over the same period. Despite the declining performance of this sector, Crops remain the largest subsector, with a contribution of 15.7% of total GDP in 2015.

The Services sector, recorded a slight increase in its growth rate from 5.6% in 2014 to 5.7% in 2015 spurred on by two of its subsectors recording double digit growth rates. These are the Health and Social work (15.5%) and the Information and Communication (13.4%) subsectors.

The Industry sector with a share of 25.3% experienced a growth from 0.8% in 2014 to 1.2% in 2015. The highest growing subsector under Industry was Water and Sewerage, which recorded a growth of 21.5% in 2015.

Overall, there has been a continuous decline in GDP growth rate over the last four years; from a high of 9.3% in 2012 to 3.9% in 2015.

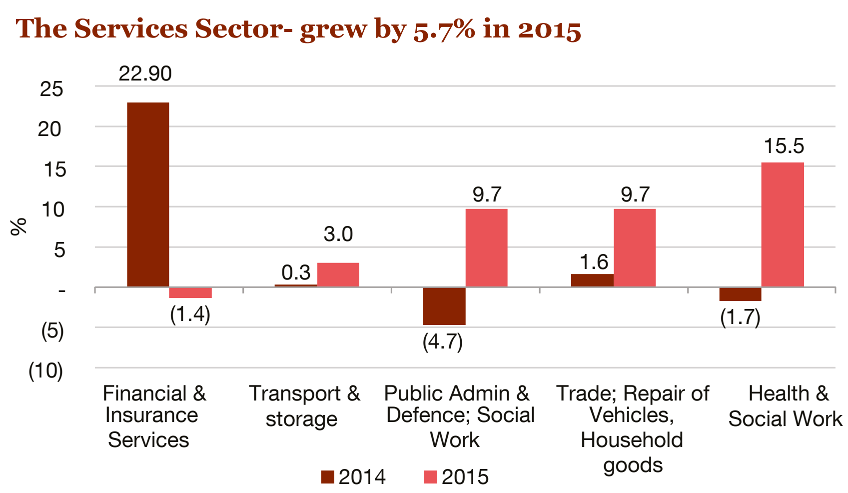
A shift in Government expenditure away from consumption to infrastructural investment, coupled with the recent energy crisis experienced by the Country, has contributed to the slump in GDP growth over the last few years.

Growth rates of GDP by sector

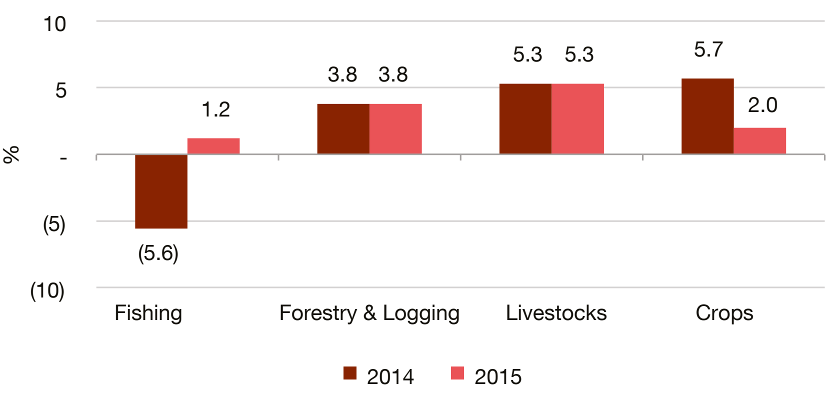
Sectors	2012	2013	2014	2015
	%	%	%	%
Services	12.1	10.0	5.6	5.7
Agriculture	2.3	5.7	4.6	2.4
Industry	11.0	6.6	0.8	1.2
GDP	9.3	7.3	4.0	3.9

*(Source: BOG Statistical Bulletin 2015 and *Revised annual GDP figures from GSS, April 2016)*

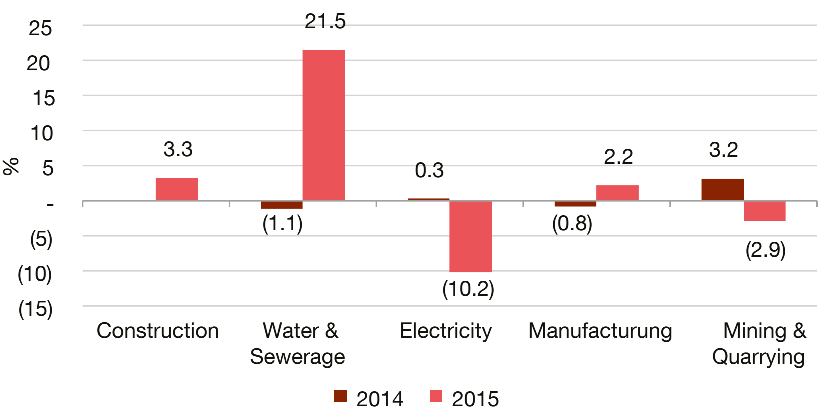
The following charts depict the key drivers of growth across the three (3) main sectors of the economy in 2015 compared to the growth recorded in 2014. Health and Social Work, Fishing, and Water and Sewerage were the largest gainers in the Services, Agricultural and Industry Sectors respectively in 2015.



The Agricultural Sector- grew by 2.4% in 2015



The Industry Sector- grew by 1.2% in 2015



(Source: Revised annual GDP figures from GSS, April 2016)

Inflation

Headline inflation rose from 17.7% at the end of December 2015 to 19.2% at the end of March 2016. However, February recorded a marginal decline in inflation to 18.5% from 19.0% in January.

The rise in inflation pressures in 2015 reflected the sharp depreciation of the local currency as well as the pass through effects of fuel and utility price adjustments.

The rise in headline inflation was mainly accounted for by an increase in non-food inflation (although food inflation also rose). Non-food inflation increased from 23.3% in December 2015 to 25.7% in March 2016; food inflation increased marginally from 8% in December 2015 to 8.3 % in March 2016.

(Source: Bank of Ghana Statistical Bulletin, Dec 2015)

Interest rates

The Bank of Ghana maintained the monetary policy rate at 26.0% in the first quarter of 2016 arguing that inflation remained above the medium-term target band of 8±2%. However, there were varying trends in interest rates on the money market and the interbank market.

The interest rate on the 91-day Treasury Bills decreased by 188 basis points (bps) between the end of December 2015 and the end of March 2016 to 22.6%.

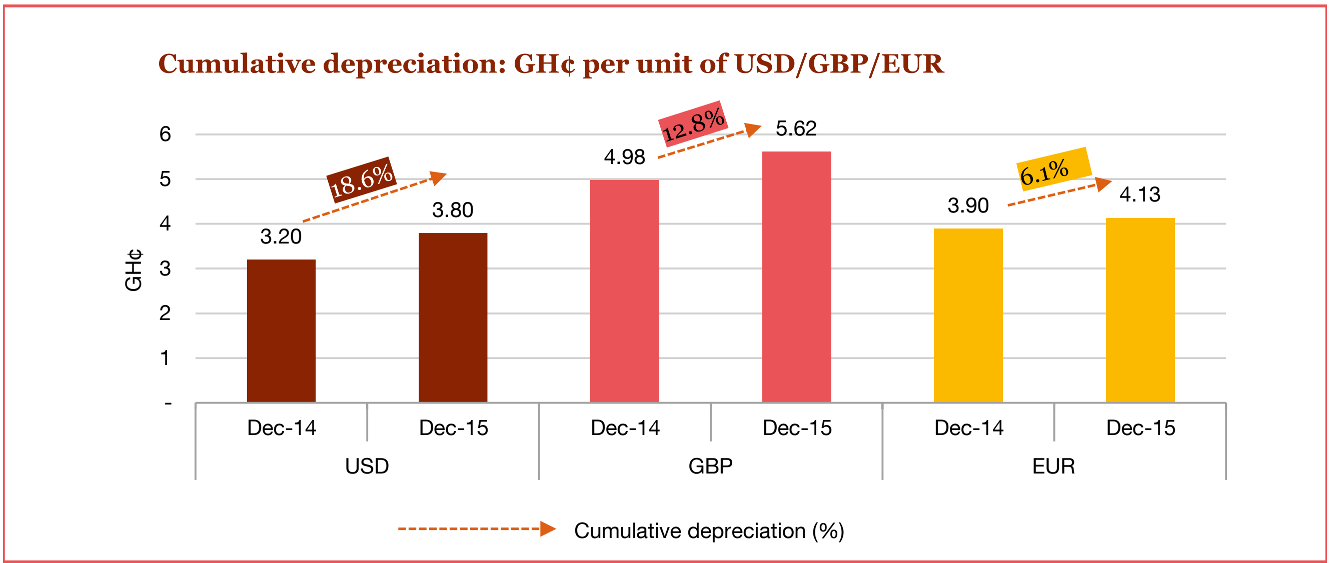
The 182-day Treasury Bills also recorded a 91 bps fall in its rate to 26.6%. In addition, interest rates on the 1-year and 2-year notes increased by 50 and 30 bps respectively to 23.0% and 24.3%. The rate on the 7-year fixed bond remained at 18.0%.

The interbank weighted average rate increased by 14 bps to 25.4% at the end of March 2016 and the Deposit Money Banks' average 3-month time deposits rate remained at 13.0%.

(Source: BOG Statistical Bulletin, March 2016; BOG Monetary Policy Report, May 2016)

Exchange rates

For the most part of 2015, the Ghana Cedi showed weakness against major trading currencies. Over the nine month period the Cedi depreciated cumulatively by 18.6%, 12.8% and 6.1 % against the US dollar, the Pound sterling and the Euro respectively. The depreciation of the Ghana Cedi was mainly driven by increased demands for foreign exchange for loan repayments and imports. The chart below shows the closing exchange rates at December 2014 compared to the rates at December 2015 for the 3 major currencies.



BoG interbank exchange rates and PwC Analysis

Even though demand pressures still remain, the Ghana Cedi appreciated against the Euro and the Pound Sterling during the last quarter of 2015 by 0.7% and 0.2% respectively. This is attributable largely to cash inflows from the US$1.0bn Eurobond issued on 14 October 2015 as well as the US$1.8bn Cocobod loan signed on 17 September 2015. Also, the IMF programme seem to have eased the pressure on forex and stabilised the Cedi as evidenced by its performance in the last quarter of 2015 which continued into the first quarter of 2016.

The Ghana Cedi stabilised relatively in the first quarter of 2016 with improvements in the supply of foreign currency. In addition, measures enforced by the Central Bank brought about some level of stabilisation of the local currency. On the Interbank Market, the Ghana Cedi appreciated by 1.8% against the British Pound in the first quarter of 2016. However, the Ghana Cedi depreciated by 0.9% and 4.7% against the US dollar and Euro respectively. On the forex market, the Ghana Cedi appreciated by 6.0% against the British Pound but depreciated by 0.2% and 2.3% against the US dollar and the Euro respectively.

(Source: Bank of Ghana Statistical Bulletin, PwC Ghana Budget Highlight 2015)

Ghana Stock Exchange (GSE)

The year 2015 witnessed a subdued performance relative to 2014. The adverse impact of sharp depreciation in the domestic currency and the relative attractiveness of yields on money market instruments are but a few reasons for the poor performance of the index.

Consequently, the GSE composite index (GSE-CI) declined by 11.8% in 2015 to close the month of December 2015 at 1,994.91 points compared with a growth of 5.4% in the same period of 2014.

Market capitalisation decreased by 11.2% in 2015 to settle at GH¢57.1bn as at the end of December 2015 from GH¢64.4bn as at December 2014.

(Source: Ghana Stock Exchange)

Trade balance and reserves

The provisional trade balance for 2015 worsened from a deficit of US$1.3bn as at September 2014 to a deficit of US$2.3bn as at September 2015. This was attributed to a significant decrease in non-oil imports with a marginal change in oil and gas imports and total exports.

At the end of September 2015, the country's gross international reserves stood at US$3.2bn, decreasing from US$4.3bn as at September 2014.

The December 2014 gross international reserve also represents a decrease from the December 2013 figure of US$5.6bn.

The level of reserves as at the end of September 2015 was sufficient to provide cover for not less than four 4 months of imports of goods and services, compared to a cover of 3.2 months of imports of goods and services at the end of December 2014.

(Source: 2016 Budget statement, Bank of Ghana Statistical Bulletin)

Government revenue

During 2015, government's total revenue and grants amounted to GH¢32.2bn, a growth of 31.2% over the 2014 figure of GH¢24.5bn. In 2015 Tax revenue amounted to GH¢25.1bn, representing 78.0% of total receipts. Non-tax revenue was GH¢4.8bn making up 15.0% of total receipts, and grants of GH¢2.0bn constituted 7.0% of total receipts.

(Source: Bank of Ghana Statistical Bulletin, 2016 Budget-appendix 2A)

3 Overview of the banking industry

The energy sector debt; impact on non-performing loans and profitability in the banking sector in 2015

The banking sector in Ghana continues to enjoy stability in its operations making it one of the drivers of economic growth. The key challenges for the sector in 2015 included the declines in profitability due to high operational cost mainly as a result of the energy crisis, which has since seen some improvement, and rising Non-Performing Loans (NPLs). Banks were cautious in lending due to the challenging economic conditions and the implications for loan recoveries.

The rise in NPLs for many banks was partly attributed to the “legacy debt” which resulted from unpaid subsidies on energy prices and foreign exchange under recoveries in relation to organisations in the energy sector such as Tema Oil Refinery (TOR), Volta River Authority (VRA), Ghana Grid Company (GRIDCo), Electricity Company of Ghana (ECG) and the Bulk Distribution Companies (BDCs), preventing these institutions from repaying their bank loans on schedule. The level of NPLs and its impact on the general solvency of banks and the economy at large was of such concern to BoG that with the help of the International Monetary Fund (IMF), BoG requested a diagnostic review of the loans as well as advances and investments held by commercial banks as at 31 May 2015. The aim among others, was to ensure that adequate impairment allowances are made for NPLs and to provide the Regulator with an informed view on the capital adequacy of banks to inform appropriate intervention, if required.

The Energy Sector Levies Act 2015 (Act 899) was passed by Parliament to raise revenue to help settle the debts owed by state-owned enterprises in the energy sector. In addition to the levies, plans are advanced in securitising or restructuring the debts of BDCs and similar options are being considered for the TOR, VRA, GRIDCo and ECG debts. Meanwhile, the collection of the energy sector levies has also provided some banks a viable deposit mobilisation avenue by way of keeping the levies until it is used to pay the debts for which the levies were introduced.

Limiting distributable income in 2015

The solvency concerns emanating from the challenging economic conditions and rising NPLs, coupled with the need to ensure that banks maintain adequate buffers, caused the Regulator to issue directives to banks to observe the prudential capital adequacy buffer ratio of 13.0% in making dividend pay-out decisions for 2015. Banks with CAR below 13.0% but above 10% were required, in addition to the relevant transfers to statutory reserves, to limit dividend payments to 50.0% of distributable reserves until they raise the CAR to 13.0%. Banks with CAR of less than 10.0% are not eligible to propose dividend until their capital levels are enhanced and risk management systems improved.

The Regulatory front

The review of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) regulating operations of universal banks in Ghana is ongoing. Some of the key changes expected include the specialised deposit taking institutions bill and the deposit protection bill which were passed in July 2016. The deposit protection bill provides protection for up to GH¢6,250 for depositors with banks and GH¢1,250 for depositors with other specialised deposit taking institutions. There are already calls for these protection limits to be increased given the level of inflation in the country.

The revision of the legal framework for banks and specialised deposit institutions will help better regulate deposit taking institutions in order to avoid the recent operational challenges facing some microfinance institutions. The run on microfinance institutions following the difficulties encountered by some of them in honouring customer deposit withdrawal requests had disturbing implications not only for the banking industry but the entire financial system and economy as a whole.

There were 30 banks operating with universal licences in Ghana as at 31 December 2015. Four institutions -Sovereign Bank Limited, Union Savings and Loans Company Limited, Heritage Bank and Premium Bank- obtained the Regulator's approval to operate as banks in 2016. The largest mortgage finance company in the country, Ghana Home Loans Company Limited also obtained a provisional licence to operate as a bank in 2016.

Monetary policy rate

The policy rate at the start of 2015 was 21.0%. This was increased to 22.0% in May 2015 and was further revised to 26.0% in November 2015 and has remained unchanged since then. The rise in monetary policy rate has led to tightening in monetary conditions and helped to ease inflationary pressures in the economy. This affected liquidity in the banking system which was corrected by BoG through issuance of government securities in the second and third quarters of 2015.

Treasury initiatives

The e-bond trading system was launched in September 2015. The system will be the primary execution platform for all fixed income trading under the newly established securities exchange, the Ghana Fixed Income Market (GFIM). A governing committee, made up of representatives from the Central Bank, Ghana Stock Exchange (GSE), the Central Securities Depository Limited, the Ghana Association of Bankers, ACI Ghana and licensed dealing members of the GSE, exercise oversight responsibility over this trading system. Marketability and liquidity of these instruments are expected to improve with the launch of this trading platform.

A 15-year US$ 1bn Eurobond was issued by the Government of Ghana in October 2015 at a 10.8% coupon rate. This sovereign bond is backed by a guarantee of US$ 400m from the World Bank. The proceeds will be used to refinance existing debts, in particular the 2007 Eurobond expected to mature in 2017.

Payment systems initiatives

In an attempt to streamline and better regulate the mobile money space, guidelines for E-Money Issuers in Ghana were introduced effective July 2015 to replace the previous guidelines for Branchless Banking. These guidelines were issued as part of the Regulator's broader strategy to create an enabling regulatory environment for convenient, efficient and safe retail payment and funds transfer mechanisms. The guidelines also provide rules for E-Money Issuers (EMIs) offering financial services outside traditional bank premises by using retail agents as alternative delivery channels.

Basel II transition

The Basel II project seems to be back on course with the Regulator looking at a 2017 implementation target date. The transitional processes are expected to begin in 2016. Basel II, which aims to enhance risk management and financial stability in the banking sector, is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks with particular focus on operational risk. It offers a more complex model for calculating regulatory capital and requires that banks holding riskier assets hold more capital than those maintaining safer portfolios. Basel II also requires enhanced disclosures of the details of risks assumed by the banks and the risk management practices in place. The Regulator will be required to intensify its supervisory role and level of scrutiny of banks' operational results and the banks on the other hand, will have to strengthen their internal control and risk management procedures.

Cashlite economy

The Payment Systems Act, 2003 (Act 662) empowers Bank of Ghana to play a pivotal role in establishing, operating and promoting payment systems in Ghana. The current fundamental baseline infrastructure in place to facilitate payments include:

- Real Time Gross Settlement system for high value payments and settlements;
- Automated Clearing House ("ACH") for direct credits/credit transfers and direct debits;
- 3 day and same day cheque clearing mechanism;

- ATM interchange enabling cash withdrawal from any ATM with a valid debit card – Gh-Link; and
- A national POS acquiring service for merchants (Ezwich).

The mobile money platforms, are increasingly gaining market acceptance and use with Vodafone Ghana Limited being the latest entrant into the market.

Other developments in the industry

Banks listed on the Ghana Stock Exchange recorded a downward trend in their share prices. UT Bank recorded the largest decline having recorded a 60.0% fall in share price from GH¢0.25 in December 2014 to GH¢0.10 in December 2015. The share price movement of banks listed on the Ghana Stock Exchange is as follows:

	31-Dec-15	31-Dec-14	% Change
CAL Bank	1.0	1.0	-1.0%
Ecobank	7.0	7.6	-8.0%
HFC Bank	0.9	1.5	-40.0%
GCB Bank	3.8	5.3	-28.0%
SCB	16.3	20.4	-20.0%
SCB Pref	0.7	0.6	22.0%
Societe Generale Ghana	0.8	1.0	-20.0%
UT Bank	0.1	0.3	-60.0%

First Capital Plus Bank rebranded to Capital Bank and aims to become a Tier-1 bank in five years.

Agricultural Development Bank signed a concessionary loan agreement of 17.7m euro with the Agence Française de Développement (AFD) for the final phase of the Rubber Outgrower Plantation Project. The project, which began in 1995 for the financing of tree crops, has seen the implementation of five different phases of rubber and two different phases of oil palm cultivation by growers.

Republic Bank acquired majority share in HFC following a Mandatory Takeover Offer increasing its shareholding to 57.1%. HFC becomes the 5th banking subsidiary within the Republic Bank Group.

In April 2016, a new Governor was appointed for BoG. Dr. Abdul-Nashiru Issahaku, the Second Deputy Governor was appointed Governor to replace Dr. Kofi Wampah following the latter's retirement.

New rules on repatriation of export proceeds were also issued by Bank of Ghana, which are expected to impact the foreign currency operations of banks and bring some stability to the Ghana Cedi.

4 Quartile analysis

Economic conditions for 2015 were volatile. Corporate bodies were faced with significant increases in utility tariffs, depreciation of the Ghana Cedi especially in the first quarter of the year, high interest rates, high inflation rates and effects of the country's energy crisis.

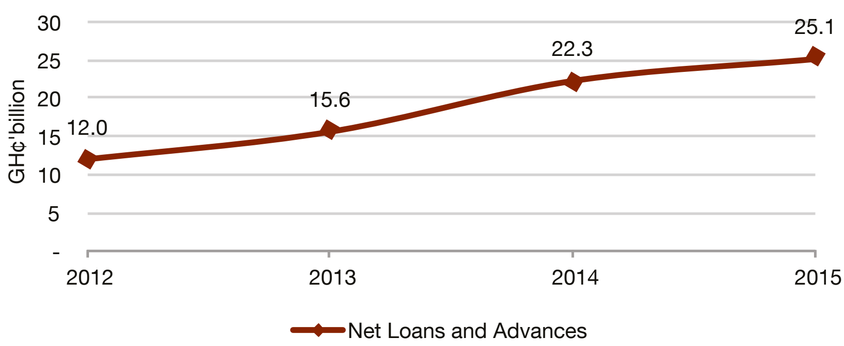
The ability of banks to make profits and grow depended to a large extent on maintaining efficiencies and enhancing the generating capacity of their resources.

We consider banks' operating assets to be a key business performance indicator as our choice of this metric. Operating assets are defined to include all assets that are directly deployed to generate interest income or related fee income. These comprise cash and liquid assets, including investments, loans and advances.

For a reasonable comparison and analysis of the industry, we group participating banks into quartiles, based on the book values of their total operating assets as at 31 December 2015.

Industry operating assets grew to GH¢53.63bn in 2015 from GH¢45.13bn in 2014, with net loans and advances continue to be the most significant component of the industry's earning assets, accounting for c.47.0% of total operating assets (2014: 47.0%). However, the industry witnessed a significant fall in the growth rate of net loans and advances which grew by 12.5% in 2015 (2014: 43.0%) as result of cautious lending practices by the banks on the back of the challenging economic conditions and their impact on loans recoveries.

Net industry loans and advances



Cash assets was the second highest component of the industry's earning assets contributing 28.5% of industry operating assets in 2015 (2014: 27.3%). The increase is attributable to growth in industry deposits of 17.0% in 2015. Significant part of cash assets was held with other banking institutions, accounting for 60.56% of industry cash assets (2014: 60.7%). On average, between 2011 and 2015, cash assets have contributed 26.0% of industry operating assets.

Investment in risk-free government securities continue to be a good option for banks, although the industry's return on such investments has declined in terms of contribution to industry's total income. The contribution of income on investment securities had initially risen from 27.7% in 2011 to 28.3% in 2012 and 36.8% in 2013 and has since declined to 30.4% in 2015. (2014: 32.7%). The rates on these government securities have remained fairly similar to those in 2014.

Total operating assets from 2011 to 2015 (millions of Ghana Cedis)

		2015	2014	2013	2012	Δ 2014 to 2015	Δ% 2014 to 2015
1	EBG	5,954	5,428	4,422	3,199	526	10.0%
2	GCB	4,327	4,000	3,217	2,833	327	8.0%
3	STANBIC	3,984	3,270	2,819	1,679	715	22.0%
4	FIDELITY	3,948	2,925	1,609	1,277	1,023	35.0%
5	UGL	3,650	1,970	1,191	818	1,679	85.0%
6	BBGL	3,437	2,857	2,185	1,889	580	20.0%
7	CAL	3,151	2,590	1,498	1,109	560	22.0%
8	SCB	3,147	3,250	2,787	2,246	-103	-3.0%
9	ZBL	2,396	3,003	1,888	923	-607	-20.0%
10	UBA	2,342	1,683	1,533	693	659	39.0%
11	ABG	2,250	1,575	900	741	675	43.0%
12	NIB	2,016	1,915	1,148	837	101	5.0%
13	ADB	1,947	2,042	1,516	1,352	-95	-5.0%
14	SG-GH	1,889	1,572	1,110	1,006	317	20.0%
15	HFC	1,469	1,253	930	561	216	17.0%
16	GTB	1,319	1,114	894	651	205	18.0%
17	PBL	1,286	1,058	787	642	228	22.0%
18	BOA	1,080	844	598	535	236	28.0%
19	FABL	1,079	849	396	244	230	27.0%
20	RBG	867	363	249	-	504	139.0%
21	GNB	484	421	-	-	63	15.0%
22	BSIC	466	331	191	167	135	41.0%
23	FBN	421	349	294	300	72	21.0%
24	EBL	329	276	233	217	53	19.0%
25	BARODA	266	194	149	115	72	37.0%
	Industry	**53,502**	**45,132**	**32,542**	**24,033**		

Quartile analysis

First quartile

Total operating assets in Q1 increased by 15.0% from GH¢23bn in 2014 to GH¢28.45bn in 2015, and approximates 53.0% (2014: 53.0%) of the industry total operating assets.

EBG continues to be the largest bank in terms of operating assets, however the Bank experienced a lower growth of its operating assets from 23.0% in 2014 to 10.0% in 2015, mainly as a result of an increase in impairment charge from GH¢32m in 2014 to GH¢115m in 2015.

UGL now holds the fifth largest operating assets in the quartile, with total operating assets of GH¢3.65bn in 2015 (2014: GH¢1.97bn), increasing interest income on loans and advances by 94.6% in 2015 (2014: 52.7%). UGL continues to show strong penetration in the industry arising from aggressive deposits mobilisation drive.

Fidelity Bank's consistent 48.0% average growth rate in operating assets from 2011 to 2015 is backed by an increase in deposits at an average rate of 40.0% from 2011 to 2015.

CAL moved to the first quartile with a constant growth of 35.0% in net loans and advances from 2013 to 2015.

Second quartile

The group witnessed a significant decline in the growth rate of its operating assets from 38.0% in 2014 to 6.3% in 2015. SCB, ZBL and ADB's operating assets declined in 2015.

SCB and ZBL moved to the second quartile, having dropped from the first quartile in 2014.

SCB share of industry's loans and advances dropped from 2014, resulting from a significant impairment charge of GH¢213m in 2015 (2014: GH¢49.12m).

SG-GH moved into the second quartile from the third quartile, as a result of significant growth in cash assets, mainly from an increase in balances with other financial institutions by 253.3% from GH¢170.17m. The growth was as a result of capital injection of GH¢37m.

Third quartile

Total operating assets in Q3 increased to GH¢7.58bn in 2015 from GH¢5.9bn in 2014.

HFC tops the quartile with operating assets of GH¢1.47bn in 2015 (2014: GH¢1.25bn) and its share of industry advances increased marginally from 3.1% in 2014 to 3.7% in 2015.

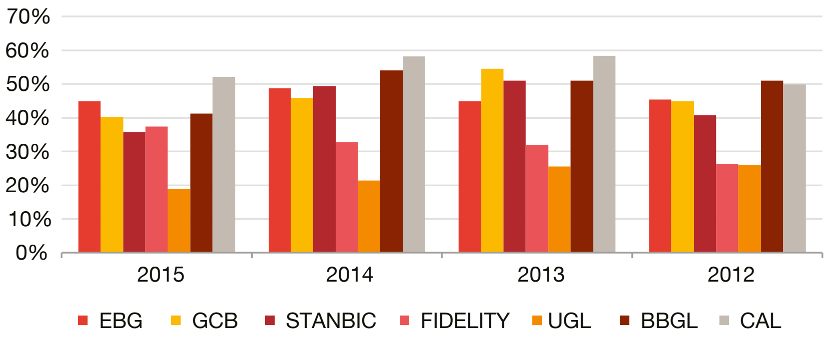
RBG's operating assets increased by 139.0% mainly from a strategy drive of issuing additional loans and advances financed by increase in deposits.

Fourth quartile

The growth rate in operating assets of Q4 banks continue to diminish as a result of competition. The growth of operating assets decreased from 73.0% in 2014 to 46.0% in 2015.

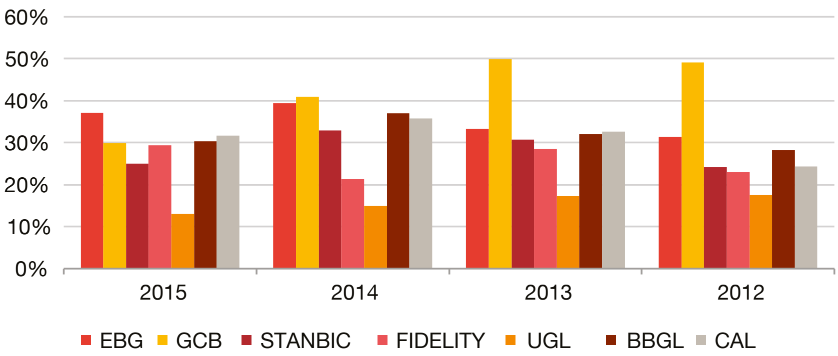
First Quartile

First Quartile-Profit before tax margin



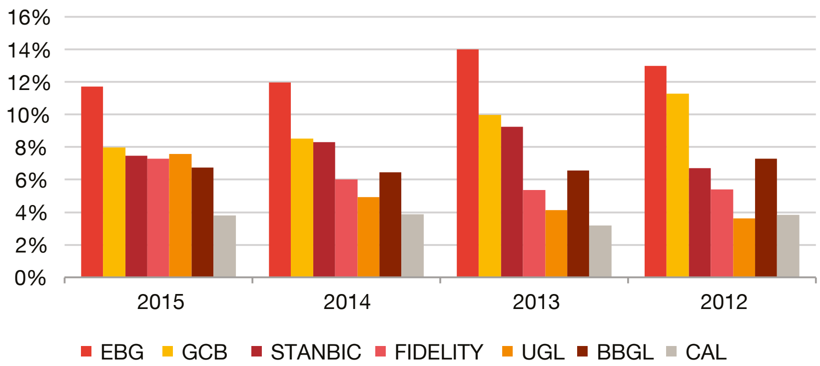
CAL recorded the highest profit margin.

First Quartile - Return on equity



Return on equity for the top three Banks in 2015 showed a decline compared to previous years. Returns on equity for the dominant banks averaged 28.1% during the year (2014: 31.8%).

First Quartile - Share of industry deposits

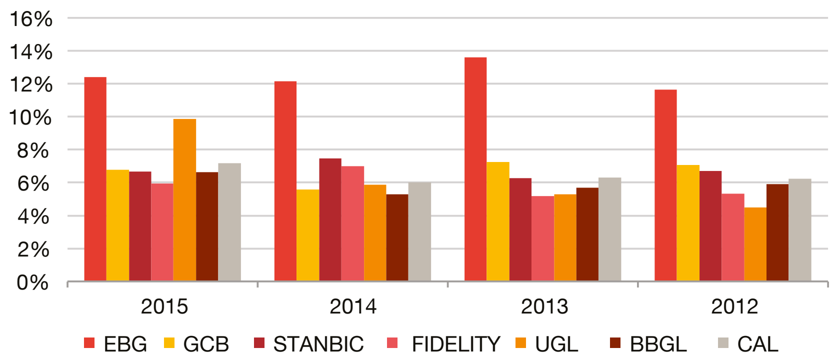


EBG maintained its lead in share of industry deposits since 2012. However, the year-on-year dilution in market share of EBG, GCB and Stanbic since 2013 is an outcome of new market entrants and lack of product differentiation within the industry. Bank shares of industry deposit have declined year-on-year.

Quartile analysis

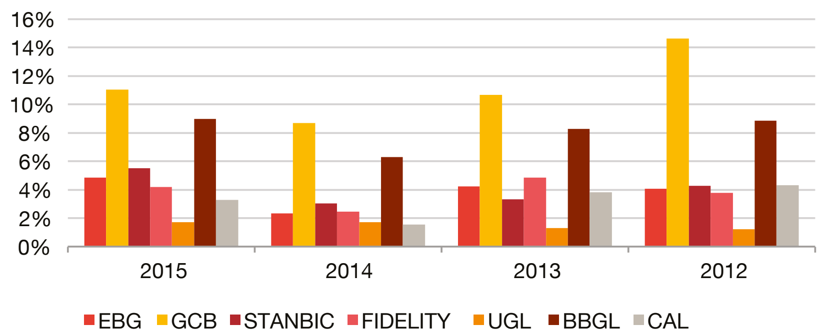
First Quartile

First Quartile - Share of industry advances



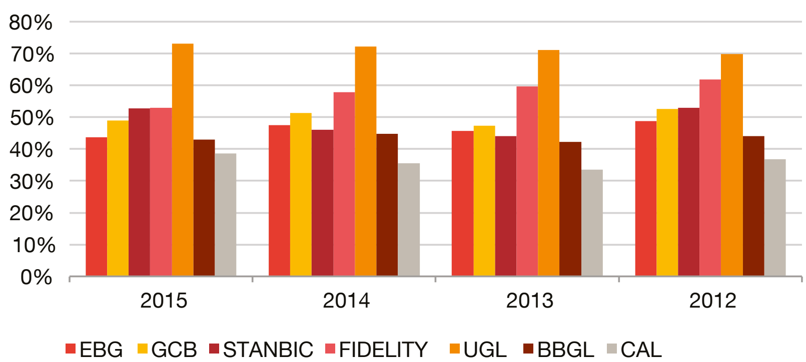
UGL is now the second largest lender in the industry. A significant portion of the loan book is with clients in the construction and commerce and finance sectors.

First Quartile - Impairment allowance/ gross loans and advances



GCB showed the largest impairment allowance ratio in 2015, although the impairment allowance ratio had declined steadily from 2012 to 2014.

First Quartile - Cost income ratio

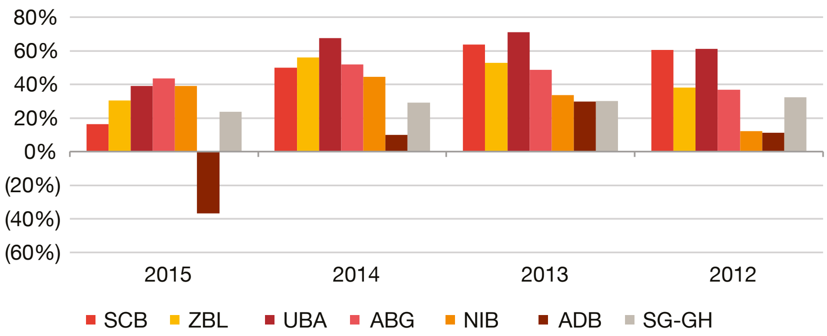


UGL showed the highest cost income ratio, resulting from a 50.0% and 25.0% increase in administrative cost and staff cost, respectively, from 2014.

EBG on the contrary showed gradual improvements in its cost income ratio over the years benefitting from the aggressive drive to reduce cost after the merger with TTB.

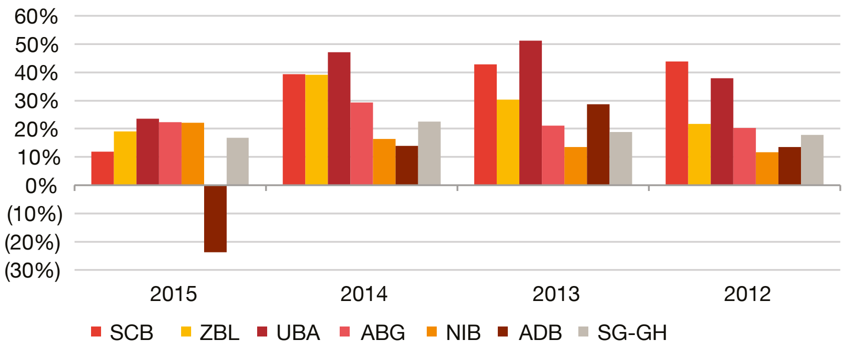
Second Quartile

Second Quartile-Profit before tax margin



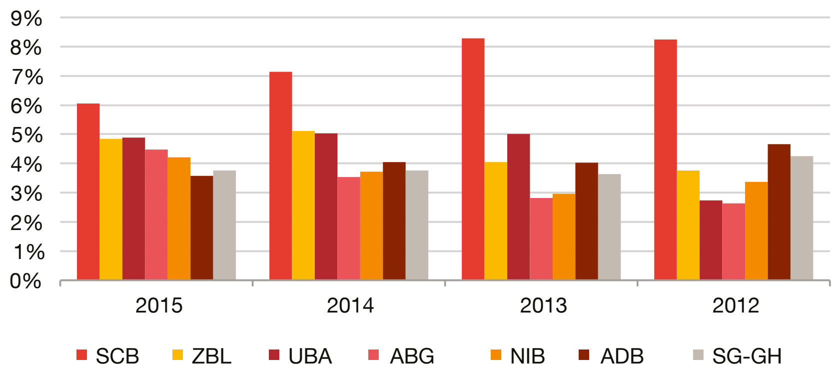
Resulting from a slowdown in business activities, ADB experienced a significant drop in profit before tax margin, attributable to reduction in net interest income by 15.0% from GH¢180.6m in 2014, and an increase in impairment charge by 87.2% from GH¢110.62m in 2014.

Second Quartile - Return on equity



ADB's loss position had a significant impact on the return on equity, resulting from the increase in impairment allowance charge by 87.0% from 2014. SCB experienced a significant decline in return on equity, resulting from an increase in impairment charge of GH¢212m.

Second Quartile - Share of industry deposits

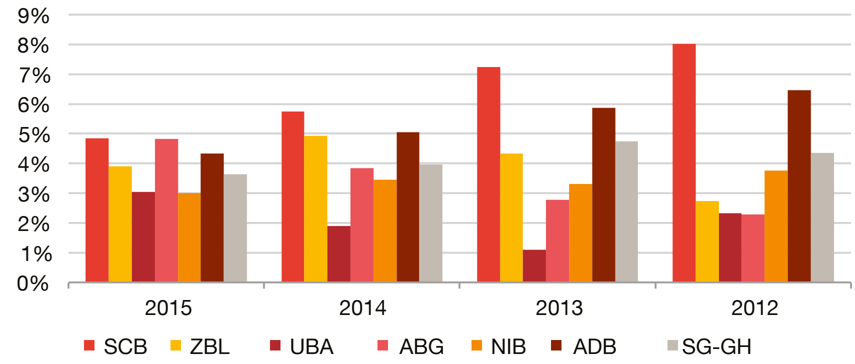


SCB maintained its lead in the share of industry deposits resulting from an aggressive marketing strategy.

Quartile analysis

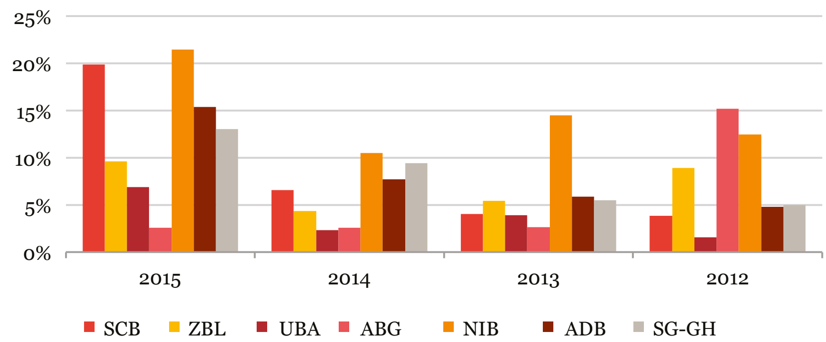
Second Quartile

Second Quartile - Share of industry advances



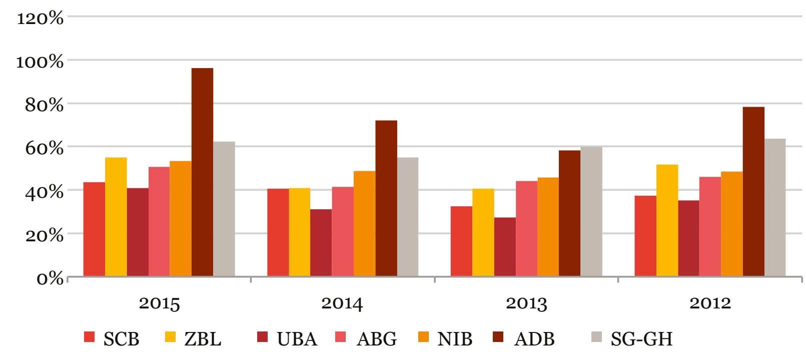
ABG has gradually penetrated the market, however ADB's market share continues to diminish since 2012.

Second Quartile - Impairment allowance/ gross loans and advances



All banks in the quartile except ABG show an increasing trend in the deterioration of the quality of the loan book. The trend, similar to first quartile banks is attributable to unfavourable economic conditions.

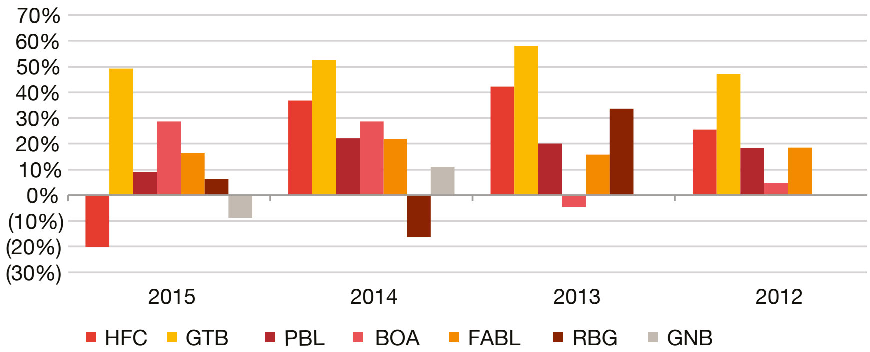
Second Quartile - Cost income ratio



ADB's cost income ratio worsened during the year to over 90.0%. UBA maintained its position as the bank with most aggressive drive on cost reduction since 2012.

Third Quartile

Third Quartile-Profit before tax margin

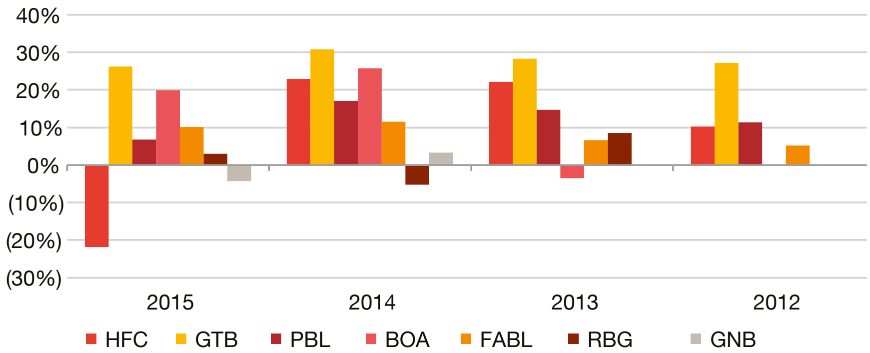


HFC's fivefold rise in impairment charge for the year, from GH¢14.3m in 2014 to GH¢85.2m in 2015, contributed to a loss position.

GNB experienced a downturn in profits resulting from higher operating expenses during the year.

RBG appears to be emerging from the start-up phase as it begins to generate sufficient income to cover its operating cost.

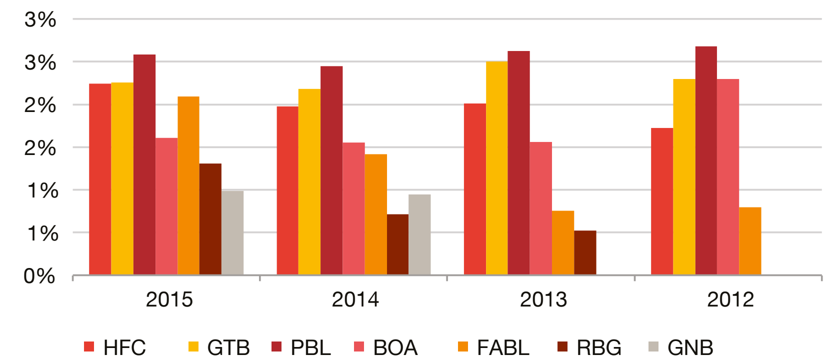
Third Quartile - Return on equity



GTB bank continues to maintain its lead as the bank with the highest return on equity.

GNB's return on equity dropped during the year as a result of its loss position which was mainly attributable to high operating expenses.

Third Quartile - Share of industry deposits

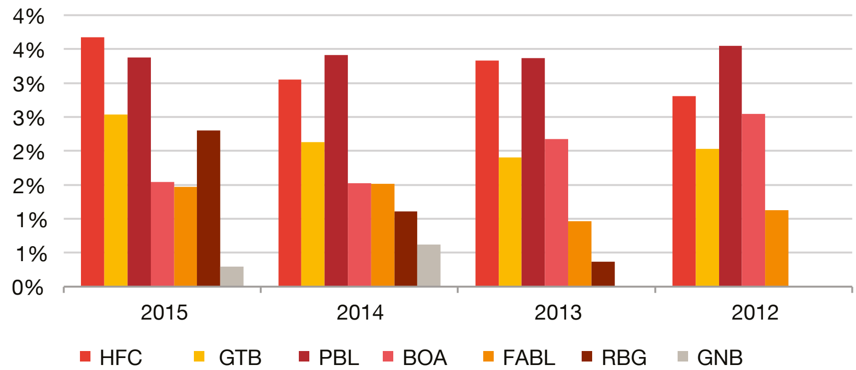


PBL continues to put in place aggressive marketing strategies in mobilising funds, making it the bank with the largest market share in the quartile.

Quartile analysis

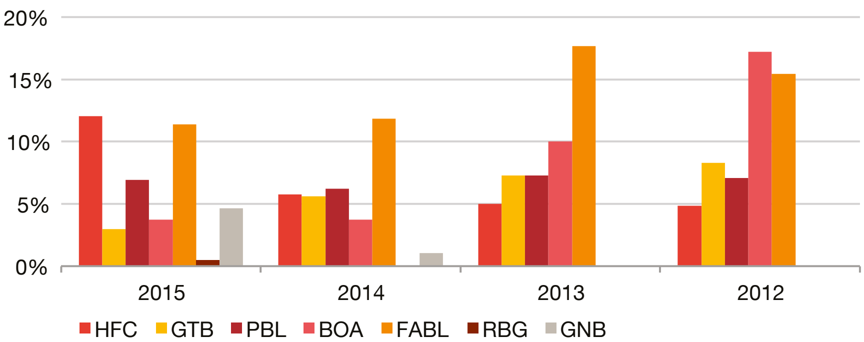
Third Quartile

Third Quartile - Share of industry advances



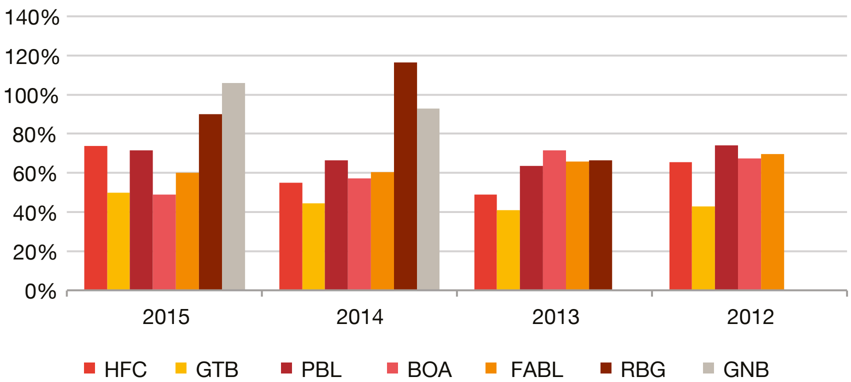
HFC and PBL consistently dominate the group with the largest share of industry advances.

Third Quartile - Impairment allowance/ gross loans and advances



GTB on the other hand experienced consistent improvement in the quality of its loan portfolio as impairment allowance to gross loans and advances has declined since 2011.

Third Quartile - Cost income ratio

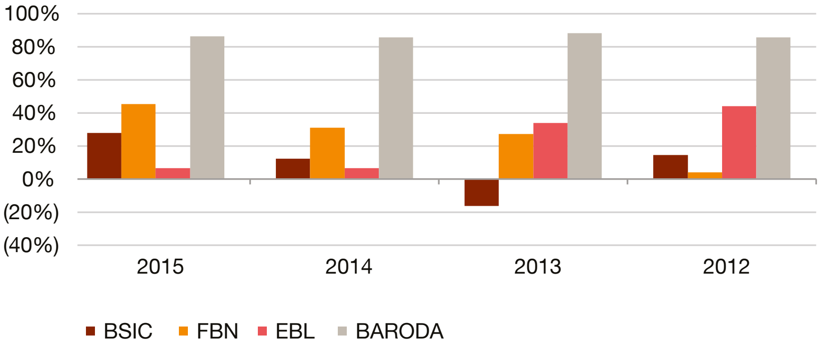


GTB continues to show a more aggressive drive to cost reduction.

GNB experienced a significant increase in its cost income ratio in line with low profits posted during the year.

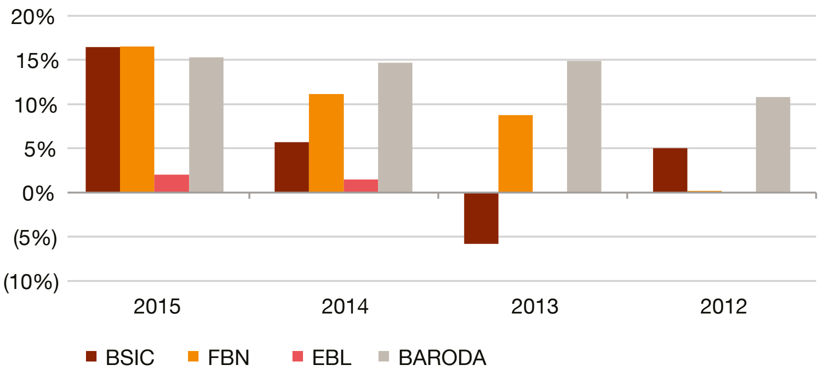
Fourth Quartile

Fourth Quartile-Profit before tax margin



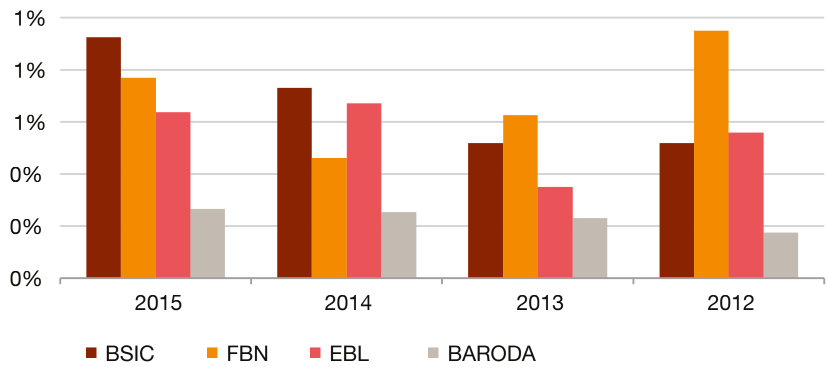
Baroda continues to record the highest profit before tax margin over the years.

Fourth Quartile - Return on equity



All the banks except EBL showed strong return on equity.

Fourth Quartile - Share of industry deposits

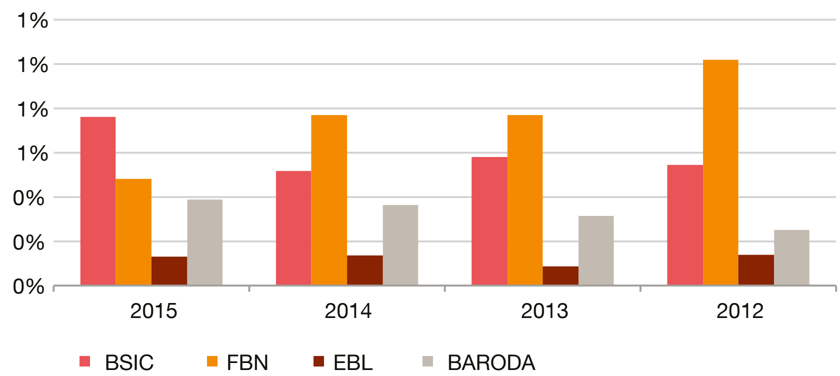


Banks in this quartile generally experienced growth in their share of industry deposits, driven by an aggressive approach of mobilising funds.

Quartile analysis

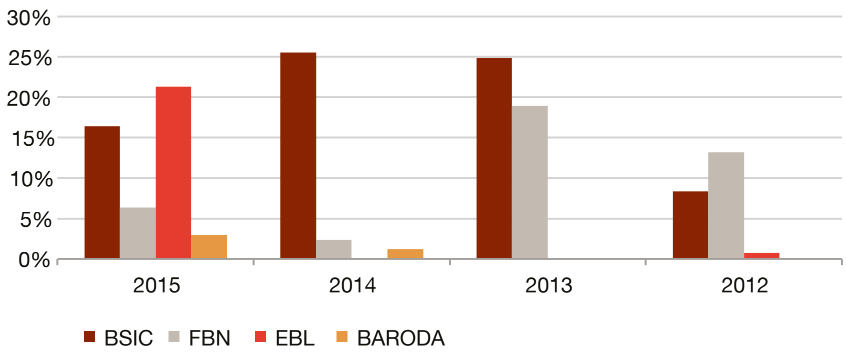
Fourth Quartile

Fourth Quartile - Share of industry advances



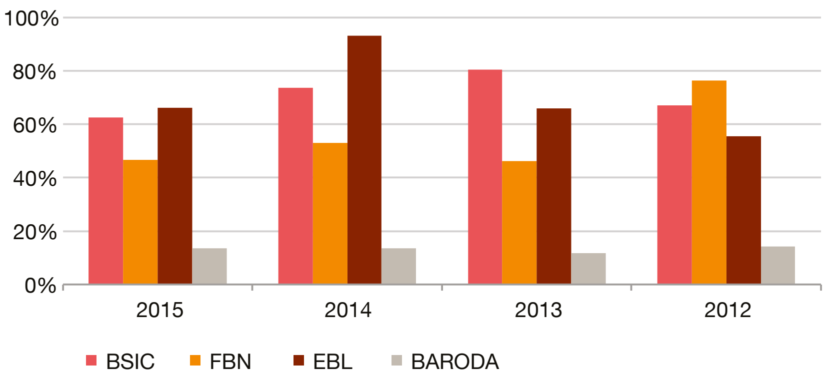
FBN's share of industry advances has steadily declined since 2012, resulting from the significant write offs made in these years.

Fourth Quartile - Impairment allowance/ gross loans and advances

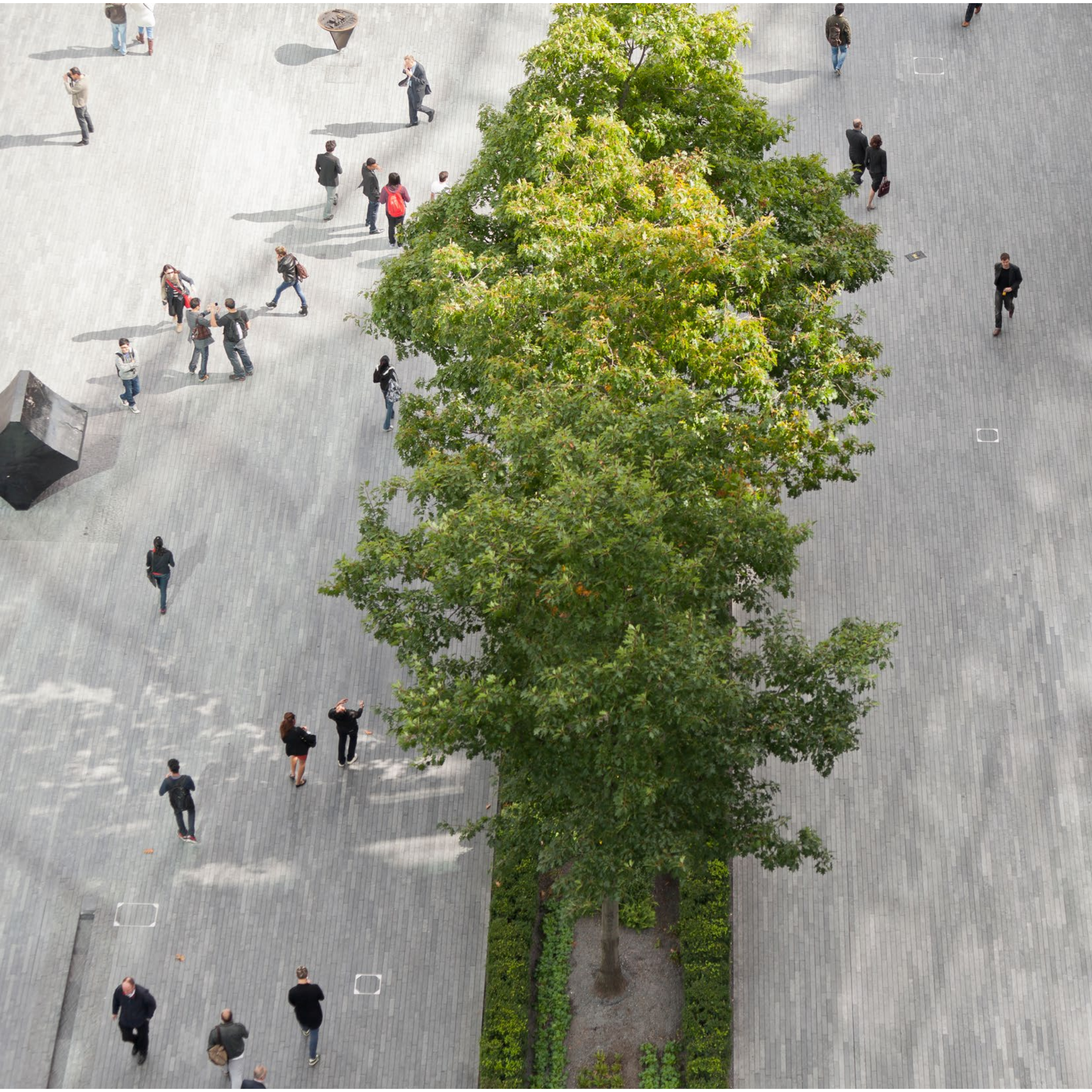


EBL showed the highest impairment allowance to gross loans and advances ratio resulting from the deterioration of its loan book.

Fourth Quartile - Cost income ratio



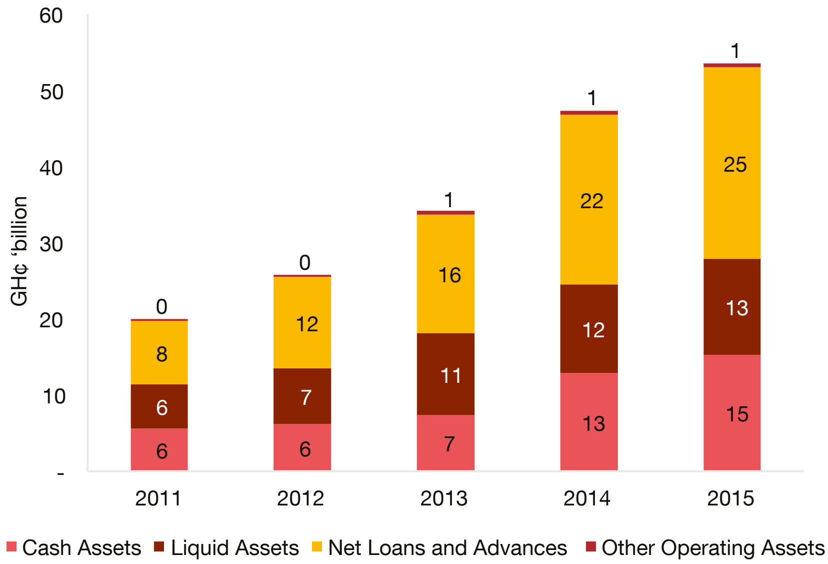
Baroda continues to show the lowest cost income ratio, consistent with its high profit margins.



5 Market share analysis

Ghana's GDP increased by 3.89% in 2015 as against 3.99% in 2014. The reduction in growth was in part due to a reduction in the growth of banking industry operating assets from 38.0% in 2014 to 19.0% in 2015. The chart below shows the trend and composition of banking industry operating assets from 2011 to 2015.

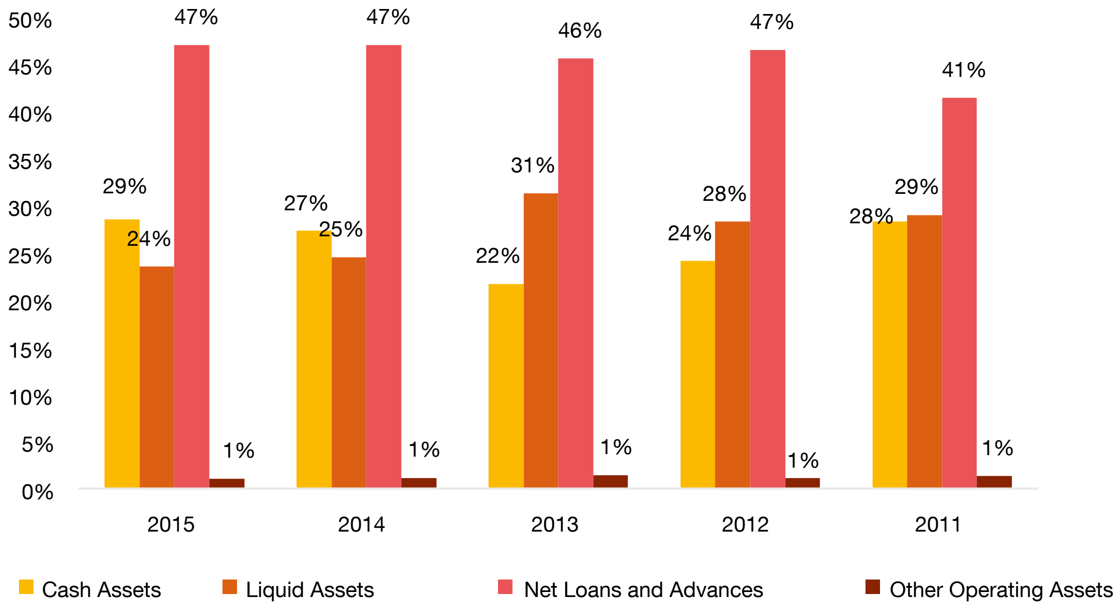
Operating Assets



Share of industry operating assets

The industry's operating assets increased to GH¢53.5bn in 2015 from GH¢45.1bn in 2014 although the growth rate slumped from 34% in 2014 to 19% in 2015. Despite the growth, the proportion of the industry's operating assets held in loans and advances was maintained at 47%. Cash assets (comprising cash on hand and balances with BoG and other financial institutions) represented 28.6% (2014: 25.4%) of the industry's total operating assets whereas liquid assets (comprising government securities and investment securities) accounted for 23.6% (2014: 24.5%). The chart below shows the banking industry operating assets from 2011 to 2015.

Composition of industry operating assets



Market share analysis

Share of industry operating assets

While high interest rates have deterred some prospective borrowers, some banks have also restricted lending in response to the increased risk of default

	2015	R	2014	R	2013	R	2012	R
EBG	11.1%	1	11.5%	1	12.9%	1	12.4%	1
GCB	8.1%	2	8.5%	2	9.4%	2	11.0%	2
Fidelity	7.4%	4	6.2%	6	4.7%	7	5.0%	7
Stanbic	7.4%	3	6.9%	3	8.2%	3	6.5%	5
SCB	5.9%	8	6.9%	4	8.1%	4	8.7%	3
UGL	6.8%	5	4.2%	10	3.5%	11	3.2%	12
BBGL	6.4%	6	6.0%	7	6.4%	5	7.3%	4
CAL	5.9%	7	5.5%	8	4.4%	10	4.3%	8
ZBL	4.5%	9	6.3%	5	5.5%	6	3.6%	10
UBA	4.4%	10	3.6%	12	4.5%	8	2.7%	14
ADB	3.6%	13	4.3%	9	4.4%	9	5.3%	6
ABG	4.2%	11	3.3%	13	2.6%	15	2.9%	13
NIB	3.8%	12	4.0%	11	3.4%	12	3.2%	11
SG-GH	3.5%	14	3.3%	14	3.2%	13	3.9%	9
HFC	2.7%	15	2.6%	15	2.7%	14	2.2%	17
GTB	2.5%	16	2.4%	16	2.6%	16	2.5%	15
PBL	2.4%	17	2.2%	17	2.3%	17	2.5%	16
BOA	2.0%	18	1.8%	19	1.7%	18	2.1%	18
FABL	2.0%	19	1.8%	18	1.2%	19	0.9%	20
RBG	1.6%	20	0.8%	21	0.7%	21	NA	NA
GNB	0.9%	21	0.9%	20	NA	NA	NA	NA
BSIC	0.9%	22	0.7%	23	0.6%	23	0.6%	22
FBN	0.8%	23	0.7%	22	0.9%	20	1.2%	19
EBL	0.6%	24	0.6%	24	0.7%	NA	0.8%	NA
Baroda	0.5%	25	0.4%	25	0.4%	24	0.4%	23
UTB	NA	NA	3.2%	NA	3.6%	NA	3.5%	NA
CBG	NA	NA	1.5%	NA	1.4%	NA	NA	NA
UMB	NA	NA	NA	NA	NA	NA	3.2%	NA
Industry	100.0%		100.0%		100.0%		100.0%	

There were some major changes in first quartile market share dynamics in 2015. UGL and CAL moved from the second quartile in 2014 into the first quartile while ZBL and SCB dropped to the second quartile. EBG's share of industry operating assets dropped slightly from 11.5% in 2014 to 11.1% in 2015 but remained the market leader from 2012 to 2015. SCB's share of industry operating assets also dropped from 6.9% in 2014 to 5.9% in 2015. The bank's operating assets seem to have been impacted by the additional impairment provision made on its non-performing loans. Since the Procredit acquisition in 2014, Fidelity has consistently grown its market share. The bank's market share increased to 7.4% in 2015 from 6.2% in 2014 making it the 3rd largest in the industry.

UGL made some gains during the year having increased its share of industry operating assets from 4.2% in 2014 to 6.8% in 2015. The growth in operating assets of the bank, mainly loans and advances which increased by GH¢1.2bn (89.0%), have been funded by the GH¢40m capital injection in cash via a right issue and a GH¢1.1bn growth in customer deposits.

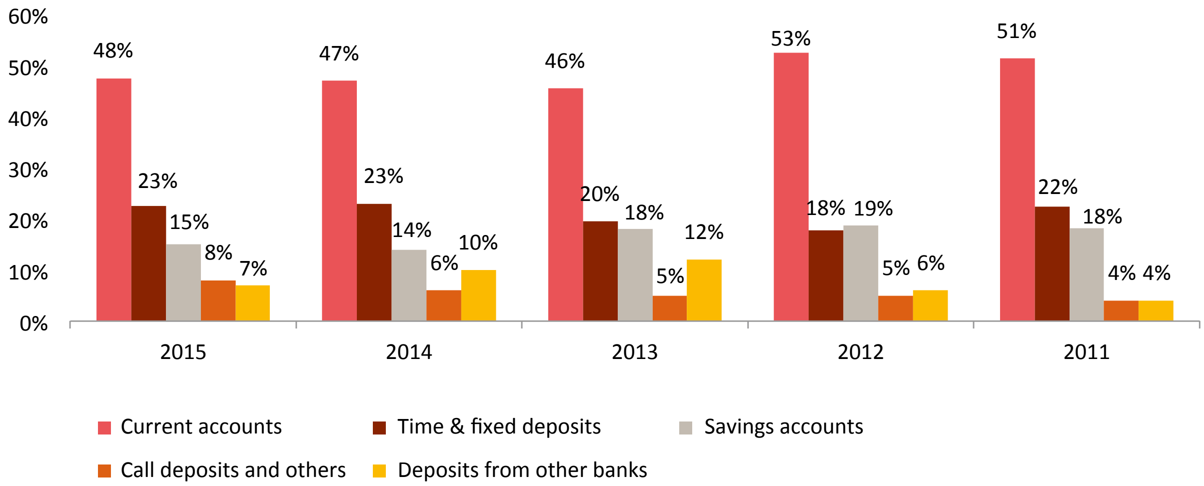
ZBL lost the highest market share during the year as it fell from 6.3% in 2014 to 4.5% in 2015. The settlement of a swap transaction with BoG and the repayment of the underlying principal as well as significant capital expenditure made during the year aimed at expanding its branch network seem to have affected the bank's cash and liquid assets.

While a number of banks maintained their market share during the year, existing banks are likely to shed market share to new entrants into the industry in coming years. Sovereign Bank Limited, Union Savings and Loans, Heritage Bank Limited, Premium Bank and Ghana Home Loans Limited have been issued with Universal banking licence and are expected to commence operations soon.

Share of industry deposits

As a result of intense competition from non-bank deposit taking institution, banks have deployed innovative strategies to drive deposit mobilisation

Composition of industry deposits



Due to keen competition in the banking industry, banks have devised strategies to drive deposits mobilisation and these include regular promotions and introduction of new products targeted at particular market segments and web based solutions. This yielded results in 2015, increasing industry deposits to GH¢42.3bn as at December 2015 from GH¢36.2bn as at December 2014.

Banks continue to pursue cheaper deposits, that is current and savings accounts, in order to increase their net interest income and provide a cheaper source of funding for their operations. In line with this pursuit, current and savings account deposits accounted for 48.0% (2014: 47.0%) and 15.0% (2014: 14.0%) respectively of industry deposits. Call deposits also represented 8.0% of the industry deposits, from the 6.0% in 2014. The proportion of time and fixed deposits was however maintained at 23.0%.

Deposits from other banks reduced from GH¢3.8bn in 2014 to GH¢2.9bn in 2015 as banks held relatively higher levels of liquid assets to meet their operational needs. The industry liquid assets increased to GH¢12.6bn at December 2015 from GH¢11.6bn as at December 2014.

Market share analysis

Share of industry deposits

UGL moved into the top five banks; the 4 new banks from 2016 might change the deposit share of the industry.

	2015	R	2014	R	2013	R	2012	R
EBG	11.7%	1	12.0%	1	14.0%	1	13.0%	1
GCB	8.0%	2	8.5%	2	10.0%	2	11.3%	2
UGL	7.6%	3	4.9%	9	4.1%	8	3.6%	11
Stanbic	7.5%	4	8.3%	3	9.2%	3	6.7%	5
Fidelity	7.3%	5	6.0%	6	5.4%	6	5.4%	6
BBGL	6.7%	6	6.5%	5	6.6%	5	7.3%	4
SCB	6.1%	7	7.1%	4	8.3%	4	8.2%	3
UBA	4.9%	8	5.0%	8	5.0%	7	2.7%	13
ZBL	4.8%	9	5.1%	7	4.0%	9	3.8%	10
ABG	4.5%	10	3.5%	14	2.8%	14	2.6%	15
NIB	4.2%	11	3.7%	13	3.0%	13	3.4%	12
CAL	3.8%	12	3.9%	11	3.2%	12	3.8%	9
SG-GH	3.8%	13	3.8%	12	3.6%	11	4.2%	8
ADB	3.6%	14	4.0%	10	4.0%	10	4.7%	7
PBL	2.6%	15	2.4%	15	2.6%	15	2.7%	14
GTB	2.3%	16	2.2%	16	2.5%	16	2.3%	17
HFC	2.2%	17	2.0%	17	2.0%	17	1.7%	18
FABL	2.1%	18	1.4%	19	0.8%	19	0.8%	20
BOA	1.6%	19	1.6%	18	1.6%	18	2.3%	16
RBG	1.3%	20	0.7%	22	0.5%	21	NA	NA
GNB	1.0%	21	0.9%	20	0.0%	25	NA	NA
BSIC	0.9%	22	0.7%	21	0.5%	22	0.5%	22
FBN	0.8%	23	0.5%	24	0.6%	20	0.9%	19
EBL	0.6%	24	0.7%	NA	0.4%	NA	0.6%	NA
Baroda	0.3%	25	0.3%	25	0.2%	24	0.2%	23
UTB	NA	NA	3.3%	NA	4.0%	NA	3.9%	NA
CBG	NA	NA	1.0%	NA	1.1%	NA	NA	NA
UMB	NA	NA	NA	NA	NA	NA	3.4%	NA
Industry	100.0%		100.0%		100.0%		100.0%	

UGL significantly grew its deposits in 2015, increasing the bank's share of industry deposits to 7.6% from 4.9% in 2014. The underlying strategies for the deposit growth included deposit mobilizing promotions and introduction of targeted products such as the 'Sika Collect' product which provides customers with the convenience of banking daily business proceeds through collection by UGL's mobile bankers. The bank also signed on about 3,000 new customers from its 'Super 360 Promo'. This promotion was aimed at engaging its existing customers and attracting new ones with an ultimate cash prize of GH¢360,000. The bank made significant gains from these initiatives as it increased its share of industry deposits from 4.9% to 7.6%.

HFC's deposits balance of GH¢883m accounts for 2.2% of the industry's deposits. This is an improvement from market share of 2.0% in 2014. The change in the ownership structure of the bank after the take-over by Republic Bank in 2015 is expected to impact the competitive position of the bank in the coming years. With the implementation of a three year strategy focused on deposit mobilisation, asset creation, loan recoveries, cost management and revitalization of culture, the bank seeks to become a Tier I bank in the next three years.

Fidelity and BBGL were the only first quartile banks to have increased their market share to 7.3% (2014: 6.0%) and 6.7% (2014: 6.5%) respectively. The operations of Procredit Savings and Loans Company Limited were fully absorbed into Fidelity in 2015 after the acquisition in 2014. The bank also introduced the "save for gold promotion" aimed at growing the bank's deposits. Similarly, Barclays Bank undertook a number of promotions during the year including the “Live your Dream Promotion”, the “Barclays Premier League Promotion” and the “Double your Salo Promotion” which required account holders to receive their salary through the bank and use any of the bank’s digital banking platforms.

Although EBG and GCB maintained their positions with the largest and second largest shares of industry deposits respectively, their shares dropped to 11.7% (2014:12.0%) and 8.0% (2014: 8.5%) respectively. SCB also lost some share of industry deposits from 7.1% in 2014 to 6.1% in 2015 despite growing its deposits by 10.0% from GH¢2.2bn in 2014 to GH¢2.4bn in 2015. With increasing competition in the industry as banks strive to reach the top tier bracket, first quartile banks will have to raise their game to ensure they are able to maintain or grow their market share.

GTB continues to drive its operations and competitive strategy with solutions in technology and electronic banking. With total deposits of GH¢953.8m, the bank’s deposits represents 2.3% of the industry total, an improvement from the prior year’s 2.2%.

In coming years, the banks that will make significant strides in deposit mobilisation are those that will devise innovative products and solutions to receive deposits, at the convenience of the customer. This will include seamless integration of banking applications with the mobile money platform to allow customers to deposit via the mobile phone.

Market share analysis

Share of industry advances

Banks continue to make advances to sectors profiled as relatively low risk. Tenures are gradually moving towards shorter terms.

	2015	R	2014	R	2013	R	2012	R
EBG	12.4%	1	12.2%	1	13.6%	1	11.7%	1
UGL	9.8%	2	5.9%	5	5.3%	8	4.5%	9
CAL	7.2%	3	6.0%	4	6.3%	4	6.2%	6
GCB	6.8%	4	5.6%	7	7.2%	2	7.1%	3
Stanbic	6.7%	5	7.5%	2	6.3%	5	6.7%	4
BBGL	6.6%	6	5.3%	8	5.7%	7	5.9%	7
Fidelity	5.9%	7	7.0%	3	5.2%	9	5.3%	8
SCB	4.9%	8	5.7%	6	7.2%	3	8.0%	2
ABG	4.8%	9	3.8%	12	2.8%	15	2.3%	17
ADB	4.3%	10	5.0%	9	5.9%	6	6.5%	5
ZBL	3.9%	11	4.9%	10	4.3%	11	2.7%	14
HFC	3.7%	12	3.1%	15	3.3%	13	2.8%	13
SG-GH	3.6%	13	4.0%	11	4.7%	10	4.3%	10
PBL	3.4%	14	3.4%	14	3.4%	12	3.6%	12
UBA	3.0%	15	1.9%	17	1.1%	18	2.3%	16
NIB	3.0%	16	3.5%	13	3.3%	14	3.8%	11
GTB	2.5%	17	2.1%	16	1.9%	17	2.0%	18
RBG	2.3%	18	1.1%	20	0.4%	22	NA	NA
BOA	1.5%	19	1.5%	18	2.2%	16	2.5%	15
FABL	1.5%	20	1.5%	19	1.0%	19	1.1%	19
BSIC	0.8%	21	0.5%	23	0.6%	21	0.5%	21
FBN	0.5%	22	0.7%	21	0.8%	20	1.0%	20
Baroda	0.4%	23	0.4%	24	0.3%	23	0.3%	22
GNB	0.3%	24	0.6%	22	NA	NA	NA	NA
EBL	0.1%	25	0.1%	25	0.1%	NA	0.1%	NA
UTB	NA	NA	5.4%	NA	5.9%	NA	5.7%	NA
CBG	NA	NA	1.3%	NA	1.4%	NA	NA	NA
UMB	NA	NA	NA	NA	NA	NA	3.0%	NA
Industry	100.0%		100.0%		100.0%		100.0%	

Banks continue to improve their credit administration policies and practices to ensure that better quality loan portfolios are maintained, and the impact of non-performing loans on profitability are better managed.

The industry's loans and advances grew by 12.6% (2014: 42.9%) to GH¢25.1bn in 2015. 25% (2014: 24.0%) of industry loans and advances were made to customers in the Commerce and Finance subsector whereas the Housing subsector received the lowest allocation of 1.0%. Rising operational costs fueled by utility price hikes and erratic power supply seems to have adversely impacted the manufacturing sector's perceived risk of default as its proportion of loans and advances declined by a percentage point to 10.0% in 2015.

First quartile banks account for 52.7% (2014: 49.4%) of industry advances led by EBG which increased its share slightly to 12.4% (2014: 12.2%). EBG has consistently held the largest share for the last four years. The growth in EBG's gross loan book was partly offset by additional impairment provisions as it registered a rise in its NPLs.

ABG moved three positions up and was ranked 9th in the share of industry loans and advances. A new lending program was instituted by the bank in 2015 backed by a EUR 15m credit line from the European Investment Bank. The growth in loan book is expected to continue into the near future as the credit line will allow ABG to provide loans for companies across all sectors of the economy in both Euros and US dollars and with a tenor of up to 8 years.

Fidelity could not sustain the growth in its share of industry advances as it dropped from 7.0% in 2014 to 5.9%. The bank recorded a reduction in net loans and advances from GH¢1.56bn to GH¢1.49bn in 2015. The growth in the loan book in 2014 on the back of the acquisition of Procredit seems not to have been sustained in 2015.

EBL and GNB hold the lowest share of industry loans and advances with 0.1% and 0.3% respectively, as a result of relatively high activity in investment securities and placements. Although investment securities and placements provide a less risky avenue to invest funds mobilised, returns earned will be relatively lower, commensurate with the level of risk assumed. To increase their net interest margins, these banks may have to increase their lending activities.

Banks in the industry are increasingly focusing their deposit mobilisation strategies on Small and Medium Scale Enterprises (SMEs). During the year, UGL for instance signed a 10m Euro long term agreement with the European Investment Bank to enable the bank extend loan facilities to its SME clients. EBG also launched the Ecobank Ghana SME club, a club that seeks to reward its SME clientele by assisting them in the development of their businesses through capacity building and networking. SME banking still offers untapped prospects which is expected to be utilised by many banks in the coming years.

6 Profitability and efficiency

Profit before tax margin

The industry profit before tax declined from GH¢2.9bn in 2014 to GH¢2.4bn in 2015 and the PBT margin fell from 42.6% to 31.5%

	2015	R	2014	R	2013	R	2012	R
Baroda	86.3%	1	85.8%	1	88.3%	1	85.8%	1
CAL	52.1%	2	58.1%	3	58.3%	4	49.8%	5
GTB	49.2%	3	52.6%	6	58.0%	5	47.1%	6
FBN	45.4%	4	31.2%	15	27.2%	16	3.9%	21
EBG	44.9%	5	48.8%	10	44.9%	11	45.4%	7
ABG	43.6%	6	51.8%	7	48.7%	10	26.4%	13
BBGL	41.2%	7	54.1%	5	50.9%	9	51.0%	4
GCB	40.3%	8	45.8%	11	54.5%	6	44.8%	8
NIB	39.1%	9	44.5%	12	33.7%	13	12.3%	19
UBA	38.9%	10	67.5%	2	71.1%	2	61.0%	2
Fidelity	37.3%	11	32.8%	14	31.8%	14	36.9%	11
Stanbic	35.7%	12	49.3%	9	51.0%	8	40.7%	9
ZBL	30.5%	13	55.9%	4	52.8%	7	38.2%	10
BOA	28.6%	14	28.7%	17	-4.5%	20	4.6%	20
BSIC	27.7%	15	12.2%	21	-16.4%	21	14.4%	18
SG-GH	23.8%	16	29.2%	16	30.0%	15	32.2%	12
UGL	18.8%	17	21.3%	20	25.6%	17	25.9%	14
FABL	16.5%	18	21.9%	19	15.8%	19	18.6%	16
SCB	16.3%	19	50.0%	8	63.5%	3	60.4%	3
PBL	9.0%	20	22.1%	18	20.0%	18	18.2%	17
EBL	6.5%	21	NA	NA	NA	NA	NA	NA
RBG	6.4%	22	-16.3%	23	NA	NA	NA	NA
GNB	-8.8%	23	10.9%	22	NA	NA	NA	NA
HFC	-20.2%	24	36.8%	13	42.1%	12	25.4%	15
ADB	-36.7%	25	10.0%	NA	29.7%	NA	11.1%	NA
UTB	NA	NA	11.0%	NA	10.8%	NA	25.5%	NA
CBG	NA	NA	6.4%	NA	20.9%	NA	NA	NA
Industry	31.5%		42.6%		45.2%		37.3%	

The industry Profit Before Tax (PBT) margin decreased from 42.6% in 2014 to 31.5% in 2015 mainly due to substantial rise in impairment charges and operating expenses. PBT fell by 14.7% from GH¢2.9bn in 2014 to GH¢2.5bn in 2015, although total income grew by 14.9%, increasing from GH¢6.7bn in 2014 to GH¢7.7bn in 2015. Net interest income saw the highest growth in the revenue streams with 24.1% increase to GH¢5.3bn in 2015 from GH¢4.2bn in 2014. Fees and commission followed with a 13.7% increase to GH¢1.2bn from GH¢1bn in 2014. Trading income however saw a marginal decrease of 0.5% as against a prior year increase of 77.0%.

Operating expenses increased by 20.2% from GH¢3.4bn in 2014 to GH¢4bn in 2015, albeit marking a drop from 52.0% in 2014. Impairment charges on NPL increased significantly from GH¢439m in 2014 to GH¢1.2bn in 2015; a 168.7% increase. The increase in impairment charges and operating expenses conspired to shrink industry profitability although the industry recorded reasonable growth in income.

Further details of underlying drivers of PBT

Interest income from loans and advances accounted for 64.0% of total industry interest income in 2015. Except for loans to the service industry, which saw a 14.0% growth in 2015 as against a 6.9% growth in 2014, there was a general decline in growth rates in loans and advances to all other industries. Growth in interest income on loans and advances was mainly from advances made to the commerce and finance, services and the electricity, gas and water sectors. Average lending rates at the close of the year was 33.0%, compared to the 2014 year end rate of 29.0%. The industry average base rate increased from 25.7% at December 2014 to 29% at December 2015. In spite of the low growth in the loan portfolio, the increase in the average lending rate contributed to the growth in interest income from loans and advances.

Growth in interest income on investment securities was 17.0% in 2015 compared to 27.0% in 2014. The risk free government securities held by the industry grew by 10% compared to a 4.9% increase in 2014. Interest rates from the short term money market instruments dropped in 2015 compared to 2014. The average interest rates for 91 and 182 day treasury bills reduced from 25.8% and 26.4% in 2014 to 22.9% and 24.4% in 2015, respectively. Interest rates on the 1-year note increased from 22.5% to 23.0% while that of the 2-year note increased from 23.0% to 23.3%.

Returns from cash and short term funds increased by 81.9%, compared to a 62.0% increase in 2014 but only make up 5.4% of the total income of the industry. The average interbank rate increased from 23.7% in 2014 to 25.3% in 2015 and in line with expectations, placements with other banks increased by 11.0% from GH¢7.8bn to GH¢8.7bn. Tight liquidity in the banking industry on the back of the increase in BoG's policy rate from 22.0% in May 2015 to 26.0% in November 2015 resulted in increased activities on the interbank market.

While banks recorded increased interest income in 2015, interest expense also went up, albeit at a reducing growth rate. Interest expense on deposits from customers and deposits from banks increased by 30.0% and 36.0% respectively in 2015 compared to a growth of 40% and 86% in 2014. The fall in growth rate is as a result of slower growth in current and time deposits balances.

Total interest bearing liabilities increased by 9.0% from GH¢41bn in 2014 to GH¢46bn in 2015. The intense competition in the industry and prevailing adverse economic conditions suggest that banks will have to be innovative and creative in their strategies to develop products to sustain the growth they have achieved so far. Long term borrowings, which saw an increase of 119.0% in 2014, experienced a decline of 8.0% in 2015 decreasing from GH¢2bn in 2014 to GH¢1.9bn. However industry deposits continue to increase, constituting about 91.0% of the total interest bearing liabilities in 2015.

Net income from fees and commissions increased by 12.0% from GH¢1bn in 2014 to GH¢1.2bn in 2015, accounting for 15.1% of total industry income, compared to 15.4% recorded in 2014. Keen competition in the industry kept transactions fees stable for the past few years. However, trade related activities slightly slowed down as a result of economic difficulties in the year.

The growth in industry Other Income however experienced a huge decline as compared to prior years' steady growths. This in part resulted from the reduction in gains from revaluation of foreign currency balances due to the relative stability of the Cedi. The currency depreciated by 17% in 2015 (much of which was in the first quarter of the year) as against 26.0% depreciation in 2014. Other Income decreased by 11.8% from GH¢1.4bn in 2014 to GH¢1.2bn in 2015.

Net trading income, which makes up 88.0% of Other Income reduced by 0.6% in 2015 as against an increase of 85.0% in 2014. The marginal decline is as a result of movements in exchange rates, as the Ghana Cedi depreciated against the major trading currencies in 2015. Though the rate of depreciation declined (17.0% in 2015 compared to 26.0% in 2014) it still resulted in exchange losses on transactions and revaluation losses on translation as many banks had short positions (more foreign currency denominated liabilities than assets) at the end of the year.

The industry's operating expenses increased by 20.0% from GH¢3.4bn in 2014 to GH¢4bn in 2015. The significant component was staff cost, accounting for 31.0% of the industry operating expenses, same as in 2014. Banks are equipping their back office with current technology in order to reduce human intervention and this is expected to result in reduction in staff cost in years ahead.

RBG made significant progress in profitability, moving from a loss position of GH¢6.6m to a PBT of GH¢5m in 2015. The bank's deposit base increased significantly by 114.0% to GH¢552m at year end. Funds mobilised were invested mainly in loans, government securities and placements with other banks. These sources of interest income recorded growths of 135.0%, 141.0% and 95.0%

Profitability and efficiency

respectively resulting in the growth of interest income by GH¢124m. The bank also recorded an increase in fees and commissions income in line with the increase in the loan portfolio.

Bank of Baroda continued to be the most profitable bank in the industry. The Bank operates less in the lending business, preferring to invest in Government of Ghana securities and short term placements with other banks. Returns on placements recorded a 71.0% increase to GH¢1.5m in 2015 from GH¢0.88m in 2014. The bank also maintains a relatively healthy loan portfolio as evidenced by over 90.0% drop in impairment charge for the year to GH¢0.008m in 2015 from GH¢0.16m in 2014. The bank closed 2015 with an impairment allowance of GH¢1m compared to GH¢0.98m in 2014.

In spite of the general downturn in economic activity, higher utility prices and increase in the general cost of living, FBN, EBG and BSIC managed to improve on their profitability rankings in 2015. The increase in profitability for FBN was driven by increased investment in Government of Ghana securities and short term placements which increased from GH¢37.9m and GH¢115m in 2014 to GH¢63m and GH¢193m in 2015 respectively. The bank continued with its strategy to improve on the quality of the loan portfolio and reduce its cost of borrowing by streamlining its lending practices and improving on the monitoring of the loan book.

EBG's increased profitability was driven by increased lending in key customer segments and higher returns on investments in government bills and bonds. The bank accounted for 11.7% of the industry's deposits and funds generated were invested in loans & advances and government securities. Loans and advances increased from GH¢2.7bn to GH¢3.1bn resulting in an increase in fees and commissions. Credit related fees and commissions increased from GH¢41m in 2014 to GH¢52m in 2015. However, the economic downturn led to increased impairment charges, reducing the income margins for the year.

The increase in profitability of BSIC was mainly as a result of the significant increase in total operating assets of the bank. Total operating assets increased by 41.0% largely driven by growth in loans and advances from GH¢115m in 2014 to GH¢191m in 2015. The growth in operating assets was mainly funded by a 44.0% increase in customer deposits which increased from GH¢207m in 2014 to GH¢298m in 2015. The additional income earned from interest charges as well as fees and commissions on credit facilities contributed to the increase in profitability.

HFC, ADB and GNB recorded operating losses of GH¢37m, GH¢100m and GH¢5.6m respectively at the close of 2015 after recording profits of GH¢68m, GH¢34m and GS4.5m respectively in 2014. The loss recorded by HFC was as a result of a freeze of interest on a GH¢133m loans classified as non-performing in 2015, leading to substantial rise in impairment charge from GH¢14.2m in 2014 to GH¢81.8m in 2015. Moreover, interest expense increased by 76.0% to GH¢113.6 in 2015 from GH¢64.6m in 2014 mainly due to increase in interest rates on time deposits. Time deposits amounting to GH¢262m (2014: GH¢304m) incurred an expense of GH¢83m (2014:GH¢34m) constituting 73.0% of the total interest expense.

The year 2015 proved to be a challenging year for ADB. The bank moved from a PBT of GH¢47.8m in 2014 to an operating loss of GH¢100m in 2015 and breached the minimum capital adequacy ratio set by BoG. The bank's capital constraints have had an adverse impact on profitability during the year. A high rate of non-performing loans, restructuring costs to meet the requirements for the intended capital increase, threats of staff strike action and the general uncertainty surrounding the future of the bank have all negatively impacted on the bank's operating results for the year. The bank however has a positive outlook on performance for 2016 on the basis of changes to some key management positions and subdued staff-management tensions.

ZBG, UBA and SCB recorded remarkable declines in profitability in 2015. ZBG had a significant increase in impairment charges on loans and advances, again reflecting the general downturn in the quality of the loan portfolio in the industry on the back of increasing utility prices and the energy crisis. The depreciation of the Cedi against the US dollar mainly in the first quarter of the year also resulted in foreign exchange losses for the bank.

UBA recorded a PBT of GH¢90m in 2015 from GH¢163m in 2014. The decline was partly as a result of increase in impairment charge by GH¢44m from GH¢2m in 2014. The gross NPL ratio closed at 6.4% from 1.9% in 2014 reflecting the general economic downturn and the financial difficulty of customers within the petroleum and energy sectors.

SCB also had a challenging year with increases in operating cost and NPL of 10.0% to GH¢231m in 2015 (2014: GH¢211.5m) and 267.0% to GH¢622m (2014: GH¢169m) respectively, combined with marginal growth in interest income of 16.0% in 2015. The bank carried out major internal re-organisation and strategy revision that contributed to the relatively weak operating results in 2015. The bank redefined its risk appetite and this resulted in significant increase of 333.0% in loan impairment charges; once again a reflection of the economic environment in 2015.

It is obvious across the industry that the adverse economic developments, energy crisis, rising inflation and overall hikes in utility and general cost of goods and services negatively impacted the performance of banks in 2015.

The industry loan book increased only marginally with loans and advances closing the year at GH¢27.3bn. (2014: GH¢23.4bn). However, the industry impairment charges to gross loan book and impairment allowance to gross loans book ratios were high, averaging 4.3% (2014: 1.9%) and 7.9% (2014: 4.9%) respectively. This casts doubt on the robustness of credit processes and lending practices adopted in the industry.

Profitability and efficiency

Net interest margin

The industry's net interest income grew by 24.0% from GH¢4.3bn in 2014 to GH¢5.32bn in 2015.

	2015	R	2014	R	2013	R	2012	R
FBN	18.2%	1	16.3%	4	13.2%	9	9.2%	14
GCB	16.5%	2	19.4%	3	17.3%	2	13.3%	5
BBGL	12.3%	3	14.1%	9	14.2%	7	12.0%	8
Baroda	12.1%	4	21.8%	2	22.4%	1	17.1%	1
SCB	10.9%	5	13.6%	11	12.8%	10	8.9%	14
EBG	10.9%	6	15.4%	4	12.8%	9	11.3%	9
FABL	10.4%	7	9.3%	20	7.2%	18	4.5%	21
NIB	10.4%	7	6.7%	23	6.4%	21	7.6%	17
Fidelity	10.4%	9	11.0%	18	11.4%	13	9.5%	12
ZBL	9.8%	10	14.4%	6	10.7%	16	7.3%	19
HFC	9.5%	11	15.0%	5	12.4%	11	10.1%	11
GNB	9.5%	12	45.5%	1	NA	NA	NA	NA
SG-GH	9.4%	13	13.8%	10	12.0%	12	9.0%	13
RBG	8.9%	14	11.4%	17	NA	NA	NA	NA
Stanbic	8.7%	15	11.5%	14	8.9%	17	8.2%	16
ABG	8.5%	16	13.6%	12	16.7%	4	16.4%	2
ADB	8.4%	17	14.4%	8	14.9%	6	14.5%	4
UBA	8.2%	18	14.4%	7	17.1%	3	13.2%	6
PBL	8.2%	19	11.5%	15	10.9%	15	8.4%	15
BOA	8.2%	20	9.0%	21	6.6%	20	7.0%	20
BSIC	8.1%	21	10.9%	19	15.3%	5	15.4%	3
CAL	8.0%	22	11.4%	16	14.2%	8	10.5%	10
GTB	7.8%	23	12.7%	13	11.4%	14	12.6%	7
EBL	4.9%	24	NA	NA		NA		NA
UGL	4.6%	25	7.5%	22	6.9%	19	7.4%	18
UTB		NA	8.3%	NA	10.0%	NA	11.3%	NA
CBG		NA	0.6%	NA	0.6%	NA	NA	NA
Industry	9.7%		16.9%		16.7%		15.4%	

The industry recorded a significant fall in the net interest margin (NIM) from 16.9% in 2014 to 9.7% in 2015. Interest income increased by 27.0% (2014: 43.0%) compared to an increase in interest expense of 32.0% (2014: 50.0%).

The increase in interest income is attributable to growths of 82.0% and 28.0% in income from cash and short term funds and loans and advances respectively. The industry gross loan book grew by 17.0% from GH¢23bn in 2014 to GH¢27bn in 2015 representing 51.0% (2014: 49.0%) of the industry operating assets. The low growth in the loan book is due to the current economic conditions and the resultant higher impairment charges due to increased risk of default in 2015.

The industry investments in cash and short term funds increased by 11.0% from GH¢7.8bn in 2014 to GH¢8.78bn in 2015. Interbank interest rates increased from 23.7% in 2014 to 25.29% compared to the decrease in interest rates noted in risk free government securities. This accounted for the 82.0% (2014: 62.0%) rise in interest income as compared to the 18.0% (2014: 27.0%) rise in income from government securities.

The industry interest expense increased by 32.0% from GH¢2.16bn in 2014 to GH¢2.86bn in 2015. This was driven by the 17.0% growth in industry deposits from GH¢36bn in 2014 to GH¢42bn in 2015. Increased demand for deposits attracting higher interest rates continues to reduce interest margins.

FBN has shown consistent improvements in its NIM, moving from the 14th position in 2012 to the 1st position in 2015. The bank's interest income grew from GH¢14.0m in 2014 to GH¢15.7m in 2015. The bank focused on attracting cheaper deposits in 2015 which resulted in a decrease of 2.0% in interest expense on customer deposits. Short term liabilities with other banks and related parties however increased by 40.0% from GH¢84m in 2014 to GH¢118m in 2015. This accounted for a 54.0% increase in interest expense on bank placements, although the increase was small compared to the gains made on cheap deposits.

NIB and FABL showed significant increases moving up from the 23rd and 20th positions in 2014 to share the 7th position in 2015. NIB's net interest income increased by 94.0% from GH¢133m in 2014 to GH¢258.6m in 2015. The bank cited its strategic growth agenda to be the reason for improved results in 2015 and plans to continue to pursue this in 2016. The plan aims at expanding its service delivery network in order to increase market share and maximise shareholder value. FABL recorded an increase of 69.0% in interest income from GH¢83m in 2014 to GH¢140.9m in 2015. The increase is attributable to the growth in the loan portfolio and placements with other banks to GH¢370m (2014: 337m) and GH¢320m (2014: GH¢123.86m) respectively.

ADB on the other hand, showed significant deterioration in NIM from 2014. The NIM margin is a reflection of the difficulties ADB faced during 2015. The bank's net interest income margins decreased by 13.0% from GH¢207.7m in 2014 to GH¢180.5m in 2015. The bank used 33.0% (2014: 24%) of its interest income to settle costs on interest bearing deposits and recorded a 5.0% decline in its total operating assets driven by capital constraints and liquidity challenges. UBA and GNB noted similar deterioration in their net interest margin between 2014 and 2015.

Profitability and efficiency

Cost to income ratio

Consistent with the challenges the banking sector experienced in 2015, the industry recorded 20.0% increase in operating costs.

	2015	R	2014	R	2013	R	2012	R
Baroda	0.14	1	0.14	1	0.12	1	0.14	1
CAL	0.39	2	0.35	3	0.34	4	0.37	3
UBA	0.41	3	0.31	2	0.27	2	0.35	2
BBGL	0.43	4	0.45	8	0.41	6	0.44	6
SCB	0.44	5	0.41	4	0.31	3	0.37	4
EBG	0.44	6	0.47	10	0.46	10	0.49	9
FBN	0.47	7	0.53	13	0.46	12	0.76	21
BOA	0.49	8	0.57	16	0.72	21	0.67	17
GCB	0.49	9	0.51	12	0.47	13	0.53	11
GTB	0.50	10	0.44	7	0.41	7	0.43	5
ABG	0.51	11	0.42	6	0.44	8	0.46	7
Stanbic	0.53	12	0.46	9	0.44	9	0.53	12
Fidelity	0.53	13	0.58	17	0.60	16	0.62	13
NIB	0.53	14	0.49	11	0.46	11	0.48	8
ZBL	0.55	15	0.41	5	0.41	5	0.52	10
FABL	0.60	16	0.60	18	0.66	19	0.70	18
SG-GH	0.62	17	0.55	14	0.60	17	0.64	14
BSIC	0.63	18	0.74	22	0.80	22	0.67	16
EBL	0.66	19	NA	NA	NA	NA	NA	NA
PBL	0.71	20	0.67	19	0.64	18	0.74	20
UGL	0.73	21	0.72	21	0.71	20	0.70	19
HFC	0.74	22	0.55	15	0.49	14	0.66	15
RBG	0.90	23	1.16	23	NA	NA	NA	NA
ADB	0.96	24	0.72	20	0.58	15	0.78	22
GNB	1.06	25	0.45	NA	0.00	NA	0.00	NA
UTB	NA	NA	0.70	NA	0.70	NA	0.62	NA
CBG	NA	NA	0.91	NA	0.75	NA	NA	NA
Industry	0.5		0.5		0.5		0.5	

The industry cost to income ratio (CIR) remained at 0.5; same for the past four years in spite of the negative impact of increases in general cost of living, higher utility prices and energy crisis on the operating cost of banks across the industry. The industry cost increased by 20.0% from GH¢3bn in 2014 to GH¢4bn in 2015, whereas operating income increasing by 19.0% from GH¢8.9bn in 2014 to GH¢10.64bn in 2015. Contributing significantly to the net operating cost of banks are employee emoluments. Staff related costs accounted for 31.0% of the industry's total operating expenses. (2014: 31.0%)

RBG noted an improvement in CIR recording a reduction of 23.0% to 0.90 in 2015. In spite of the economic challenges experienced during the year, the bank was able to double its income base while operating expenses increased by 56.0%. It appears RBG's deposit mobilisation strategy aided in generating cheaper funds for investments in loans and advances and other financial assets.

BBGL, EBG, BOA, GCB, BSIC and Fidelity recorded improvements in their CIR. BOA and BSIC drove their operating income margins with high earnings on investments in loans and advances and investment securities. Operating costs increased by 22.0% and 31.0% respectively, with staff related costs, once again, constituting the bulk of these costs. The growth in operating costs was however overtaken by the increase in operating income of 43.0% and 54.0% respectively, thereby improving profitability and the CIR of these banks.

GCB improved its position from 0.51 in 2014 to 0.49 in 2015. Operating cost reduced by 1.0% with operating income increasing by 4.0%. Management attributed the decline in operating expenses to the implementation of expenditure consolidation efforts during the year. It appears the major cost savings were from staff related expenses, which decreased by 13.0% from GH¢259.87m in 2014 to GH¢225m in 2015.

Growth in operating income by over 60.0% from GH¢326m in 2014 to GH¢552.0m in 2015 as compared to the increase in operating expenses of 55.0% from GH¢188m in 2014 to GH¢291.98m in 2015 saw the CIR of Fidelity bank improve from 0.58 in 2014 to 0.53 in 2015. The significant growth in operating income was fueled by increased investments in government securities, interbank placements by 131.0% and 53.0% from GH¢1.3bn (2014: GH¢591.0m) and GH¢709m (2014: GH¢463m) respectively and the synergies from merging operations with ProCredit Savings and Loans in April 2015.

EBG and BBGL kept their growth in operating expenses at 12.0% and 20.0% while increasing operating income 18.0% and 20.0% respectively. The growth in operating costs was driven by growth in the general price levels, particularly fuel and utility prices.

ADB, ZBL and HFC showed the most notable deterioration in CIR. ADB's CIR deteriorated due to a 17.0% reduction in operating income as against 11.0% growth in operating expenses, which is reasonable, compared to increases in the operating expenses of other banks.

HFC recorded 40.0% growth in operating expenses in 2015. In addition to rising staff cost, the bank incurred huge expenses during the restructuring.

With operating costs increasing by 42.0% and income growing by 5.0%, ZBL's CIR worsened. Declines in trade volumes and the payment of the US$200m swap transaction in July 2015 caused a significant increase in forex losses from GH¢37m in 2014 to GH¢74m in 2015. This in addition to the 22.0% increase in staff cost caused the decline in the bank's CIR.

The key challenge in the sector continues to be cost management in the face of increasing competition and the changing needs of customers. As banks shift their focus to improving efficiency through increased investments in IT infrastructure, diversifying the product range to meet their customer needs, operating cost associated with development of new and existing technologies will continue to impact on the CIR of banks. Staff related expenses will continue to be key in managing CIR as banks continue to invest in human resource training and development to attract and retain the needed personnel to achieve their strategic objectives.

7 Return to shareholders

Return on assets

In spite of the challenging economic environment which had a negative impact on profitability, the industry managed to grow its total assets by 13.0% in 2015 compared to 41.0% in 2014. ROA declined by 30.0% from 4.3% in 2014 to 3.0% in 2015.

	2015	R	2014	R	2013	R	2012	R
Baroda	6.8%	1	7.5%	2	8.5%	1	6.8%	1
GCB	5.3%	2	6.4%	3	6.0%	4	4.7%	6
EBG	5.0%	3	5.5%	6	4.0%	10	4.2%	9
BBGL	4.9%	4	6.0%	4	6.2%	3	5.3%	5
CAL	4.8%	5	5.2%	9	5.9%	5	4.3%	8
NIB	4.5%	6	3.4%	14	3.2%	14	1.3%	21
GTB	4.5%	7	5.4%	7	5.6%	7	5.7%	3
FBN	4.1%	8	3.0%	16	2.5%	17	0.0%	23
Fidelity	3.6%	9	2.7%	18	2.6%	16	2.1%	15
ABG	3.3%	10	5.0%	10	4.6%	9	4.3%	7
ZBL	3.3%	11	4.5%	11	3.8%	11	3.2%	11
Stanbic	3.1%	12	4.1%	13	3.7%	13	3.3%	10
BSIC	3.0%	13	1.2%	22	-2.0%	24	1.9%	16
UBA	2.6%	14	5.4%	8	5.8%	6	6.7%	2
BOA	2.4%	15	3.1%	15	-0.5%	23	0.4%	22
SG-GH	2.2%	16	3.0%	17	3.0%	15	2.8%	12
SCB	2.0%	17	5.9%	5	7.0%	2	5.7%	4
FABL	1.3%	18	1.2%	23	1.3%	20	1.5%	19
UGL	1.0%	19	1.5%	21	2.0%	18	1.8%	18
PBL	0.7%	20	1.7%	20	1.7%	19	1.4%	20
EBL	0.4%	21	NA	NA	NA	NA	NA	NA
RBG	0.3%	22	-1.2%	26	NA	NA	NA	NA
GNB	-1.0%	23	14.5%	1	NA	NA	NA	NA
HFC	-2.5%	24	4.1%	12	3.7%	12	2.2%	13
ADB	-3.7%	25	2.2%	19	5.0%	8	1.8%	17
UTB	NA	NA	0.7%	24	0.7%	22	2.1%	14
CBG	NA	NA	0.4%	25	1.1%	21	NA	NA
FNB	NA	NA	NA	NA	NA	NA	NA	NA
Industry	3.0%		4.3%		4.2%		3.5%	

The industry struggled in 2015 as a result of the unfavourable economic conditions which contributed to high loan loss provisions and reduced profitability. This led to a fall in returns to shareholders.

The industry average return on assets ("ROA") which has consistently witnessed a steady growth in the last four years declined by 30.0% in 2015. The ROA is a function of profits for the year and total assets. Banks which have consistently reported increases in ROA in previous years reported decreases in 2015. This is due to the significant decline in profits for the year whiles total assets increased. Many banks were plagued with significant impairment losses which lowered their profits compared to those recorded in prior year. Industry profitability reduced in 2015 to 22.7% from 32.4% in 2014.

Ten banks which reported the top ten ROAs in 2014 all reported a decline in 2015. GN Bank which reported the highest ROA of 14.5% in 2014, witnessed a significant decline to negative 1.0% dropping from the first position to the 23rd position. While the bank's total assets increased by 15.0%, profit dropped into the negative. Bank of Baroda which had reported the highest ROA for the past three years until the entry of GN Bank reported ROA of 6.8% which was the highest in the industry. Albeit, this was a decline of 9.0% from its 2014 reported ROA of 7.5%.

ADB and HFC recorded the most significant declines in ROA. Whereas ADB recorded a decrease of 268.0% by posting a negative ROA of 3.7% compared to prior year's positive ROA of 2.2%, HFC's ROA declined by 161.0% resulting in a negative ROA of 2.5% (2014: 4.1%). ADB and HFC had an unfavourable year and recorded increased impairment losses.

Thirteen banks reported ROAs above the industry's average of 3.0% compared to eleven banks in 2014. UBA and Stanchart which have consistently reported ROA above the industry average, in 2015 reported ROA below the industry average. Whereas Stanchart reported ROA of 2.0% (2014: 5.9%), UBA reported ROA of 2.6% in 2015 (2014: 5.4%). Stanchart recorded a relatively steady total income of GH¢531m in 2015 compared to GH¢521m in 2014 but this was impacted by impairment losses which more than quadrupled in 2015 to GH¢212m compared to GH¢49m in 2014. The net effect was a 68.0% decline in profit to GH¢66m compared to a recorded profit of GH¢208m in 2014. UBA also recorded a significant increase in impairment losses resulting in an impairment loss of GH¢47m in 2015 compared to GH¢3m in 2014. Though UBA's total income was relatively stable, the upsurge in impairment losses eroded the potential profits, resulting in a net decrease in profit by 45.0% to GH¢63m in 2015.

Stanbic bank recorded ROA of 3.1%, slightly above the industry average. Stanbic bank has not been able to meet the industry average ROA since 2011 when it recorded an ROA of 2.5% just above the industry average of 2.4%. In 2015, the bank's profit declined by 10.0% to GH¢134m. Total assets on the other hand, increased by 17.0% to GH¢4.3bn in the year.

Five banks recorded an increase in ROA compared to 10 banks in 2014. BSIC which has consistently recorded one of the least ROAs in the industry moved to the 13th position with ROA of 3.0%. Contrary to the decline in profitability recorded by many banks in the industry, BSIC recorded 249.0% increase in its profit from GH¢4.3m in 2014 to GH¢15.1m in 2015, although impairment losses increased from GH¢5m in 2014 to GH¢5.2m over the period. Total assets also increased by 41.0% to GH¢498.2m in 2015.

Return to shareholders

Return on equity

Capital injections did not yield the expected results due to significant impairment losses which wiped out potential profits in 2015.

	2015	R	2014	R	2013	R	2012	R
EBG	37.2%	1	39.5%	4	33.4%	4	31.4%	4
CAL	31.6%	2	35.8%	8	32.6%	5	24.3%	7
BBGL	30.3%	3	37.0%	7	32.1%	6	28.2%	5
GCB	30.0%	4	40.9%	3	45.3%	2	49.1%	1
Fidelity	29.3%	5	21.3%	15	28.5%	10	22.9%	9
GTB	26.2%	6	30.9%	10	28.3%	11	27.1%	6
Stanbic	25.0%	7	32.9%	9	30.7%	7	24.2%	8
UBA	23.6%	8	47.0%	2	51.1%	1	38.0%	3
ABG	22.4%	9	29.4%	11	21.1%	13	20.4%	11
NIB	22.1%	10	16.3%	17	13.5%	18	11.6%	16
BOA	19.9%	11	25.8%	12	-3.5%	23	3.4%	22
ZBL	19.1%	12	39.1%	6	30.2%	8	21.6%	10
SG-GH	16.9%	13	22.4%	14	18.8%	14	17.8%	12
FBN	16.5%	14	11.1%	22	8.7%	19	0.2%	23
BSIC	16.5%	15	5.7%	24	-5.8%	24	5.0%	21
Baroda	15.3%	16	14.7%	19	14.9%	16	10.8%	18
UGL	13.0%	17	14.9%	18	17.3%	15	17.5%	13
SCB	11.9%	18	39.4%	5	42.7%	3	43.8%	2
FABL	10.0%	19	11.5%	21	6.7%	22	5.2%	20
PBL	6.8%	20	17.1%	16	14.7%	17	11.3%	17
RBG	2.9%	21	-5.2%	26	NA	NA	NA	NA
EBL	2.0%	22	NA	NA	NA	NA	NA	NA
GNB	-4.2%	23	52.2%	1	NA	NA	NA	NA
HFC	-21.8%	24	23.0%	13	22.2%	12	10.2%	19
ADB	-23.7%	25	13.9%	20	28.7%	9	13.5%	15
CBG	NA	NA	4.1%	25	7.6%	21	NA	NA
UTB	NA	NA	7.9%	23	7.6%	20	16.3%	14
FNB	NA	NA	NA	NA	NA	NA	NA	NA
Industry	20.7%		29.3%		27.5%		23.8%	

In line with the trend of ROA, the industry average return on equity ("ROE") also declined from 29.3% in 2014 to 20.7% in 2015. The ROE is a function of profit for the year and total shareholders' funds. It therefore varies directly with profit levels, which suffered a 23.0% squeeze in the year, resulting in reduced ROE.

Ten banks reported ROE above the industry average whereas 15 banks had ROEs below the industry average. With the exception of GN Bank, HFC and ADB, which reported negative ROE ratios, all other participating banks reported a positive ROE though PBL, RBG and EBL reported a single digit ROEs.

GN Bank recorded a negative ROE of 4.2% in 2015 and this was largely as a result of the reported loss of GH¢5.6m driven mainly by 189.0% and 39.0% increases in impairment charges and operating expenses respectively in 2015. The bank injected additional funds to move its capital from GH¢60.3m in 2014 to GH¢121.7m in 2015.

The decline in ADB's ROE is largely attributed to an increase of 87.0% in its impairment charges from a reported GH¢59m in 2014 to GH¢111m in 2015 and an 11% increase in its operating expenses. The bank reported a loss of GH¢79m compared to a profit of GH¢47.8m in 2014. HFC on the other hand reported a loss of GH¢39m in 2015 compared to profit of GH¢54m in 2014. The bank's impairment losses also increased by 502.0% to GH¢85m in 2015. The two banks operated in difficult environments in 2015. Whereas ADB experienced intense tensions between management and staff unions, HFC experienced agitations in relation to the bank's restructuring.

Six banks including Fidelity, NIB, FBN, BSIC, and Bank of Baroda reported increases in ROE with the remaining banks reporting declines in ROE. Fidelity bank achieved ROE of 29.3% in 2015 as a result of 80.0% increase in profit to GH¢147.7m. The increase in profitability was driven by an increase in interest income by 74.0%. The merger with Procredit is also a contributing factor as the bank has started reaping the synergetic effects. CAL bank came 2nd in 2015 from a previous 8th position in 2014. The bank reported a relatively steady growth rate of 29.0%, 22.0% and 14.0% in shareholders' funds, total income and profitability respectively.

Though Ecobank topped the chart, the bank recorded a 6.0% decline in ROE compared to that 2014. UBA which previously reported the second highest ROE dropped to the 8th position with a 50.0% decline in its ROE. This was largely attributable to the increase in impairment losses resulting from energy sector related NPLs. Impairment losses shot up to GH¢47m in 2015 from GH¢3m in 2014.

8 Liquidity

Liquid funds/total deposits

The growth rate in customer deposits decreased from 38.4% in 2014 to 16.8% in 2015.

	2015	R	2014	R	2013	R	2012	R
Baroda	1.48	1	1.19	1	1.58	1	2.26	1
EBL	1.10	2	NA	NA	NA	NA	NA	NA
BOA	1.00	3	0.90	5	0.63	13	0.48	18
FBN	0.91	4	1.13	2	1.03	5	0.88	2
GNB	0.85	5	0.79	10	NA	NA	NA	NA
CAL	0.84	6	0.90	6	0.62	16	0.45	20
FABL	0.80	7	1.00	4	1.23	2	0.66	12
Fidelity	0.79	8	0.60	18	0.55	18	0.57	16
GCB	0.77	9	0.89	7	0.78	7	0.82	5
UBA	0.76	10	0.69	15	1.03	4	0.73	10
SCB	0.75	11	0.76	11	0.76	8	0.75	9
Stanbic	0.73	12	0.52	20	0.74	11	0.59	14
GTB	0.71	13	0.81	9	0.90	6	0.85	4
BSIC	0.70	14	0.82	8	0.74	12	0.75	8
ZBL	0.69	15	1.03	3	1.10	3	0.76	7
BBGL	0.62	16	0.71	13	0.74	10	0.78	6
SG-GH	0.61	17	0.50	21	0.38	20	0.55	17
NIB	0.59	18	0.70	14	0.52	19	0.48	19
EBG	0.57	19	0.62	16	0.62	15	0.67	11
ADB	0.57	20	0.62	17	0.57	17	0.58	15
ABG	0.55	21	0.56	19	0.63	14	0.86	3
HFC	0.55	22	0.76	12	0.74	9	0.60	13
RBG	0.52	23	0.45	22	NA	NA	NA	NA
PBL	0.39	24	0.33	24	0.37	21	0.38	21
UGL	0.33	25	0.35	23	0.32	22	0.37	22
CBG	NA	NA	1.08	NA	0.75	NA	NA	NA
UTB	NA	NA	0.26	NA	0.30	NA	0.27	NA
Industry	0.66		0.68		0.69		0.65	

The ability and ease with which assets can be converted to cash without significant loss in value to meet the banks' financial obligations is a key performance indicator monitored by the BoG. Holding a high level of liquid assets widens the safety net of the banks and ensures compliance with the BoG's minimum liquidity requirements; however, these benefits are offset by the returns the banks may forfeit by not investing in longer term assets with relatively higher returns. Excess liquidity in the industry may also be an indication of limited lending opportunities for banks; a core earning activity of these banks. The primary reserve requirement has remained at 10.0% since November 2014.

The liquidity conditions of Ghana's banking sector tightened in 2015 and all indicators of liquidity decreased driven by the increase in BoG's prime rate which went up to 26.0% in November 2015. Consistent with this, the banking industry's liquid funds to total deposits ratio reduced to 0.66 (2014: 0.68).

Baroda continues to adopt a conservative approach to banking as it holds a significant portion of its deposits in liquid assets. With the highest liquid assets to deposits ratio in the industry for the 5th consecutive year, Baroda has maintained a consistent approach in the deployment of its resources.

EBL; a new entrant in the banking survey this year; had the second highest liquidity ratio of 1.10. This was driven by significant investments in placements with other banks. 10.0% of EBL's deposits were invested in loans and advances while the rest were held in liquid assets.

Fidelity registered liquid assets to deposit ratio of 0.79 (2014: 0.60). Deposits of the bank grew to GH¢3bn in 2015 from GH¢1.77bn in 2014, representing a 70% growth. This is largely attributed to the migration of all balances of Procredit Savings and Loans Limited to Fidelity as well as intensified deposit mobilisation efforts including the 'Save for Gold' promotion launched in August 2015. Liquid funds increased from GH¢1.3bn in 2014 to GH¢2.4bn in 2015, 56.0% of which were Government securities.

ZBL settled a US$200m swap transaction, initially financed by funds from Zenith Bank (UK), with the Bank of Ghana when the transaction expired in July 2015. The bank also undertook significant capital investments averaging GH¢79m for branch expansion. The above factors impacted the liquidity position of the bank and as a result ZBL recorded the steepest decline in liquid funds to deposit ratio in the industry, from 1.30 in 2014 to 0.69 in 2015. The Bank held GH¢721m in government securities at year end 2015 as against GH¢1.28bn in 2014.

HFC recorded the second highest dip in liquidity ratio from 0.76 in 2014 to 0.55 in 2015. This is largely due to the increase in customer deposits from GH¢660m in 2014 to GH¢882m in 2015 while liquid funds on the other hand reduced marginally by 4.6% in 2015. Funds collected from deposits were invested in loans and advances evidenced by the increase in gross loans and advances from GH¢706m in 2014 to GH¢988m in 2015.

BSIC's liquid funds to deposits ratio decreased from 0.82 in 2014 to 0.70 in 2015. Deposits increased by 48.0% in 2015 while liquid funds increased at a relatively slower rate of 27.0%, leading to the fall in this ratio. BSIC continues to steadily grow deposits with more intensified deposit mobilisation drive, coupled with improving customer base by offering premium customer service and products.

UGL recorded a liquid asset to total deposit ratio of 0.33 the lowest in the industry in 2015 for participating banks, UGL has been in the lower end of the industry liquidity rankings for the past five consecutive years. In May 2015, UGL signed a Euro 10m long term loan agreement with the European Investment Bank to enable the Bank extend loan facilities to its SME clients. This is expected to help improve the bank's liquidity position in the coming years.

Liquidity

Liquid funds/total assets

Industry's liquid funds to total asset ratio remained at 0.5 despite limited lending within the industry in response to increasing customer defaults.

	2015	R	2014	R	2013	R	2012	R
EBL	0.85	1	NA	NA	NA	NA	NA	NA
FBN	0.66	2	0.52	12	0.56	8	0.56	8
UBA	0.65	3	0.60	4	0.88	1	0.59	6
GNB	0.63	4	0.55	10	NA	NA	NA	NA
Baroda	0.62	5	0.56	7	0.65	2	0.71	1
FABL	0.62	6	0.57	5	0.57	7	0.40	16
BOA	0.60	7	0.55	11	0.41	15	0.41	15
Fidelity	0.59	8	0.43	15	0.46	14	0.48	12
SCB	0.57	9	0.56	6	0.55	9	0.53	9
GCB	0.56	10	0.64	1	0.61	6	0.64	2
ZBL	0.55	11	0.62	2	0.61	5	0.63	3
BSIC	0.55	12	0.61	3	0.47	12	0.45	13
Stanbic	0.54	13	0.43	16	0.62	4	0.48	11
GTB	0.49	14	0.55	9	0.64	3	0.60	5
BBGL	0.49	15	0.56	8	0.55	10	0.60	4
SG-GH	0.49	16	0.41	20	0.30	21	0.44	14
ABG	0.43	17	0.42	18	0.47	13	0.58	7
EBG	0.43	18	0.48	13	0.49	11	0.53	10
ADB	0.40	19	0.42	17	0.37	17	0.39	17
CAL	0.40	20	0.46	14	0.33	19	0.31	21
NIB	0.40	21	0.40	21	0.34	18	0.38	18
HFC	0.33	22	0.41	19	0.41	16	0.37	19
PBL	0.31	23	0.26	24	0.31	20	0.31	22
RBG	0.30	24	0.27	23	NA	NA	NA	NA
UGL	0.27	25	0.29	22	0.27	22	0.31	20
CBG	NA	NA	0.52	NA	0.44	NA	NA	NA
UTB	NA	NA	0.19	NA	0.23	NA	0.22	NA
Industry	0.48		0.48		0.50		0.50	

The industry's liquid funds to total assets ratio remained unchanged at 0.48 in 2015. Banks demonstrated an increased appetite for liquid assets on the back of liquidity tightening which followed the increase in Bank of Ghana's policy rate from 22.0% in May 2015 to 26.0% in November 2015. The industry's loans and advances increased at a decreasing rate of 17.0% (2014:44%). Given the drive to maintain a high quality loan book, the industry seems to have scaled down on its lending activity, with some limited and targeted lending to less risky businesses and industry sectors on a short term basis.

EBL recorded the highest liquid funds to total assets ratio among participating banks in 2015. This may be attributed to the fact that the bank continues to have a more conservative approach to lending with 85.0% of its total assets held in liquid assets.

GCB broadened its asset base by GH¢397m to GH¢4.6bn in 2015 with 56% of its total assets held in liquid funds. The bank increased the proportion of liquid funds held in government securities with 41% still maturing within one year of acquisition. The bank's relatively higher liquidity in prior year can be attributed to the arrangement it secured with the government to convert the indebtedness of Tema Oil Refinery to bonds. This holding has been diluted as the bank grows it loan book. At 31 December 2015, the bank held 79% of its liquid funds in government securities.

FBN had the second highest liquid funds to total assets ratio in the industry of 0.66, This may be an outcome of the extreme caution by the new owners to get a better appreciation of the banking industry before extending credit facilities to customers. It is expected that the bank's growth strategies will focus on lending as the driver of its long term goals.

The branch expansion initiative undertaken by NIB, which seeks to increase its branches to 50 by 2016, impacted the bank's liquid assets to total assets ratio. Despite the growth in total assets by GH¢335.0m to GH¢2.6bn in 2015 representing a 14.5% increase, the bank maintained its liquid funds at 40.0% of total assets. NIB's liquidity position is expected to remain fairly constant in the short term as the bank continues in its aggressive strategic plan of expanding its service delivery network.

GNB's ratio increased to 0.63 in 2015 from 0.55 in 2014. The improvement is a result of the final tranche of an exchange of portfolio of loans and advances for cash consideration of GH¢144m with Ghana Growth Fund Company Limited.

CAL increased its total assets to GH¢3.4bn from GH¢2.7bn. Funds collected through its deposit mobilisation strategies were mainly channeled into lending activities. At the end of 2015, 54.0% (GH¢1.8bn) of its total assets were held in loans and advances, an improvement from the prior year's 49.0%. The liquid funds to total assets ratio therefore reduced from 46.0% to 40.0% in line with management's focus on growing and maintaining a quality loan portfolio.

With ratios of 27%, 30% and 31% held by UGL, RBG and PBL respectively, these banks have been more aggressive with lending. RBG's total assets grew from GH¢439m to GH¢950m of which 61% (GH¢578m) was held in loans and advances as against 56% (GH¢246m) in 2014.

Like RBG, UGL's total assets grew from GH¢2.1bn in 2014 to GH¢3.8bn in 2015 and are held mainly in loans and advances (64.6% of total assets). Liquid funds also increased from GH¢117m in 2014 to GH¢349m in 2015. This increase is in line with the increase in deposits by 60.0% in 2015 and also the increase in borrowings from GH¢58m in 2014 to GH¢181m in 2015

PBL also increased total assets from GH¢1bn in 2014 to GH¢1.3bn in 2015. Liquid assets had increased by 47.8% and total assets by 22.0%. This accounted for the improvement in liquid funds to total assets ratio from 0.26 in 2014 to 0.31 in 2015.

Although holding low levels of liquid funds may prove profitable for banks as a relatively higher return may be earned where funds are invested in instruments with longer tenor, additional costs may be incurred in obtaining funds to meet the liquidity gap.

Liquidity

Liquid funds/ total interest bearing liabilities

Liquid funds to total interest bearing liabilities increases to 1.07 in 2015 from 1.02 in 2014.

	2015	R	2014	R	2013	R	2012	R
Baroda	1.16	1	1.19	1	1.58	1	2.00	1
EBL	1.10	2	NA	NA	NA	NA	NA	NA
FBN	0.91	3	0.75	5	0.80	4	0.77	5
GNB	0.85	4	0.79	4	NA	NA	NA	NA
UBA	0.76	5	0.69	9	1.03	2	0.73	9
SCB	0.75	6	0.73	6	0.73	8	0.67	10
FABL	0.73	7	0.64	12	0.72	10	0.59	12
GCB	0.73	8	0.84	2	0.75	5	0.76	6
BOA	0.73	9	0.66	11	0.50	16	0.47	18
Stanbic	0.72	10	0.52	20	0.73	9	0.58	13
Fidelity	0.71	11	0.52	19	0.52	15	0.55	15
BSIC	0.68	12	0.79	3	0.74	7	0.75	8
ZBL	0.68	13	0.71	8	0.72	11	0.75	7
BBGL	0.62	14	0.71	7	0.74	6	0.78	3
GTB	0.61	15	0.69	10	0.81	3	0.77	4
SG-GH	0.60	16	0.50	21	0.38	20	0.55	14
NIB	0.54	17	0.63	13	0.48	17	0.44	19
EBG	0.53	18	0.59	14	0.59	13	0.64	11
ABG	0.52	19	0.53	17	0.62	12	0.80	2
ADB	0.49	20	0.52	18	0.47	18	0.48	17
CAL	0.49	21	0.56	15	0.42	19	0.39	20
HFC	0.40	22	0.53	16	0.52	14	0.49	16
RBG	0.36	23	0.35	22	NA	NA	NA	NA
PBL	0.35	NA	0.30	NA	0.36	NA	0.37	NA
UGL	0.31	NA	0.34	NA	0.31	NA	0.36	NA
CBG	NA	NA	0.62	NA	0.53	NA	NA	NA
UTB	NA	NA	0.22	NA	0.26	NA	0.26	NA
Industry	1.07		1.02		1.08		1.21	

The industry recorded a ratio of 1.07 for the year with over 50.0% of participating banks maintaining their liquid funds to total interest bearing liabilities ratio above the industry average. The growth in this ratio stems from slower rate of growth in total interest bearing liabilities of 8.3% in 2015, while industry liquid assets increased by 13.3% in 2015.

The marginal improvement in SCB's liquidity position from 0.7 in 2014 to 0.8 in 2015 was driven by the settlement of its short term borrowings. The bank's borrowings, which were undertaken to fund its operational obligations, reduced by GH¢112m at year end 2015.

EBL held liquid funds in excess of its total interest bearing liabilities. The bank does not seem to have settled into providing loans and advances to customers with such a large percentage of total assets in liquid funds. The bank's lending activity is focused on short term facilities as 96% of the bank's gross loans are overdraft facilities.

Baroda reduced its liquid funds to total interest bearing liabilities ratio from 1.19 in 2014 to 1.16 in 2015. Liquid funds increased from GH¢108.8m in 2014 to GH¢166.6m in 2015 whereas interest bearing liabilities increased to GH¢143m in 2015 from GH¢91m in 2014. The increase in liquid assets seems to have been financed by the increase in customer deposit of GH¢112m in 2015.

BSIC's customer deposits increased by 43.0% in 2015 to GH¢297m from GH¢207m in 2014. This impacted the bank's liquid funds to total interest bearing liabilities ratio pulling it down to 0.68 in 2015 from 0.79 in 2014. BSIC's growth in customer deposits averaged 60.0% between 2012 and 2015, in keeping with the Bank's growth strategy.

EBG liquid funds to total interest bearing liabilities ratio was 0.53 in 2015 compared 0.59 in 2014. Liquid funds grew by 4.3% in 2015 as against a 15.7% growth in total interest bearing liabilities. There were significant investments in property and equipment of GH¢134m and this contributed to the decline in liquid funds.

With a liquid funds to total interest bearing liabilities ratio of 0.36, 0.35 and 0.31, RBG, PBL and UGL have the lowest liquidity ratio among participating banks respectively. These banks may need to closely monitor their liquidity gaps to ensure they have sufficient assets to meet maturing obligations at all times.

Maintaining a high level of interest bearing liabilities may increase banks' funding costs and affect the banks' net interest margin. Customer deposits ordinarily provide the cheapest source of funds for banks, hence the deposit mobilisation strategies undertaken by banks during the year were mostly centered on cheap deposits (that is current and savings deposits as against term deposits). This was the major determinant of the level of interest bearing liabilities held by banks in the industry.

9 Asset quality

Impairment allowance/ gross loans and advances

The industry recorded a significant increase in impairment allowance to gross loans and advances ratio from 4.9% in 2014 to 7.9% in 2015.

	2015	R	2014	R	2013	R	2012	R
RBG	0.5%	1	0.0%	1	NA	NA	NA	NA
ABG	1.7%	2	2.6%	10	2.6%	3	15.2%	19
UGL	1.7%	3	1.7%	5	1.3%	2	1.2%	2
BOA	2.6%	4	3.7%	12	20.1%	20	17.2%	21
Baroda	2.9%	5	0.0%	1	0.0%	1	0.0%	1
GTB	3.0%	6	5.6%	14	7.3%	15	8.3%	13
CAL	3.3%	7	1.6%	4	3.8%	5	4.3%	8
Fidelity	4.2%	8	2.5%	9	4.9%	9	3.8%	4
GNB	4.6%	9	1.0%	3	NA	NA	NA	NA
EBG	4.9%	10	2.4%	7	4.2%	8	4.1%	6
Stanbic	5.5%	11	3.0%	11	2.8%	4	4.3%	7
FBN	6.3%	12	2.4%	8	18.9%	19	13.2%	17
PBL	6.9%	13	6.2%	16	7.3%	14	7.1%	12
UBA	6.9%	14	2.3%	6	3.9%	6	1.5%	3
BBGL	9.0%	15	6.3%	17	8.3%	16	8.8%	15
ZBL	9.6%	16	4.4%	13	5.4%	11	8.9%	16
GCB	11.0%	17	8.7%	20	10.7%	17	14.7%	18
FABL	11.4%	18	11.8%	22	17.7%	18	15.4%	20
HFC	12.1%	19	5.8%	15	5.0%	10	4.9%	10
SG-GH	13.0%	20	9.4%	21	5.5%	12	5.0%	11
ADB	15.4%	21	7.7%	19	5.9%	13	4.8%	9
BSIC	16.4%	22	25.5%	23	24.8%	21	8.4%	14
SCB	19.9%	23	6.6%	18	4.0%	7	3.8%	5
EBL	21.3%	24	NA	NA	NA	NA	NA	NA
NIB	21.5%	25	10.5%	NA	14.5%	NA	12.4%	NA
CBG	NA	NA	2.2%	NA	2.3%	NA	NA	NA
UTB	NA	NA	5.6%	NA	5.9%	NA	4.7%	NA
Industry	7.9%		4.9%		6.3%		6.6%	

The total industry loan book increased from GH¢23.4bn in 2014 to GH¢27.2bn in 2015. It appears that the construction, electricity, gas and water, commerce and finance and services sectors were the main beneficiaries of the industry's total loan book in 2015. The commerce and finance sectors continue to receive the highest loans of GH¢1.1bn in 2015 compared to GH¢1.8bn in 2014. Loans to the manufacturing sector reduced significantly in 2015 to GH¢735m from GH¢1.4bn in 2014. This perhaps is an indication of how the manufacturing sector has been hit by unfavourable macroeconomic factors particularly the energy crisis which made many banks reluctant to grant loan facilities to businesses in this sector. The growth in the industry's loan book was funded mainly by increase in deposits (from GH¢36bn in 2014 to GH¢42bn in 2015). The growth in the industry's loan book coupled with the challenging economic conditions resulted in an increase in impairment charge from GH¢438m in 2014 to GH¢1.8bn in 2015.

Despite banks' efforts to strengthen their credit administration and recovery procedures, a deterioration of the macro-economic fundamentals and the rising cost of living and doing business led to an industry wide credit deterioration in 2015. The desperate effort to get a reliable power supply on stream and sub-market pump price for fuel left in its wake a 'legacy debt' which threatens the banking industry's operations. The exposure to likes of VRA, TOR, GRIDCO, ECG and the Bulk Distribution Companies (BDCs) is enormous. The government's intervention will go a long way to mitigate the exposure from the threat. Measures taken by government to address the issue include fuel price liberalization regime, implementation of energy sector levies and revision in utility tariffs. Moreover, plans are underway to securitise the BDC debts to help clean the loan book of affected banks.

Concerned with this high level NPLs and the capital adequacy of Ghanaian banks, the regulator, BoG instituted a diagnostic review of the loan books and investments of commercial banks in 2015. The outcome of the exercise may have influenced the aggressive provisioning experienced by the industry and the increased level of NPLs reported in 2015.

GTB, BSIC, ABG and BOA showed slight improvement in asset quality in 2015 as their impairment allowance to gross loans and advances ratio declined by 46.0%, 36.0%, 35.0% and 30.0% respectively.

GNB, SCB, UBA, FBN, ZBL, HFC, CAL, NIB, EBG and ADB all recorded over 100.0% increment in impairment allowance to gross loans and advances ratios in 2015 compared to 2014. Total impairment allowances were GH¢25bn in 2015 compared to GH¢22bn in 2014. Impairment charges were also GH¢1.8bn in 2015 compared to GH¢438m in 2014.

GTB appears to have improved the quality of its loan portfolio as its gross loan book increased from GH¢ 503m in 2014 to GH¢ 657m but its total impairment allowance decreased by 30% from GH¢ 28m in 2014 to GH¢ 19m in 2015. It appears that the bank has pursued cautious lending and recovery. During the year there was recoveries of GH¢ 3.5m which also led to a decline in impairment charge from GH¢4.8m in 2014 to GH¢ 1.4m in 2015.

ABG grew its gross loans from GH¢875m in 2014 to GH¢1.2bn in 2015 without necessarily experiencing a deterioration of the loan book. The bank continues to write off its non-performing loan book. The write offs amounted to GH¢17m in 2015 (2014: GH¢5m). These write offs partly contributed to a decline in impairment allowance from GH¢22.5m in 2014 to GH¢20.7m in 2015.

BOA showed a 13.0% increase in its loan book recording GH¢397m in 2015 (2014: GH¢351m). It appears that BOA has adopted a risk averse approach to extending credit, limiting its exposure to just a few customers and has been cautious with its branch expansion programme. Impairment allowance declined from GH¢13m in 2014 to GH¢10m in 2015 as a result of a GH¢32m write off of non-performing loans in 2015 (2014: GH¢37m).

SCB continues to see stable growth in its loan book over the last four years, however, the bank's impairment allowance to gross loans and advances ratio increased by 202.0%, being the second highest increase in the industry after GNB. The bank grew its loan book from GH¢974m to GH¢1bn. Impairment allowance also increased from GH¢66m in 2014 to GH¢98m in 2015. This is an indication that despite the bank's risk management practices, the bank continues to be exposed to the shocks from the deteriorating macro-economic conditions.

RBG for the first time since its incorporation in 2012 recorded an impairment allowance (GH¢2.8m) and its loan book also increased from GH¢245m in 2014 to GH¢581m in 2015. The gross loan book of Baroda increased from GH¢82m in 2014 to GH¢100m in 2015. Baroda's impairment charge also increased from GH¢0.982m in 2014 to GH¢1m in 2015. It appears these banks have revised their risk management approach by extending credit to customers mainly in the commerce and finance sector of the economy. The increment in impairment allowances can be attributed to deteriorating macro-economic conditions.

A List of participants

25 out of the 30 banks currently operating in the country participated in this year's survey. The list of banks is presented in the table below.

Name of Bank	Year of Incorporation	Majority Ownership	Number of branches (as at 30 June 2016)	Chief Executive Officer (as at 30 June 2016)
Access Bank (Ghana Limited)	2008	Foreign	48	Mr Dolapo Ogundimu
Agricultural Development Bank Limited	1965	Local	82	Mr. Daniel Asiedu
Bank of Africa Ghana Limited	1997	Foreign	20	Mr. Kobena Andah
Bank of Baroda (Ghana) Limited	2007	Foreign	2	Mr R Mohan
Barclays Bank Ghana Limited	1917	Foreign	56	Mrs. Patience Akyianu
BSIC Ghana Limited	2008	Foreign	17	Mr. Mensa Affambi
CAL Bank Limited	1990	Local	26	Mr. Frank Brako Adu Jnr
Ecobank Ghana Limited	1990	Foreign	78	Mr. Morgan Asiedu*
Energy Bank (Ghana) Limited	2010	Foreign	12	Mrs. Christiana Olaoye
FBN Bank Ghana Limited	2006	Foreign	19	Mr. Gbenga Odeyemi
Fidelity Bank Ghana Limited	1996	Local	76	Mr. Edward Effah
First Atlantic Bank Limited	1994	Foreign	23	Mr. Odun Odunfa
First National Bank Limited	2014	Foreign	5	Mr. Richard Hudson
Capital Bank Limited	2009	Local	18	Mr. Fitzgerald Odonkor
GCB Bank Limited	1953	Local	160	Mr. Samuel Sarpong*
GN Bank Limited	2014	Local	181	Mr. Issah Adam
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	34	Mr.Olalekan Sanusi
HFC Bank Ghana Limited	1990	Foreign	42	Mr. Robert Le Hunte
National Investment Bank Limited	1963	Local	41	Mr. John Asamoah
Prudential Bank Limited	1993	Local	35	Mr. Stephen Sekyere-Abankwa
Societe Generale Ghana Limited	1975	Foreign	41	Mr. Sionle Yeo
Sovereign Bank Limited	2015	Local	1	Mr Johann Rheeder
Stanbic Bank Ghana Limited	1999	Foreign	36	Mr. Alhassan Andani
Standard Chartered Bank Ghana Limited	1896	Foreign	30	Mr. Kweku Bedu-Addo
The Royal Bank	2011	Local	25	Mr. Robert Kow Bentil
United Bank for Africa (Ghana) Limited	2004	Foreign	26	Mrs. Marufatu Abiola Bawuah
UniBank (Ghana) Limited	1997	Local	37	Mr. Felix Nyarko-Pong
Universal Merchant Bank Ghana Limited	1971	Local	52	Mr. John Awuah
UT Bank Limited	1995	Local	30	Mr. Stephen Antwi - Asimeng
Zenith Bank Ghana Limited	2005	Foreign	29	Mr. Henry Oroh

Note: Banks shaded grey did not participate in the 2016 Ghana Banking Survey

** Acting Managing Director*

B

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 payout 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 non-interest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits

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

Net profit = Profit before tax - Income tax expense

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

Non-interest operating expenses include 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 include 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, capital surplus or revaluation reserves

Total assets = Total operating assets + Total non-operating assets

Total debt ratio = Total liabilities/ Total assets

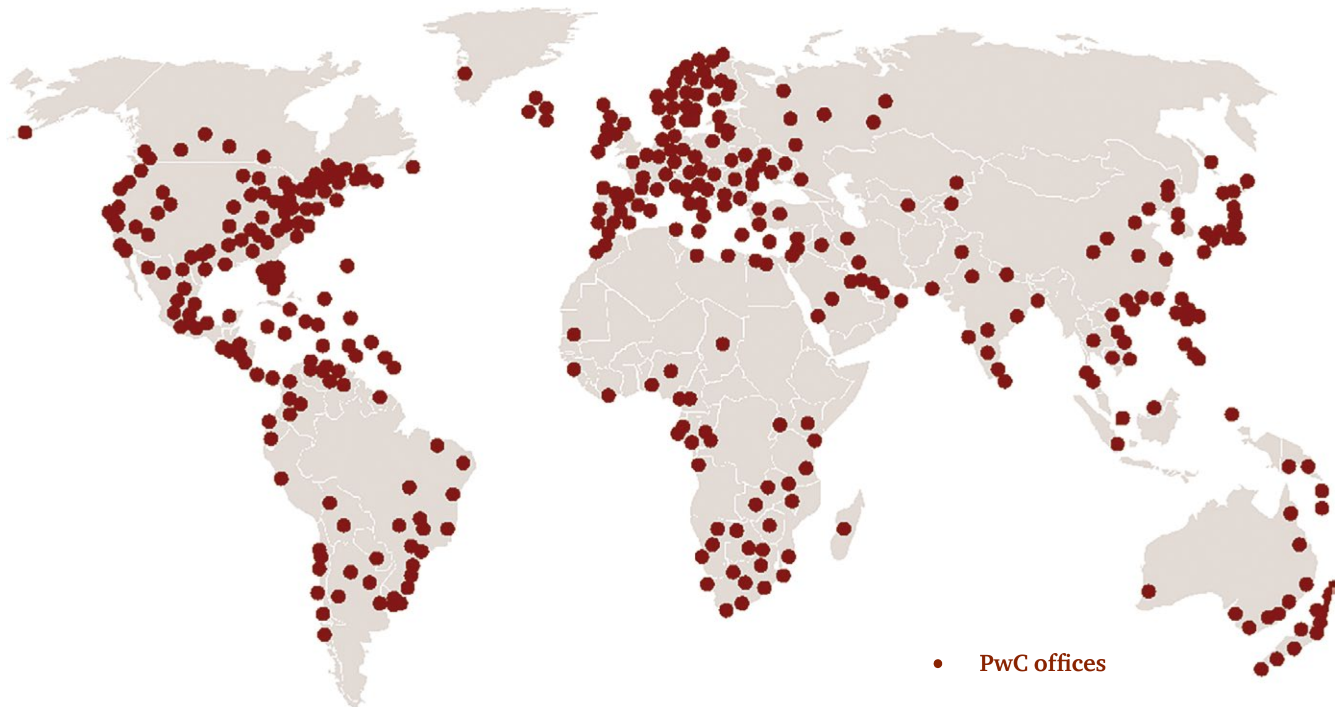
C List of abbreviations

ABG	Access Bank (Ghana) Limited
ADB	Agricultural Development Bank Limited
Baroda	Bank of Baroda Limited
BBGL	Barclays Bank of Ghana Limited
BOA	Bank of Africa
BOG	Bank of Ghana
BSIC	Sahel -Sahara Bank Limited
CAL	CAL Bank Limited
CBG	Capital Plus Bank Limited
CBG	Capital Bank Ghana Limited
CIR	Cost Income Ratio
CRM	Customer Relationship Management
DPS	Dividend Per Share
EBG	Ecobank Ghana Limited
EGL	Energy Bank (Ghana) Limited
EPS	Earnings Per Share
FAML	First Atlantic Bank Limited
FBL	Fidelity Bank Ghana Limited
FBN	FBNBank Ghana Limited
FNB	First National Bank Limited
GAB	Ghana Association of Bankers
GCB	GCB Bank Limited
GDP	Gross Domestic Product
GNB	GN Bank Limited
GSE	Ghana Stock Exchange
GSE-CI	Ghana Stock Exchange Composite Index
GSE-FI	Ghana Stock Exchange Financial Index
GTB	Guaranty Trust Bank (Ghana) Limited
HFC	HFC Bank (Ghana) Limited
IBG	Intercontinental Bank Ghana Limited
IFRS	International Financial Reporting Standards
MBG	Merchant Bank Ghana Limited
MPC	Monetary Policy Committee
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NGO	Non-Governmental Organisation
NIB	National Investment Bank Limited
NIM	Net Interest Margin
NOP	Net Open Position
PAT	Profit After Tax
PBL	Prudential Bank Limited
PBT	Profit Before Tax
PwC	PricewaterhouseCoopers (Ghana) Limited
ROA	Return on Assets
RBG	The Royal Bank Limited
ROCE	Return on capital employed
ROE	Return on Equity
SBL	Sovereign Bank Limited
SCB	Standard Chartered Bank Ghana Limited
SG-GH	Societe Generale Ghana Limited
SME	Small and Medium Enterprise
Stanbic	Stanbic Bank Ghana Limited
Telcos	Telecommunication companies
TOR	Tema Oil Refinery
TTB	The Trust Bank Limited
UBA	United Bank for Africa (Ghana) Limited
UGL	UniBank Ghana Limited
UMB	Universal Merchant Bank Ghana Limited
UTB	UT Bank Limited
ZBL	Zenith Bank (Ghana) Limited

D Our profile

A global presence

PwC is the world's largest integrated professional services organization. Drawing on the knowledge and skills of more than 208,000 people in 157 countries, PwC helps its clients solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance. PwC provides a full range of business and financial advisory services to leading global, national and local companies and to public institutions.



Our network in Africa

The PwC network in Africa has member firms in 36 countries with over 9,000 people. We have the largest footprint of all professional services firms on the African continent.

We are proud that all our African firms are locally-owned and that we are committed to the development and prosperity of the African people and economies.

From these strategically located member firms, professionals provide a range of professional business advisory services to the public and private sectors throughout the continent.

All African member firms are committed to the development and prosperity of the African people and economies. Our local capability and network of available expertise is a key qualification for providing clients with services of the highest standard.

Our presence in Ghana

PwC is one of the largest professional services firms in Ghana. With over 300 employees and ten directors/ partners, we provide audit, assurance, tax and advisory services to our clients. The Ghanaian firm, which is a member of the network of firms of PwC, has unrestrained access to the global network's vast resource base of proprietary knowledge, methodologies and experience. Our clients and their needs are increasingly more diverse and complex than ever, but with our collective knowledge, resources and professional expertise, and continuing membership in PwC's global network of member firms, the Ghanaian firm continues to deliver quality service in accordance with the international professional standards of the PwC network.

Over the years, PwC has been trusted advisor to the Government of Ghana in many areas of the country's socio-economy, including the transportation sector. We also play an active part in supporting the private sector to operate effectively, by advising investors in various areas including company formation, tax planning, human resource management and international assignments.

Our Services

Our service offerings have been organised into three core Lines of Services, with highly qualified, experienced professionals, bringing industry specific experience and focus. The figure below summarises our key service offerings.

Assurance

We are the world's leading global network of audit and assurance firms. We assist companies improve their corporate reporting and provide assurance that their systems are operating effectively within a well-controlled environment.

Our audit and assurance services include:

- Assistance in capital market transactions
- Corporate reporting improvement
- Financial statement audit
- IFRS reporting
- Independence controls & systems process assurance
- Regulatory compliance and reporting
- Sarbanes-Oxley compliance reporting

Tax

We are a global leader in tax services. We assist businesses in assessing their tax obligations across multiple international jurisdictions. In addition we have dedicated corporate services experts who assist companies with local legal requirement in the jurisdictions where we operate.

Our tax services include:

- Compliance and tax audit support
- International assignments
- Merges and acquisitions
- Tax reporting
- Tax strategy and implementation
- Tax structuring
- Tax training

Our corporate advisory services include:

- Assistance with the registration
- Company secretariat services
- Immigration services
- Intellectual property advisory services
- International investment advisory services
- Regulatory compliance services

Advisory

Our Advisory practice includes consulting and deal advisory teams. PwC is well-known in the market place for our knowledge and experience in all types of fi nancial transactions. Our focus is on long-term returns form the entire deal spectrum, from strategy development and evaluation to post acquisition integration.

Our deals advisory services include:

- Corporate finance, including mergers & acquisitions
- Project Finance
- Infrastructure
- Transaction services
- Valuation and strategy
- Debt advisory
- Business recovery services (insolvency, receiverships, business reviews)
- Dispute analysis & investigations (including forensic audits)

Our consulting services include:

- Governance, risk and compliance
- Finance
- Technology
- Operation
- People and Change
- Strategy
- Fraud Risk and Forensic
- Sustainability and Climate Change

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.

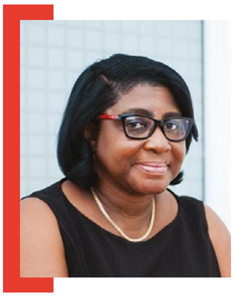
PwC's Business School is not a traditional learning institution. Due to our deep experience within our industry and our knowledge of our clients and the industries in which they operate, we are subject matter experts

in a variety of areas. PwC's Ghana 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

E Our leadership team

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



Sarah-Mary Frimpong
Partner, Assurance
sarah-mary.frimpong@gh.pwc.com

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

Ayesha Bedwei
Partner, Tax
ayesha.a.bedwei@gh.pwc.com

George Kwatia
Partner, Tax Leader
george.kwatia@gh.pwc.com

George Arhin
Partner, Assurance
george.k.arhin@gh.pwc.com

Oseini Amui
Partner, Assurance
oseini.x.amui@gh.pwc.com

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

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

Eric Nana Nipah
Partner, Advisory Leader
eric.nipah@ gh.pwc.com

www.pwc.com/gh

Contact us:

Accra Office
No. 12 Airport City
Una Home 3rd Floor
PMB CT42 Cantonments
Accra, Ghana

Tel: +233 30 276 1500
Fax: +233 30 276 1544
www.pwc.com/gh

Takoradi Office
Plot No. 51, Airport Ridge
P.O. Box TD 274
Takoradi, Ghana

Tel: +233 31 202 8416
Fax: +233 31 202 8410
www.pwc.com/gh

Sierra Leone Office
David Brocke
No. 2 MIK Drive,
Off Barrack Road, Murray Town
Freetown, Sierra Leone
Tel:+232 (0) 78361701
www.pwc.com/gh

PwC Liberia
Taweh Jefferson Veikai
PricewaterhouseCoopers (Liberia) LLC
First Merchant Building, 1st Floor Rear
43 Broad Street, Monrovia, Liberia

Tel: +231 (0) 888 999 555
Email: taweh.jefferson.veikai@lr.pwc.com