Digital Currencies: Is the Ghanaian Banking Sector ready?

2021 PwC Ghana Banking Survey Report

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CSP's Message

Background

20 months after the COVID-19 pandemic struck, the world community continues its fight back to pre-pandemic economic growth and activity levels, as well as to a life that is expected to have digital feature at a scale and ubiquity that wasn't considered possible 2025, at the earliest. In our last Ghana Banking Survey publication, we noted that "…the world's future – as envisaged or forecast in 2025, 2030, in some cases 2050 – has become (or is fast becoming) our present; what many are calling the 'new normal'."

This observation remains true today with all types of socio-politico-economic actors all over the world seeming to be in a race to explore and exploit how they can accelerate and scale up the infusion of new or emerging technologies into the way they interact with their constituents or communities. Indeed, it is within this context that we view the announcement made by Bank of Ghana (BoG) of plans to issue a Central Bank Digital Currency (CBDC), the e-Cedi.

As with most innovations – especially that which leverages online technology and is associated with financial systems – uptake is often preceded by hesitation, usually underpinned by security concerns.

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Knowing that banks will play a major role in the implementation of the e-Cedi project, we decided to use our 2021 Ghana Banking Survey to assess the banking industry's knowledge and understanding of CBDCs and its readiness for BoG's e-Cedi. This decision is an important one for us, as it aligns to our purpose of building trust and solving important problems.

An overview of the BoG CBDC (e-Cedi) project

A brainchild of BoG, the e-Cedi project is described as forming part of the Digital Ghana Agenda, which is championed by the current government administration under the leadership of the Vice President of the Republic, H. E. Alhaji Dr Mahamudu Bawumia. In a press statement jointly released by BoG and its solutions partner, Giesecke+Devrient (G+D), the e-Cedi is "intended to complement and serve as a digital alternative to physical cash, thus driving the Ghanaian cash-lite agenda through promotion of digital payments, while ensuring a secure and robust payment infrastructure in Ghana. It also aims to facilitate payments without a bank account, contract, or smartphone [and], by so doing, boosting the use of digital services and financial inclusion among all demographic groups."

The e-Cedi project is expected to go through design, pilot, and rollout (implementation) phases. The design and pilot phases are meant to help design and build, through a rigorous solutioning process, a robust platform that aligns to the country's economic, regulatory and technical requirements, as well as is adapted to the demographic and socio-economic profiles of Ghana.

Ahead of a national scale rollout of the e-Cedi, we understand that BoG plans to conduct an evaluation of the pilot to determine user acceptance, infrastructure securities, impact on monetary policy and the payments system, as well as any legal implications associated with the digital legal tender.

We commend this approach of standing back to look upon one's handiwork to ascertain if any modifications are needed to achieve a set goal. And it is in the same light that we hope BoG and its partners as well as the project's stakeholders will look on the key findings of our 2021 Ghana Banking Survey.

Focus of our 2021 banking survey and highlights of our key findings

As mentioned earlier, we were curious to learn how ready the banking industry in Ghana is to "partner" BoG in the implementation of the e-Cedi project. Consequently, we surveyed and interviewed senior executives of 20 of 23 banks currently in operation, and asked them to tell us about their awareness, knowledge, and readiness for the e-Cedi. The responses that we received to our questions have helped us to form an interesting picture of excitement, expectation, apprehension and preparation/ preparedness. We share snippets of our key findings below.

Excitement

There is no doubt that the industry is excited by the concept of the e-Cedi; 70% of bank executives interviewed are convinced that the use of this form of currency will be prominent within three to five years. Such bank executives, however, stress that user experience will be at the core of product acceptance among the public, and drive demand, use, and penetration. The meteoric rise and penetration of mobile money should have lessons for the central bank in its e-Cedi project journey.

When asked about expected impact, 95% banking executives agree that the digital currency would impact the banking sector and wider economy positively through a deepening of financial inclusion, providing additional thrust for the country's digitisation agenda, and improving execution of monetary policy via enhanced control over money supply. 75% of senior bank executives interviewed also expressed enthusiasm at the prospects of process optimisation and bigger e-ticket transactions, which can lead to enhanced credit delivery and financial intermediation.

Expectation

A good number of bank executives noted that they expect the introduction of the e-Cedi to facilitate low transaction costs, improved security of payments, and higher monetary transaction limits. 85% of executives participating in the survey emphasised that BoG must ensure that the principles of confidentiality, data privacy and security are incorporated in the design of the e-Cedi to help build trust and thereby, encourage uptake of the digital currency, when it is launched. 60% of bank executives are of the view that the role that the central bank plays in the e-Cedi project will determine – in a significant way – the success or otherwise of the e-Cedi. The industry looks forward to additional consultation and dialogue with BoG , as they believe that such further consultation will enable greater understanding of the e-Cedi and assist their preparedness towards its successful implementation. Indeed, 95% of survey respondents expect the central bank to involve the industry in the development of legislation and regulations governing the e-Cedi, while 80% expect BoG to consult the industry in determining the pricing structure for e-Cedi based products.

Apprehension

Notwithstanding the general sense of excitement, from survey responses, one can tell that the industry also has some apprehension about the e-Cedi project. 85% of bank executives would like to engage further with BoG in order to better understand the proposed digital currency and its associated infrastructural requirements. They note that there is currently insufficient clarity around legislation/ regulations, technical and funding support that would be availed, and the role expected of banks in the currency's deployment. This makes them uneasy about any potential demands that the central bank will place on them when it launches the e-Cedi.

Indeed, survey respondents identified insufficient knowledge about the technology and currency form by both staff and customers of banks, funding, and regulatory uncertainty as the top three challenges that they currently associate with the e-Cedi project. They acknowledge that these challenges could very well be misplaced, and look forward to them being addressed by the central bank through increased engagement, a ramping up on public awareness creation and education. Bankers indicate that if they are sufficiently informed on what to expect, they can ascertain if their current infrastructure and platforms are fit for purpose, and determine what investments are necessary.

Other operational areas that banks insist must engage the design attention of the central bank and its solutions partner are the basic requirements of cybersecurity and data protection, which are fundamental to building trust among the users of any financial product. Respondents expect that BoG will balance very carefully, the key requirement of security, against other objectives such as higher transaction speeds and lower transaction costs, aiming overall to achieve a balance that keeps security sacrosanct.

Preparation/ preparedness

The survey findings do not paint a picture of an industry that is yet confident and prepared for the deployment of the e-Cedi. 80% of bank executives participating in the survey admitted that they are unsure if their current technology infrastructure would support deployment of the e-Cedi. Still, the industry in general, is fairly upbeat about being fully prepared within a period of two years once the design form of the digital currency and related infrastructural requirements are unveiled to them; indeed, 78% of bank executives that were surveyed confirmed this.

Conclusion

In conclusion, we share the excitement expressed by the banking industry and are convinced that the CBDC indeed has potential benefits for the economy and society at large. In our view, the industry's "sense of apprehension" can be easily resolved using the platform offered by the Ghana Association of Bankers (GAB) for engagement with the regulator. As the pilot phase of the e-Cedi project commences, it is important that such engagement happens quickly, frequently, and on an even playing field to ensure the success of the e-Cedi project.

Globally, PwC's Financial Services Team has a significant pool of experienced resources that can shed more light on CBDCs and similar digital financial products or assets, and we will be pleased to engage and discuss further on the subject. We will be happy you give us a call using our contacts provided on page 110 of this survey report.

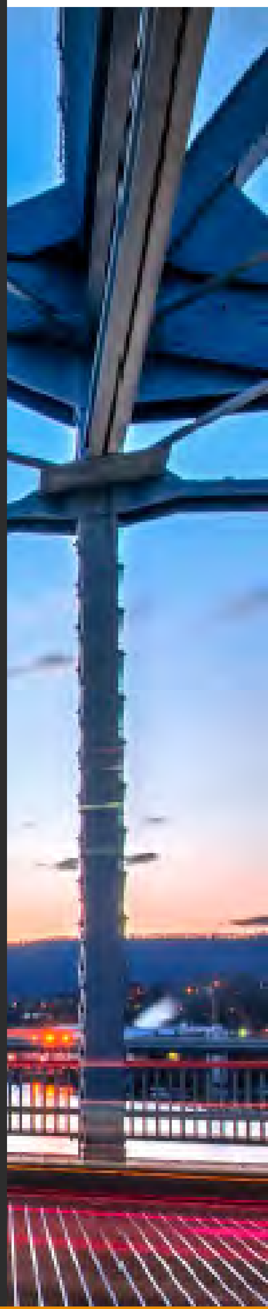
Until then, we wish you happy reading… remain safe!

Message from Ghana Association of Bankers

As an association, we recall a circular of Bank of Ghana (BoG) dated 22 January 2018 and titled "Digital and Virtual Currencies Operations in Ghana", which was, perhaps, the first ever public engagement of the Central Bank on the subject. The circular sought to draw the attention of all banks and specialised deposit-taking institutions, and the general public to a growing phenomenon bordering on the use, holding, and trading of virtual or digital currencies (also known as cryptocurrencies) such as Bitcoin, Ethereum, Ripple etc in Ghana and to the fact that these activities were not licensed under the then Payments System Act 2003 (Act 662). However, BoG sought to assure banks and specialised deposit-taking institutions and the general public that it was investing a lot of resources aimed at further enhancing the payments and settlements system, including digital forms of money, and also to introduce cybersecurity guidelines to safeguard electronic and online financial transactions.

Some enhancements were seen in the payments and settlements system on the back of the issuance of the Payment Systems and Services Act, 2019 (Act 987) and the cybersecurity guidelines were also issued. But there was not much on the use, holding and trading of digital currencies/assets in Ghana. It therefore came to us as no surprise the announcement by BoG to roll out the first of a three-phased pilot for the issuance of the nation's digital currency, the e-Cedi, in September of this year, even though the announcement is for the issuance of a Central Bank Digital Currency, the e-Cedi and still not much indication on the use, holding and trading of private digital currencies/assets.

This planned implementation, we understand, is in line with the BoG's aim of maintaining its leadership in embracing emerging financial technologies on the continent. This step also brings the country in line with recent global developments relating to the issuance of sovereign digital currencies following the launch of the Chinese digital Renminbi, the e-CNY, in April 2020, the Sand Dollar by the Central Bank of



John Awuah
Chief Executive Officer Ghana Association of Bankers

the Bahamas in October 2020 and the DCash by the Eastern Caribbean Central Bank (ECCB). Additionally, the Central Bank Digital Currency (CBDC) Tracker, a research group, reports that more than 81 countries representing about 90% of global GDP are at various stages of studying or developing their own versions of digital currencies. On the continent, Ghana joins giants like Morocco, Egypt, Kenya, South Africa and Nigeria who are also at various stages of research in the digital currency sphere.

There is no doubt that this project has been accelerated in no small measure by the onset of the COVID-19 pandemic. Following the emergence of the pandemic and the attendant lockdowns on non-essential industries and border restrictions, it became apparent that alternative ways of transacting were needed apart from the traditional face-to-face cash transactions. It marked a major step in our continued stride to shift to a cash-lite economy in Ghana. Let me hasten to add that the Ghana Association of Bankers' members investment in technological infrastructure over the last couple of years paid off as banks were able to meet customer requirements seamlessly during the lockdowns without let or hindrance. Perhaps the need for a quick transition to a cash lite economy, the country's digitisation agenda, increased financial inclusion and the growing demand for digital payment products have contributed immensely to the acceleration of the development of the e-Cedi by BoG.

There are obvious benefits the introduction of the e-Cedi by BoG is expected to bring to the Ghanaian financial system. Foremost amongst them would be the reduction in the wholesale physical movement of cash from point to point in the banking system, a phenomenon fraught with risks of easy interception by robbers. That alarming growing trend in Ghana today should reduce significantly following the introduction of the e-Cedi. Linked to this benefit is the elimination of the high cost of transporting physical cash. Other benefits include lower transaction cost and time, improved customer experience, product traceability and trust, increased financial inclusion and enhancement in the country's digitisation agenda.

The number of attacks on wholesale physical movement of cash has already resulted in BoG issuing new guidelines on the physical movement of cash. We also expect the introduction of the e-Cedi to promote financial inclusion where the unbanked can get easier and safer access to money in digital forms. Ghana's financial literacy level is usually considered low, but the level of mobile money penetration, especially following COVID-19 in Ghana, should set minds at ease and engender more optimism about the e-Cedi. The introduction of the e-Cedi should also promote greater transparency in the digital banking space and reduce on illicit activities.

The introduction of the e-Cedi is a new major policy decision of BoG and as is usual of many of these, we expect it to meet some challenges and risks. This includes funding the required infrastructure which largely depends on the design, mode of deployment and the technology BoG will use for the e-Cedi, knowledge about the currency form and technology by staff of the banks, customers and the general public, regulatory uncertainty, cybersecurity threats and data privacy concerns. These expected challenges and risks call for early broader consultations among stakeholders to ensure a successful implementation of the e-Cedi project.

Despite the many benefits that we expect the introduction of the sovereign digital currency, the e-Cedi, will bring to the financial system in Ghana, the expected challenges and risks indicated above are real and it is for this reason that we expect more discussions and consultations by BoG with all stakeholders. As key stakeholders of the banking system in Ghana and given that this is a major policy direction into unchartered waters which will have a significant impact on our businesses, we look forward to a lot more engagement from BoG on the e-Cedi project. As it stands, most mentions of the subject have been at a few media engagements limited to quick updates on the work of BoG's in-house committee set up for the project. A few of the questions that members require answers to were responded to in the press release by BoG dated 11 August 2021 but there are many more questions that members need clarity on to help with their preparedness efforts for the success of the e-Cedi project as key stakeholders.

Also, the use, holding and trading of private digital currencies/ assets (i.e. cryptos) is still not a regulated activity under the current Payment Systems and Services Act, 2019 (Act 987). We are of the view that despite this, BoG should lead the way in building regulatory capacity in cryptos. This is because we envisage a time when the Cryptos activities may be ever-present as to beg regulation and it should be easy for BoG, the regulator, to easily transition into that role.

In conclusion, the Ghana Association of Bankers believes in the immense benefits that the introduction of the e-Cedi bodes for the financial system in our stride towards digitisation and financial inclusion. We should however be able to deal decisively with the risks and challenges that it poses. The design, technology, potential use as well as clarity of regulation around the e-Cedi should be well discussed with all stakeholders for the success of the e-Cedi project. The prospects of the e-Cedi are good, and we look forward to a thorough engagement with all stakeholders ahead of its introduction.

Tax Leader's Message

Government shared a number of plans around taxation in the 2020 Budget which include broad plans:

- Around the taxation of the digital economy: plans to review and strengthening of current legislation and regulatory framework for taxation of e-services and the digital economy;
- Around reforming the Ghana Revenue Authority for efficiency and productivity; and
- Concerning restructuring the tax system and developing a comprehensive revenue policy and strategy.

The budget also announced some tax reliefs. These included increase in the tax-free threshold to align with the new national daily minimum wage, upward adjustment in personal (individual) reliefs, and abolishing the application of VAT on management fees of Private Equity, Venture Capital and Mutual Funds. While at the same time extending the National Fiscal Stabilisation Levy and the Special Import Levy each for five years to the year 2024.

By March 2020, the reality of the COVID-19 Pandemic had hit Ghana. Government had to make several adjustments to its original plans to help businesses cope with the pandemic. These initiatives from the Government included extending the period for filing income tax returns and the waiver of interest and penalties.

In July 2020, when the 2020 Mid-Year Budget was read, the Government made what may be considered, a major tax reduction of Communication Service Tax from 9% to 5% aimed at supporting digitisation.

2021 counts as the year in which many business enterprises truly attempted a restart after the global shutdown due to COVID-19 associated lockdowns. For us in Ghana, 2021 is the year after another election and is expected to reflect the Government's renewed outlook for the economy of Ghana.

The effects of COVID-19 lockdowns and the fact that the pandemic is still with us continues to dominate business conversations as well as Government plans which include its position on taxation of business enterprises.

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In March 2021, when the Government's 2021 Budget Statement was read the plans shared around taxation included the following:

- Introduction of a 5% financial sector clean-up levy on the profit of banks in addition to the existing 5% National Fiscal Stabilisation Levy applicable to most commercial bank establishments;
- Introduction of 1% COVID-19 Health Levy on the purchase of goods and services that ordinarily attract VAT;
- Introduction of Sanitation and Pollution Levy and Energy Sector Recovery Levy of 10 Pesewas and 20 Pesewas respectively per litre on petrol/diesel;
- Tax rebates to hospitality, entertainment and education enterprises, and the suspension of instalment taxes for small businesses, 'trotros' and taxis;
- Granting of permanent Capital Gains Tax exemption for Ghana Stock Exchange listed companies; and
- Granting of Tax Amnesty in the form of Penalties and Interest Waiver.

Before COVID-19, Government was grappling with the Country's low Tax-to-GDP ratio and the need not only to collect more tax but also to widen the tax net. The 2021 Budget emphasised the continuation of earlier communicated tax administration plans around this need. These included:

- Intensifying audits and introducing debt recovery measures in the extractive industry;
- Setting up of the Tax Appeals Board as an effective tax dispute resolution alternative for taxpayers;
- Developing a comprehensive gaming policy to enhance revenue mobilisation;
- Resubmitting the Exemptions Bill to Parliament following further stakeholder consultations and revisions after the first Parliamentary Committee work on the bill. (The Exemptions Bill aims to check abuses and strengthen the exemptions regime);
- Reviewing current legislation and providing additional regulations and administrative guidelines for the taxation of e-services; and
- Deepening the digitisation agenda on transactions of goods and services and tax collection systems including activities directed at attaining a more digitalised economy including harmonising identification numbers.

Government has gone ahead to pass the necessary laws to enable implementation of these plans and announced in the mid-year budget that it remains committed to the plans.

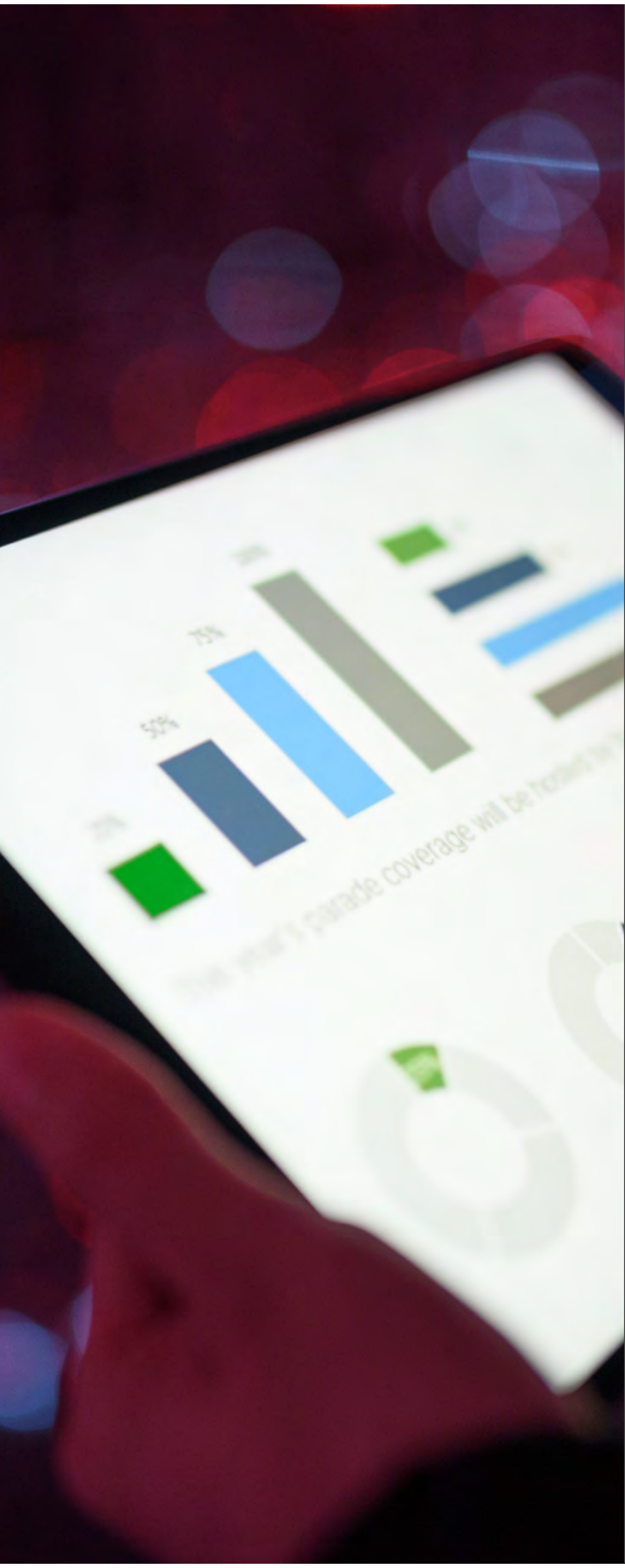
Digital currency and taxation

The conversations on the adoption of a digital currency have been dominated by views around it as being an efficient means of payment. In addition to such a view, we believe that having a digital currency will not only improve the payment of taxes but will also expand the tax net—the number of persons who disclose and pay tax.

Here are a few thoughts on what having an effective digital currency could mean for Ghana:

Reduced time or effort associated with paying monthly and periodic taxes

A digital currency will mean that the average taxpayer can make payments swiftly without having to walk into a bank to lodge a cheque or pay in cash and wait to obtain a receipt. We expect that once a payment is made, a receipt will be generated immediately for the taxpayer. However, an efficient payment system is not enough to improve (reduce) the time involved in settling taxes. The Ghana Revenue Authority (GRA) needs to make it equally efficient to lodge tax returns.



Taxation of e-services

There have been several conversations around how to tax what appears to be a thriving digital economy in Ghana. Having a digital currency helps with traceability of transactions. GRA could leverage such information to be able to effectively tax such electronic transactions when carried out using the digital currency.

Expanding the tax net

It goes without saying that the more electronic payments take place, the more information from financial institutions gathered for tax evasion purposes will be exchanged. There will be less incentive for individuals and businesses to evade tax. Once tax compliance improves the effect will be an increase in the number of taxpayers.

Tax amnesty

With transparency of transactions and availability of information to the Revenue Authority, there will be little or no incentive to grant Tax Amnesties as they will be able to pursue non-compliance more effectively.

Increased reporting burden for financial institutions
We believe that Government Agencies including GRA will want to leverage information that accompany digital currency payments for various purposes including tax evasion and anti-money laundering. This may create multiple reporting responsibilities for financial institutions. Banks and other payment houses may be charged with additional responsibilities around making information gathered available to several government establishments.

As you read this report, consider all the points discussed and their potential tax impact within the context of having a digital currency. We trust you will find this useful.

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Economy of Ghana

Economy of Ghana

Economic Analysis
Global economic trends

The IMF, via its July 2021 World Economic Outlook, indicated the global economy grew by 3.3% in 2020 much higher than the downturn and recession expected because of the COVID-19 pandemic. Growth rates for 2021 and 2022 are projected at 6% and 4.9% respectively. From all indications and thanks to the unprecedented policy responses across the globe, the COVID-19 recession is likely to leave smaller scars than initially anticipated.

Emerging markets, excluding China, are projected to grow by 4.5% in 2021, which is rather low considering the growth rates recorded from these markets in the pre-pandemic era. The slow growth for emerging markets is heightened by the slow pace of vaccinations and the limited production and export of vaccines from the COVAX scheme.

The expected global growth rate for 2021 is supported by the easing of lockdown restrictions, vaccination programmes in the second half of the year, corporate profitability globally improving, consumer and business confidence strengthening, commodity prices being bullish, trade cycle remaining strong, and monetary and fiscal policy remaining adequate to boost demands. Disparities in COVID-19 vaccination programmes between developed and developing countries, driven mainly by vaccine supply, funding and logistics challenges will continue to impact the aggregate global recovery efforts.

There is still high uncertainty surrounding the global economic outlook as COVID-19 cases continue to increase and variants mutate. Future global economic growth will depend on the direction of the pandemic, whether the new virus strains are susceptible to vaccines, the effectiveness of policy actions taken by Governments, the capacity of the global economy to adjust and ensuring adequate worldwide vaccine production and universal distribution at affordable prices.

Gross Domestic Product

The 2021 Budget Statement estimated real GDP growth rate of 5.1% in 2021 and a non-oil GDP growth rate of 6.7%. In the first quarter of 2021, the Ghana Statistical Service reported overall growth in GDP for Q1 2021 of 3.1% and a non-oil growth rate of 4.6%.

Ghana’s projected growth rate in 2021 has been attributed to an increase in industrial production, a rise in air projected arrivals due to fewer COVID-19 restrictions, increased domestic consumption, a steady rise in construction activities and growth in international trade activities.

Real GDP Growth (percent) per sector

Sectors	Actual		Provisional Outturn	Projections			
	2018	2019	2020	2021	2022	2023	2024
Agriculture	4.9%	4.7%	7.4%	5.3%	4.3%	4.9%	5.1%
Industry	10.5%	6.4%	-3.6%	2.6%	6.2%	5.5%	4.7%
Services	2.8%	7.6%	1.5%	7.3%	5.1%	5.2%	5.1%
Real GDP Growth	6.2%	6.5%	0.4%	5.1%	5.3%	5.3%	5.0%

Source: 2021 Mid-Year Budget Review Statement

In terms of Ghana's key economic sectors, based on the 2021 mid-year Budget review, the agricultural sector continues to maintain its strong performance, with the highest growth rate of 4.3%. This is closely followed by the services sector at 4.0% and the industry sector at 1.3%. In 2020, the services industry recorded the highest growth rate of 12.3%, followed by agriculture and industry sectors at 10.2% and 1.4% respectively.

Also, the livestock and crops sub-sectors grew by 5.5% and 4.9% respectively on the back of Government's signature interventions such as the Planting for Food and Jobs Programme. The Fishing sub-sector, on the other hand, saw a 3.6% decline over the same time period.

Furthermore, Information and Communication sub-sector, which grew at a high rate of 22.1%, was the driving force behind the observed growth of the services sector in 2020. The growth in Ghana's industry sector is largely due to the sturdy rise in construction and infrastructure activities driven by lifting of most of the COVID-19 restrictions. The Construction and Manufacturing sub-sectors of the industry sector expanded by 14.2% and 6.1%, respectively, driving up the sector's overall growth.

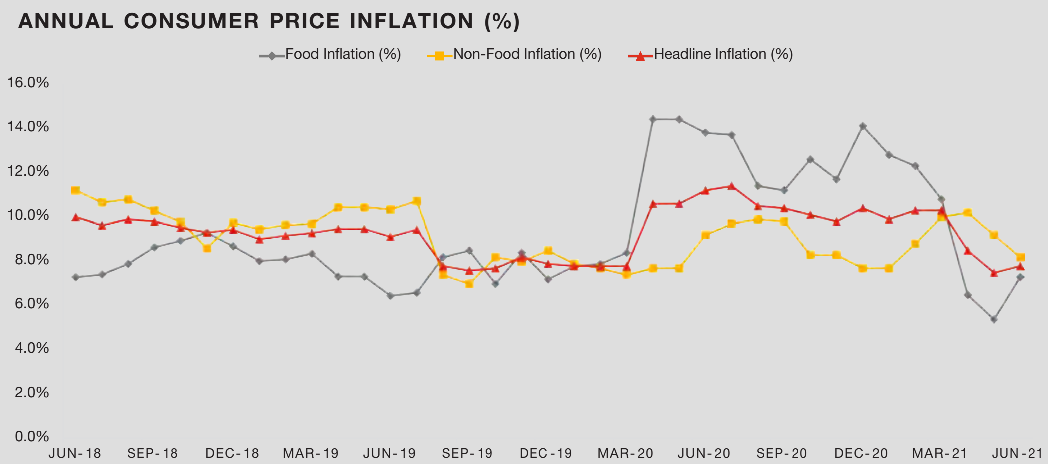
Composition of GDP by economic sectors							
Sectors	Actual		Provisional Outturn	Projections			
	2018	2019	2020	2021	2022	2023	2024
Agriculture	20.3%	19.9%	21.2%	21.3%	21.1%	21.0%	21.0%
Industry	39.2%	39.2%	37.5%	36.6%	36.9%	37.0%	36.9%
Services	40.5%	40.9%	41.3%	42.1%	42.0%	42.0%	42.1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: 2021 Mid-Year Budget Review Statement

Inflation

BoG intends to keep the 8% (with a symmetric band of 2%) medium-term inflation target while helping to sustain Government's wider economic policies. Ghana's headline inflation increased from 9.9% in January 2021 to 10.3% in February 2021, falling just short of the medium-term goal. Headline inflation remained above pre-pandemic levels in the first quarter of 2021, with price changes fairly mixed. Non-food inflation accounted mainly for the increase in inflation observed in February 2021.

Barring any unexpected price shocks in the immediate term, inflation is expected to revert to the medium-term goal target after the first half of 2021. Headline inflation as of July 2021 was 9.0%, reflecting additional monetary policy measures taken to counteract the negative effects of the COVID-19 pandemic.



Source: Bank of Ghana

Interest rates

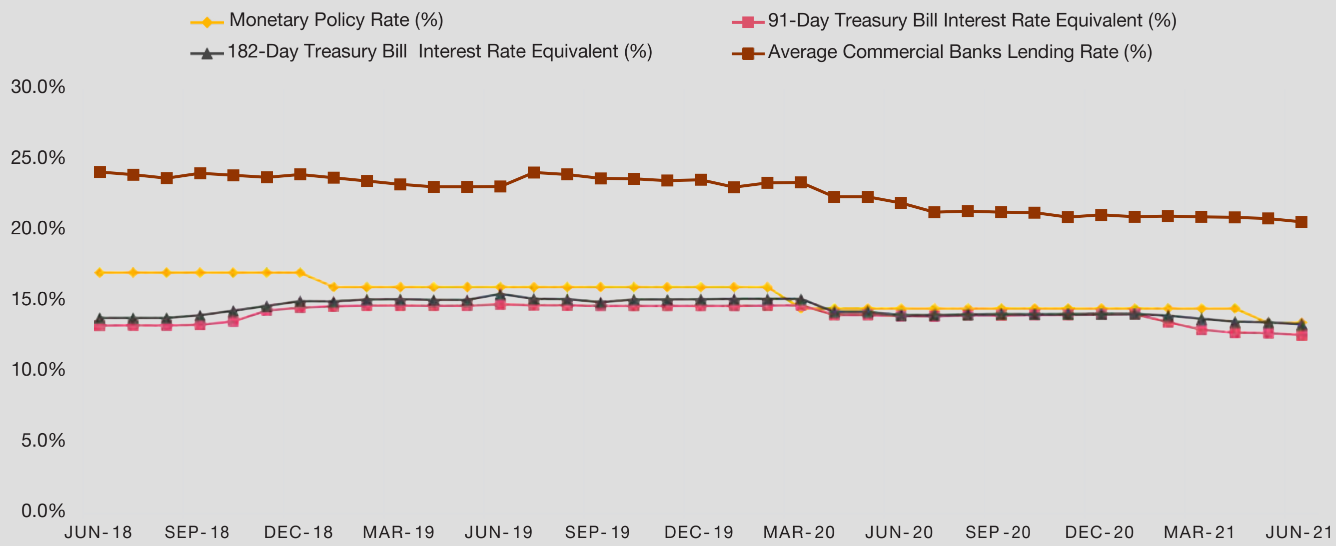
The Monetary Policy Committee (MPC) reduced the Monetary Policy Rate (MPR) from 16% to 14.5% in March 2020 and maintained the rate throughout 2020 and into the first quarter of 2021. The MPC further reduced the MPR by 100 basis points (bps) to 13.5% in May 2021 which was maintained as at July and September 2021. This is projected to trickle down to money markets, easing financing conditions and boosting lending and growth.

Average commercial banks' lending rate remained comparatively higher throughout 2020.

There was 7.5% margin between the 2020 policy rate of 14.5% and the 2020 average bank lending rate of 21.98%. The spread of more than 500 basis points is of concern to many and must be addressed if considerable private sector credit growth is to be achieved.

Interest rates on short-dated Treasury bills (T-bills) experienced minor volatility trending downward in 2020 to date compared to the relative stable rates in 2019. The 91-day T-bills rate which averaged 14.2% at the start of 2020 reduced to 12.65% by end of the second quarter of 2021. The 182-day T-bills rate reduced from 15.17% at the beginning of 2020 to 14.13%.

INTEREST RATES: JUNE 2018 - JUNE 2021



Source: Bank of Ghana

Exchange rates

During 2020 the Ghanaian foreign exchange market was relatively stable, with the local currency performing better compared to 2019. This was mainly due to the substantial reserve build-up on the back of the Eurobond issuance of US$3.0 billion, the COCOBOD loan of US$1.3 billion, reduced demand for imports, inflows from mining, remittances and the US$1 billion IMF Rapid Credit Facility. These helped offset the pressures from corporate demand, energy-related forex demand, and pandemic-induced portfolio outflows.

Cumulatively, in 2020, the Ghana Cedi depreciated against the United States Dollar (USD), the Great British Pound (GBP), and the Euro (EUR) by 3.9%, 7.1% and 12.1% respectively. This compares with larger depreciation rates of 12.9%, 15.7% and 11.2% for the US Dollar, Pound Sterling and the Euro respectively during the same period in 2019.

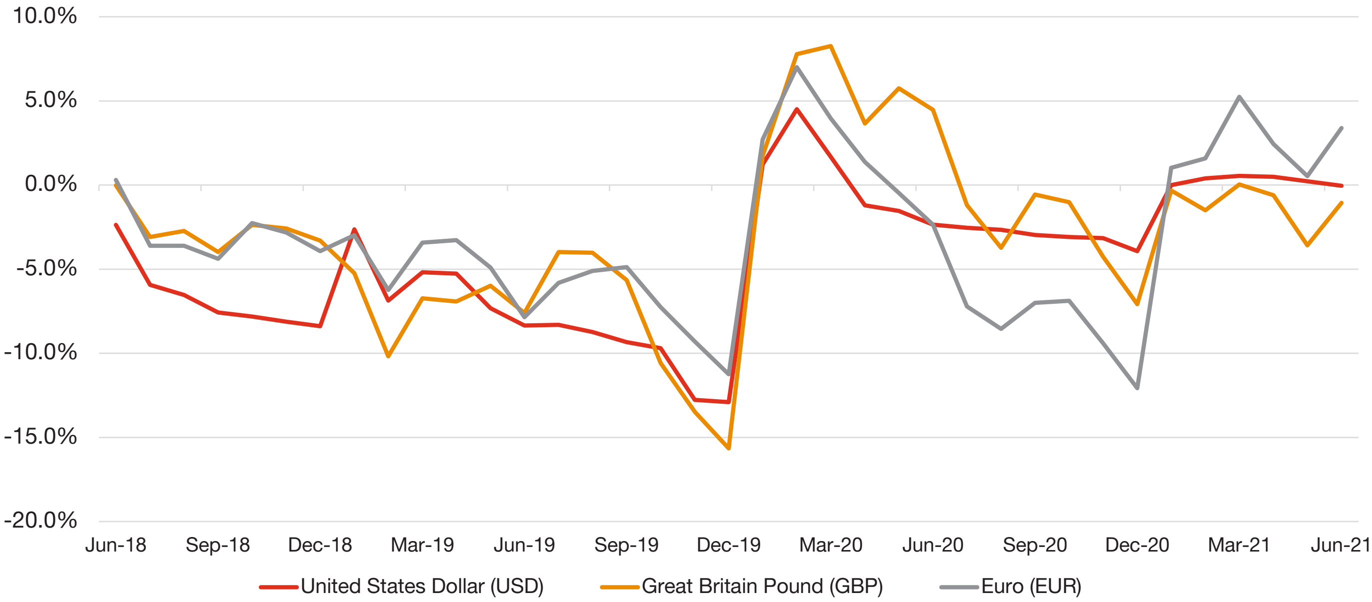
As of May 2021, in response to the impacts of COVID-19 in Western and Central Africa, the World Bank has supported the rapid, large-scale roll-out of cash transfers of US$1.7 billion supporting 19 countries, including Ghana. By June 2021, Ghana's foreign exchange reserves stood at US$ 11,026.9 million.

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

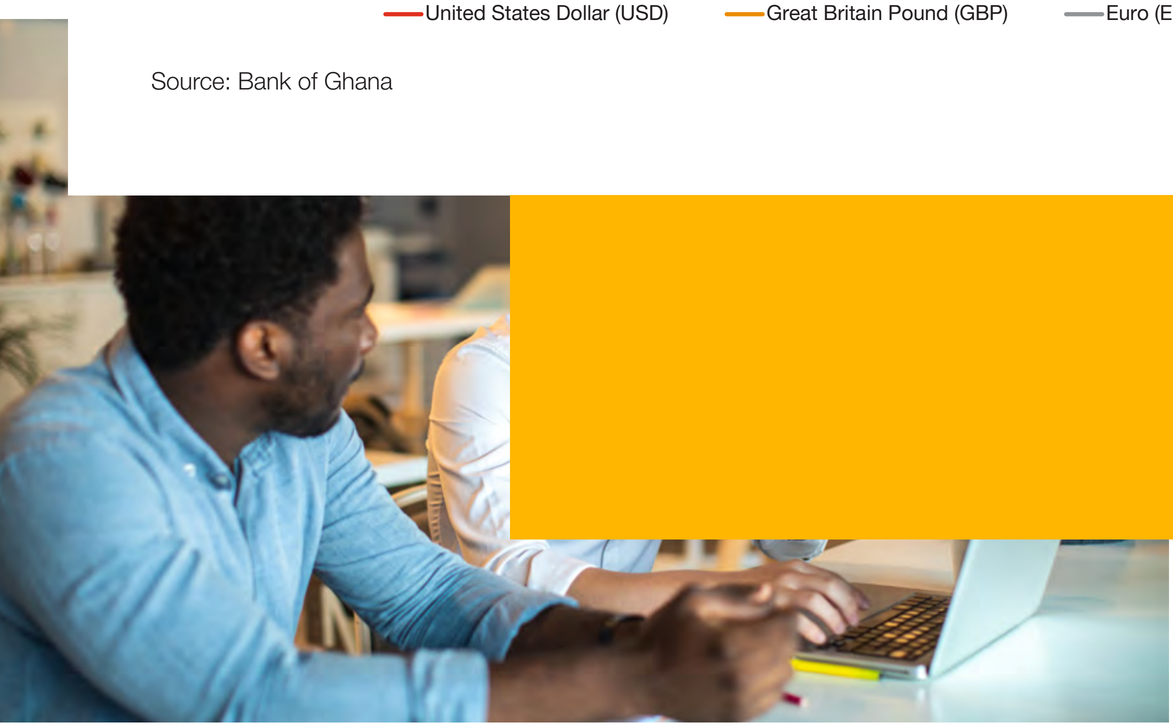
Exchange Rate Analysis			
	Year-to-date	Year-to-date	Year-to-date
Year-on-year depreciation of GH₵ (%)	Dec-19	Dec-20	Jun-21
United States Dollar (USD)	14.81%	4.09%	0.04%
Great Britain Pound (GBP)	18.56%	7.62%	1.08%
Euro (EUR)	12.67%	13.73%	-3.27%

Source: Bank of Ghana | PwC Analysis

Year-to-date Appreciation (+) / Depreciation(-) of GHS Against Foreign Currencies



Source: Bank of Ghana



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Survey Analysis

Survey Analysis

Introduction

Initially presented as purely speculative assets and subsequently as underlying assets inherent in blockchain technology, cryptoassets now tend to be considered as a new asset class with a wide variety of use cases. The growing uses for cryptoassets also raise questions regarding their volatility and security of the different methods used to keep them.

In 2009, a white paper was published under the pseudonym Satoshi Nakamoto on a peer-to-peer (sending information from one person to another without a central body) version of electronic cash which would allow online payments to be sent directly from one party to another without going through a financial system. This resulted in the creation of the cryptos which work on a decentralised ledger technology (DLT) known as blockchain. Cryptos have gained popularity with most central banks viewing them as a disruption to the current financial system. However, consideration has been given to the issuance of Central Bank Digital Currencies (CBDCs) which are digital representation of a country's fiat money and are direct claims on the central banks issuing them. They are legal tenders with sovereign backing.

The BoG issued a notice to banks and specialised deposit-taking institutions and the general public in January 2018 reminding them that the use, holding and trading of digital currencies are not licensed under the then Payment Systems Act, 2003 (Act 662). The Payment Systems and Services Act, 2019 (Act 987) which was passed later, also did not have much on the use, holding and trading of digital currencies/assets in Ghana.

But when in May 2021, the Governor of BoG announced that plans are far advanced to issue the country's CBDC known as the 'e-Cedi', many industry players have begun building capacity in understanding the concept of digital currencies/assets, be they private, public or sovereign and assess their readiness for this new technology and asset class or currency form.

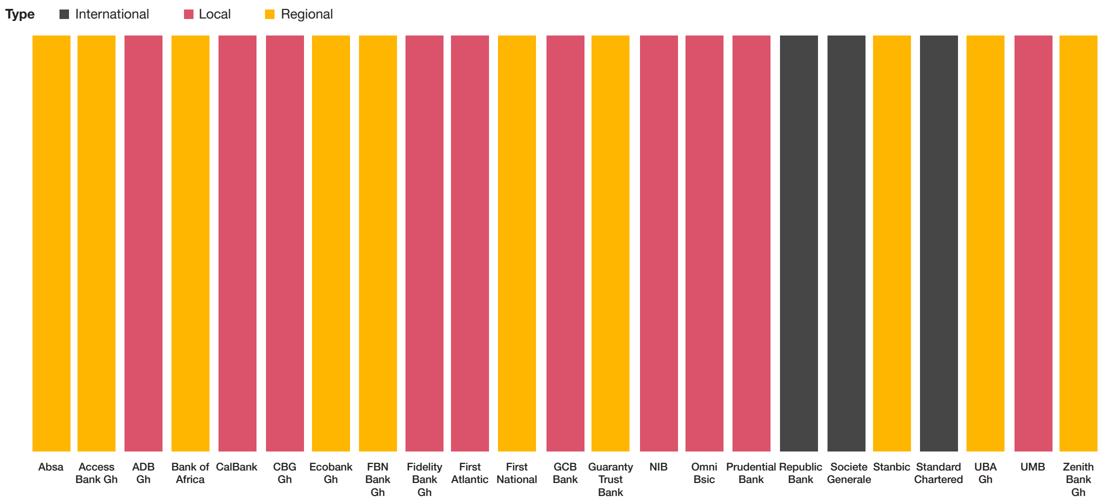
To this end, our 2021 Ghana Banking Survey seeks to explore the readiness of the Ghanaian banking sector for the e-Cedi, its design and potential impact use, regulatory implications, what the expected benefits and challenges are and the future prospects of this "new" form of the Ghana Cedi.

Survey methodology

PwC surveyed bank executives – Chief Executive Officers, Chief Finance Officers, Chief Risk Officers, Chief Operation Officers, Heads of Information Technology and Heads of Strategy - in Ghana through interviews and questionnaires. These tools were carefully designed to elicit views on the readiness of the banks for the introduction of the e-Cedi, its design and potential impact use, regulatory implications, the expected benefits and challenges and the prospects.

20 banks (out of the total of 23) participated in the survey. The diagram below provides some additional information on the banks in Ghana to help situate the responses on the readiness of the industry for the e-Cedi.

Commercial banks in Ghana operationally classified



In conducting the survey, even though we used the term cryptos, cryptocurrencies, cryptoassets to refer broadly to private, public or sovereign digital currencies or assets, the focus of this survey is on the readiness of the Ghanaian Banking Sector for the sovereign backed e-Cedi BoG intends to issue. The responses from the questionnaire and interviews were further discussed with the bank executives for insights to support the analysis and presentation of the survey report findings.

Top findings

1 – Are Ghanaian banks generally ready for the e-Cedi?

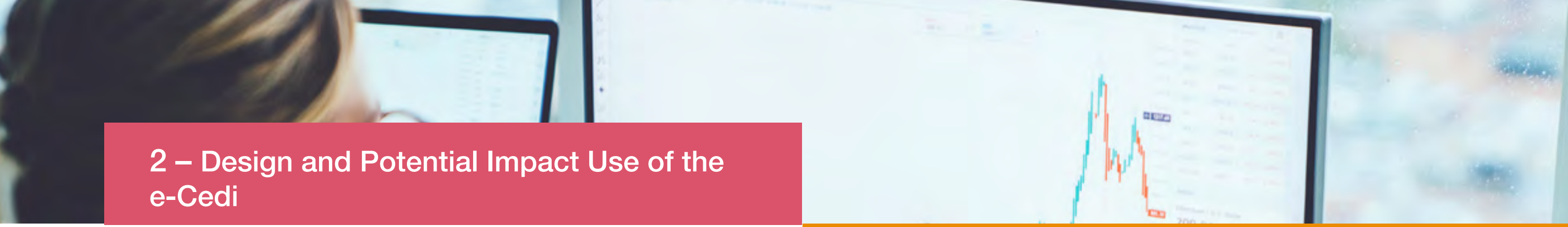
- 85% of respondents have no or low level of knowledge and awareness of the e-Cedi. They explained this is largely because of the lack of engagement on the part of BoG for them to understand what exactly the regulator intends to issue, infrastructure requirements etc. Interestingly, BoG is rather of the view that is a pilot exercise and the right engagement with all stakeholders will be done subsequently.

- 95% of the respondents believe the e-Cedi will positively impact the banking sector and wider economy by deepening financial inclusion, supporting the country’s digitisation agenda and helping improve monetary policy given the enhanced control of the regulator over money supply in digital currency form.

- Cybersecurity and data protection concerns were high among those who thought otherwise. BoG should therefore not only aim at an e-Cedi payment and settlement platform which provides lower transaction cost and higher speed than currently available but also offers higher security of the transactions and participants.

- 80% of the respondents are not ready with the required infrastructure and or are not sure if their current infrastructure will support the use of the e-Cedi when introduced. However, 78% of the respondents believe whatever form the e-Cedi takes and technology requirements, their infrastructure should be ready within 2 years.

- Clear legislation, funding and technical support are some of the key expectations of respondents from BoG ahead of the introduction of the e-Cedi.



2 – Design and Potential Impact Use of the e-Cedi

- BoG is expected to issue a basic fiat digital form of the Cedi (as the e-Cedi) with no inherent value or ability to generate returns given its position on cryptos in general. “Caution” and “no complication” will seem to be the guiding principles at the early stages of the e-Cedi project. It is however interesting to note that 35% of the respondents prefer BoG to issue an e-Cedi with inherent value or ability to generate returns with another 35% of the respondents preferring both forms of the e-Cedi. Is this indication of appetite for the general cryptos from the industry a call on the regulator to be ready and ahead of perhaps the inevitable?

- 90% of respondents are of the view that BoG should use financial intermediaries in the deployment of the e-Cedi. This was not surprising given concerns expressed by respondents on the possible disintermediation effect should BoG decide to deal solely and directly with the public on the use of the e-Cedi.

- 90% of the respondents also believe the e-Cedi will increase competition for deposit mobilisation and have liquidity concerns over deposit withdrawals by bank customers to hold in e-Cedi form with BoG. This may be a confirmation of the lack of knowledge and understanding of the e-Cedi form BoG intends to issue. If the expectation is that the e-Cedi will just be a digital form of the existing Cedi and will still be part of the deposit holdings of customers at the financial intermediaries except for those to be held directly with the Central Bank should BoG decide to deal directly with the public, then the liquidity concerns over deposit withdrawals to hold the e-Cedi may be exaggerated. These concerns are expected to be addressed when BoG engages the stakeholders.

- 85% of respondents expect the e-Cedi to have medium to high impact on existing traditional payment and settlement systems when introduced, but with reference to mobile money in particular, only 70% expect the e-Cedi to dominate mobile money usage. There were general concerns over clearing independence, security, transaction cost and limits admissible via mobile money. The lower transaction cost, improved security and larger monetary transaction limits expected via the usage of the e-Cedi with the regulator seen more as an independent clearing house may account for the success expected from the introduction of the e-Cedi. 35% of the respondents believe mobile money will continue to do well even if e-Cedi is introduced largely because of user familiarity, informal sector nature of the Ghanaian population and the small transaction sizes and volumes currently enjoyed via mobile money.

- 85% of the respondents believe in privacy of both participants and transactions in the design of the e-Cedi platform. Even though product traceability and trust are key benefits expected from a blockchain based solution, the regulator still needs to be aware of the confidentiality, data privacy and security people expect around the e-Cedi platform. The pivotal role of the regulator, BoG, for the success of the e-Cedi project cannot be overemphasised with 60% of the respondents indicating the role of the regulator is the most critical among all stakeholders.

3 – Regulation

- All respondents want the regulator to work with them as stakeholders in the implementation of the e-Cedi with as high as 95% of respondents wanting to be involved as partners even in the development of legislation around the e-Cedi. On pricing of e-Cedi based products and given the infrastructure investment that may be required, 80% of the respondents expect BoG to engage the banks on the fee structure for such products and not set arbitrary fee limits for them. What is obvious from this is that the need for stakeholder engagement is crucial for the success of the e-Cedi.

- Even though 35% of the respondents prefer BoG to issue an e-Cedi with inherent value or ability to generate returns with another 35% of the respondents preferring both forms of the e-Cedi, it is worth noting that 70% of the respondents are against opening the Ghanaian economy to the use, holding and trading of other digital assets other than the e-Cedi. Even, of the 6 respondents who want it open, 5 do not expect it done immediately but in the next 2 to 5 years. Speculation, regulatory uncertainty and immaturity state of the blockchain industry were among the reasons cited.

4 – Benefits

- 75% of the respondents believe process optimisation (e.g. decrease in transaction time and cost and settlement efficiency), bigger e-ticket transactions and financial inclusion are the most important benefits from the e-Cedi project. BoG therefore needs to ensure that the design and other functionalities of the e-Cedi are done with these expected benefits in mind. User friendliness is key to boost inclusiveness by helping allay concerns over patronage given the general financial literacy level of the population. The lessons from mobile money are there to leverage on. Some respondents have indicated they are already looking at how the e-Cedi will help enhance their credit delivery models, take advantage of those, and better play their financial intermediation role.

- On the ability to foster price stability and help manage inflationary pressures, 50% of the respondents believe the e-Cedi may not be a good tool to achieve this. Key among the reasons cited is the fact that inflationary pressures are largely independent of the currency form used in an economy. A view which perhaps continues to support the fact that inflation is a “real” economy issue mostly of production, demand and supply.

- 85% of respondents believe the e-Cedi can help reduce money laundering and other illegal financial activities given the traceability and transparency usually associated with blockchain enabled solutions and 60% expect an improvement in the country’s foreign exchange reserves on the back of the safer, quicker and traceable medium of cross border payments and remittances the e-Cedi provides. It must however be emphasised that the reserve positions of a country are much more a function of the competitiveness of that economy supported by the goods and services it produces and offers and the demand for those. Banks expect a boost in trade finance activities with the introduction of the e-Cedi. Clearly there are benefits to the regulator and the nation at large if the e-Cedi is well implemented.

5 – Challenges and Risks

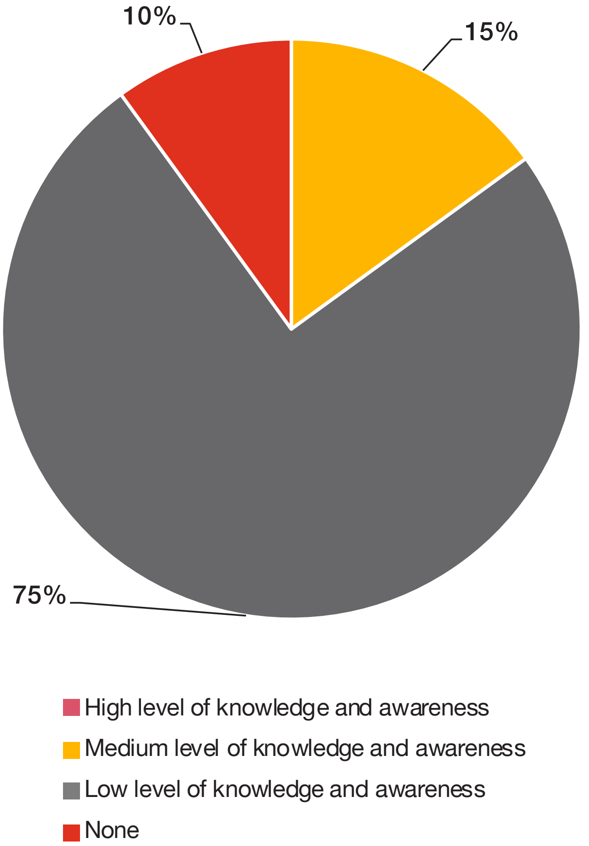
- Respondents cited knowledge about the technology and currency form by both staff of banks and customers, funding and regulatory uncertainty as the top 3 key challenges they expect their banks to face with the introduction of the e-Cedi. On the challenges expected of their customers, trust issues about the technology and currency form and limited understanding of the technology and currency form were cited most. Increased education and promotion, clarity of regulation, early engagement with the stakeholders and technical supports are required from the regulator for the success of the e-Cedi project. Respondents believe they need to be aware of what is coming and how their current systems fit in, to inform what they need to do.

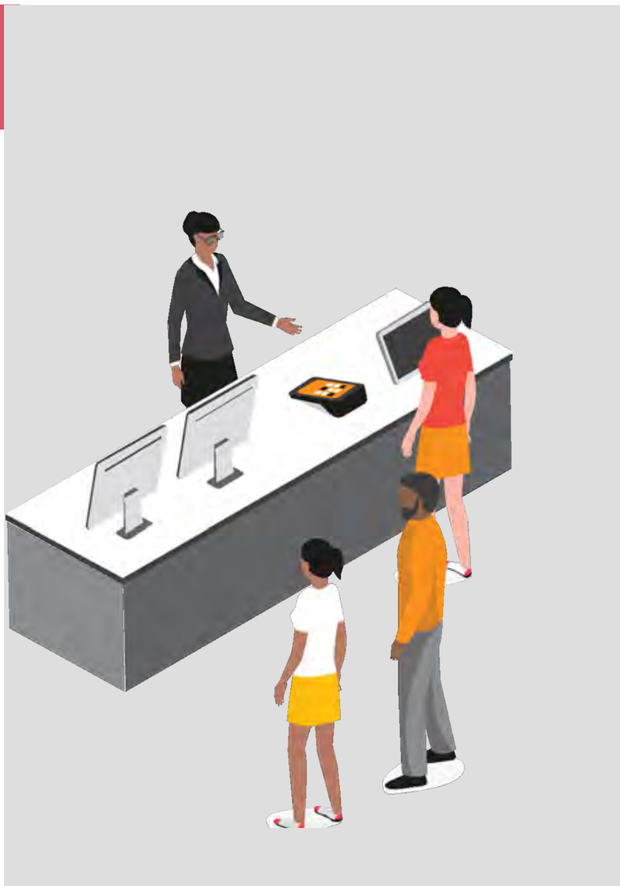
6 – Prospects

- The future of the e-Cedi looks very bright with 95% of the respondents indicating that it has some and or very good prospects and 70% of the respondents expecting its usage to be prominent 3 to 5 years after its introduction. User experience and demand of the currency in this digital form will drive the level of e-Cedi holdings of the intermediary financial institutions to help with the financial inclusion and the country's digitisation agenda. Acceptability of the e-Cedi and platforms for usage will drive the penetration.

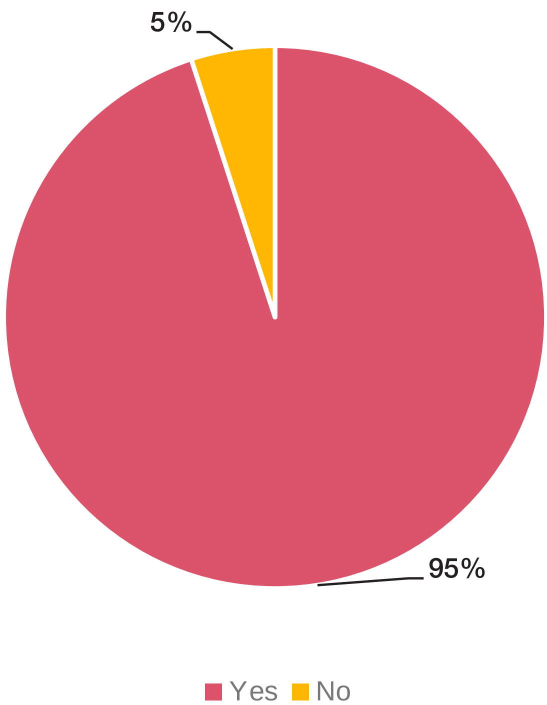
1. Are Ghanaian banks generally ready for the e-Cedi?

What is the level of knowledge and awareness on the "e-Cedi" within your bank?



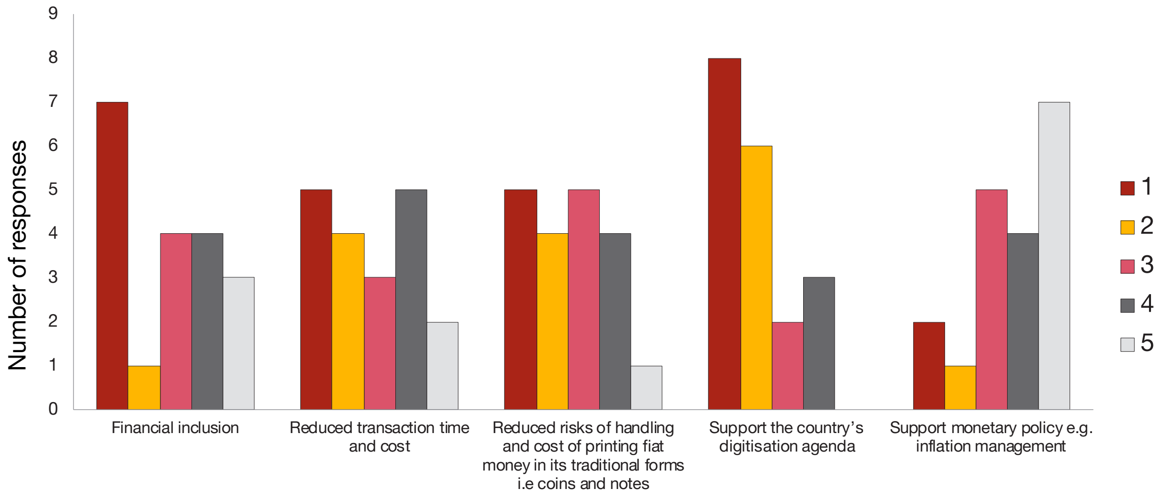


Will the issuance of digital currency (e-Cedi) positively impact the banking sector and wider economy?

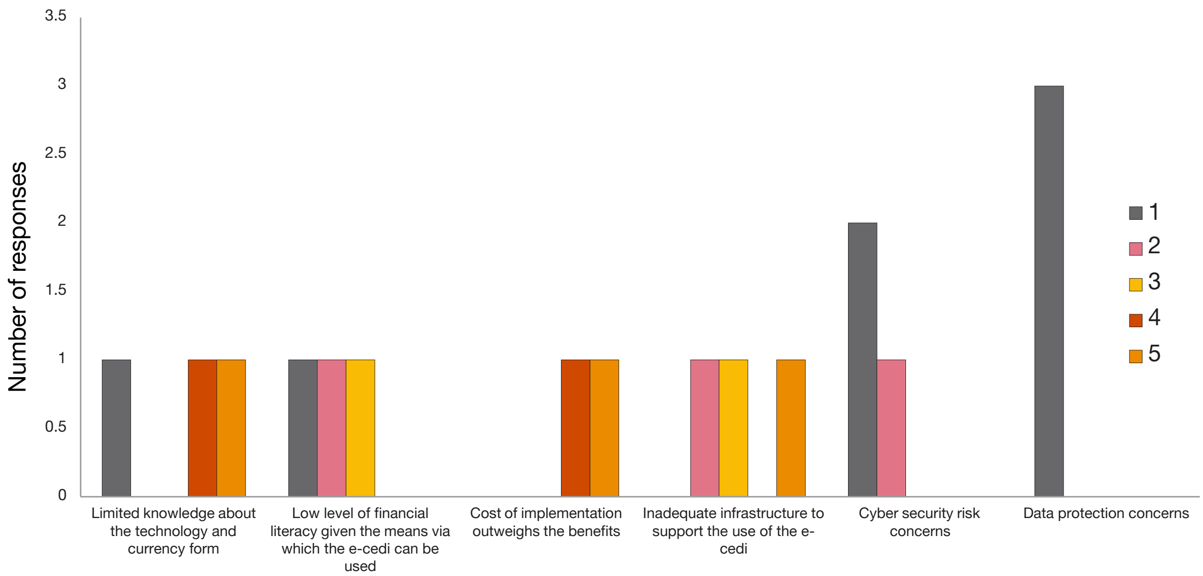


Will the issuance of digital currency (e-Cedi) positively impact the banking sector and wider economy?

If yes, why? Please rank the following in order of importance (1- being the most important and 5- the least)

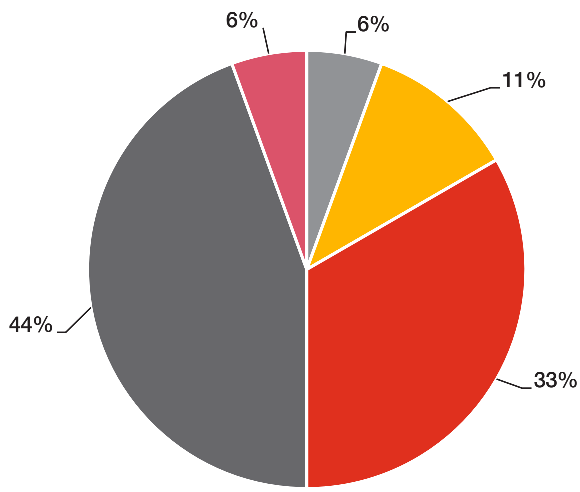


If no, why? Please rank the following risks/concerns in respect ofthe issuance of the e-Cedi (1- being the area with the highest concern and 6- the least)

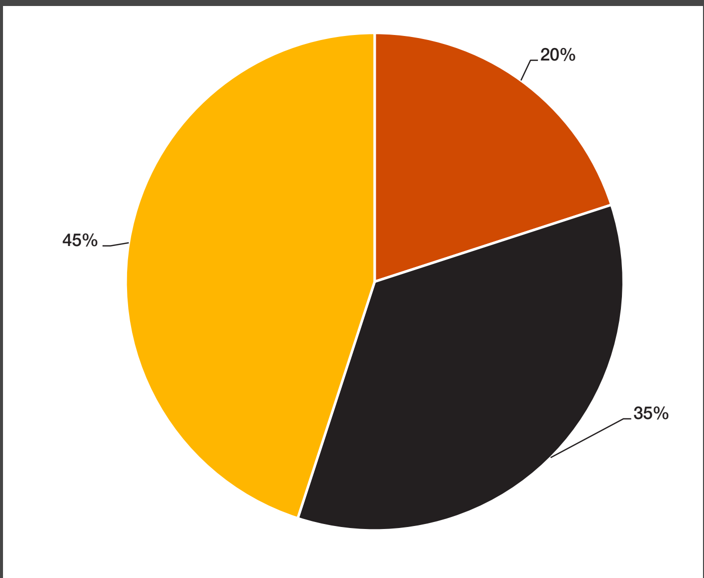


If yes, when do you think the banks would have the capacity to implement the e-Cedi?

- Now, there is enough information and product and technology experience to allow for the required legislation for the immediate introduction of the e-Cedi
- Over five years
- In the next two years
- In the next three to five years
- We do not have enough information on the digital currency to estimate time

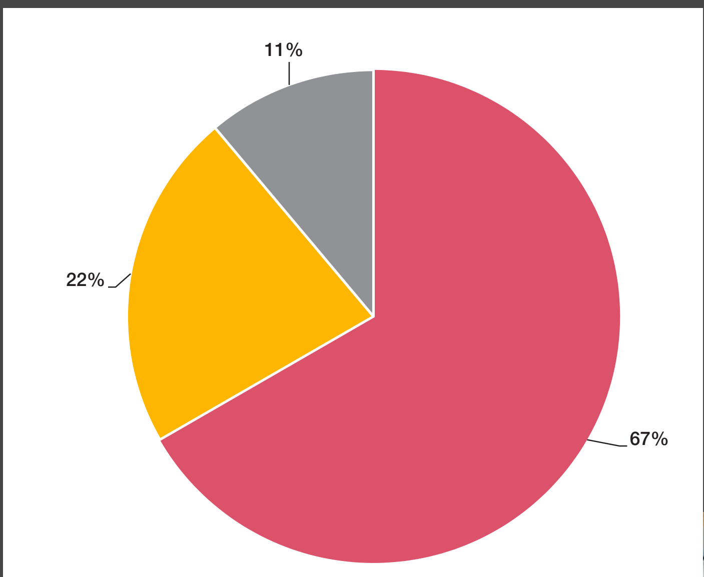


Would your existing infrastructure be able to support the use of the e-Cedi when issued?



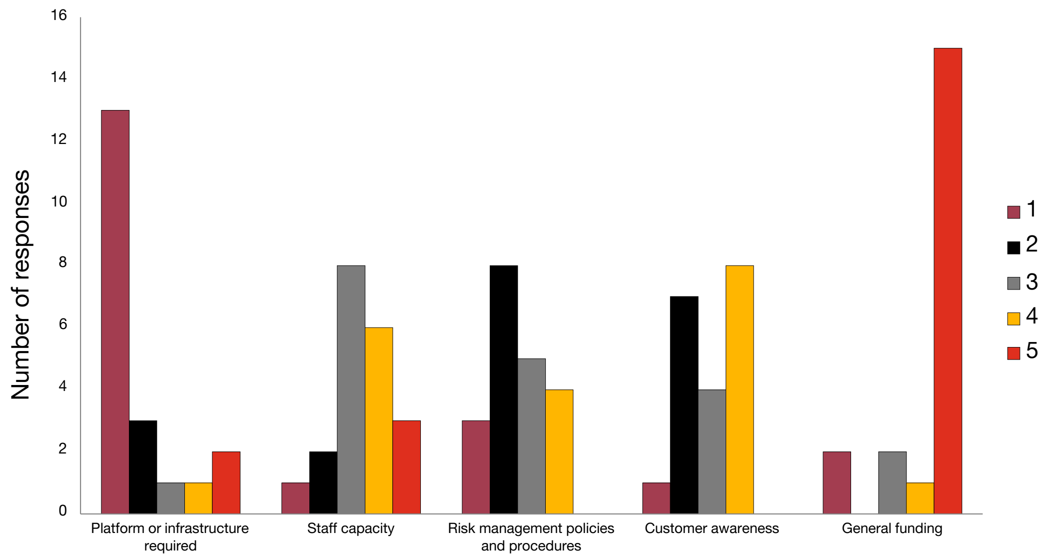
- Yes, we are confident our existing infrastructure can support the use of the e-Cedi
- Not sure. We would have to assess the state of our infrastructure
- No, we would have to upgrade our current infrastructure or build new infrastructure

If no, how soon do you think you will be able to build new infrastructure or upgrade your current infrastructure?

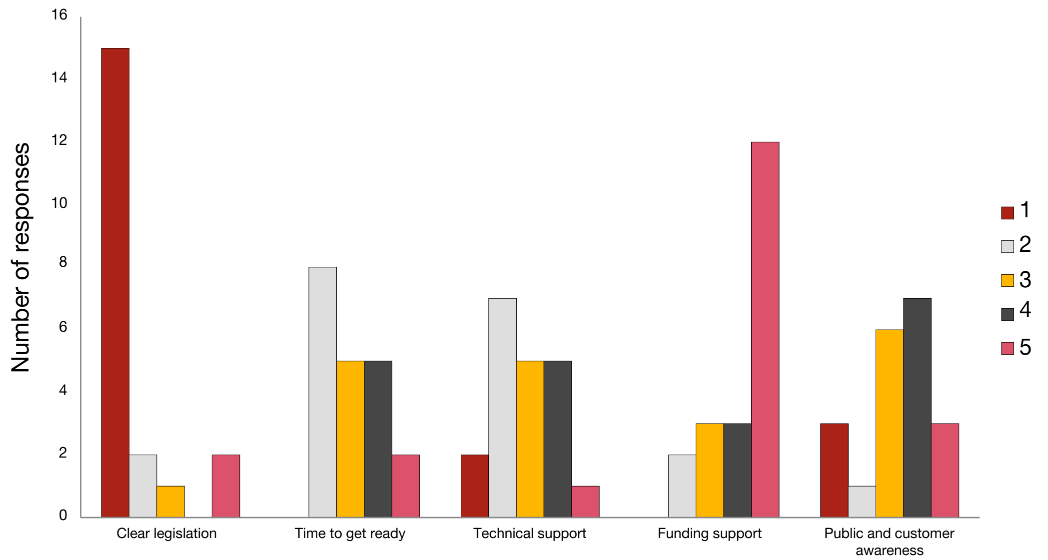


- Over five years
- In the next two years
- In the next three to five years
- 9 months

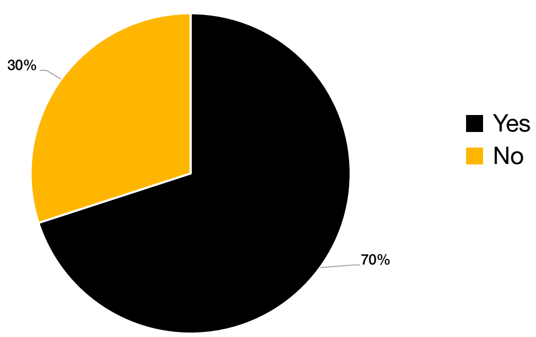
Which of the following does your bank consider the most important in getting ready to support the use of the e-Cedi? Please rank, 1- being the most important and 5- the least.



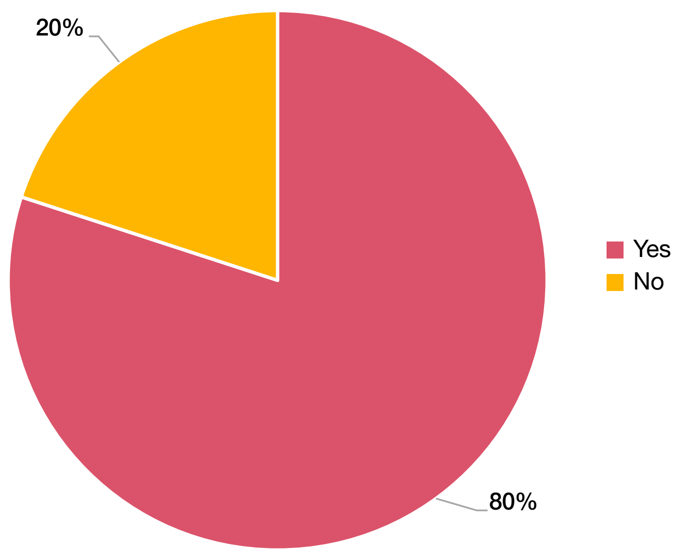
What are your bank's expectations of BoG ahead of the issuance of the e-Cedi? Please rank, 1- being the most important and 5- the least.



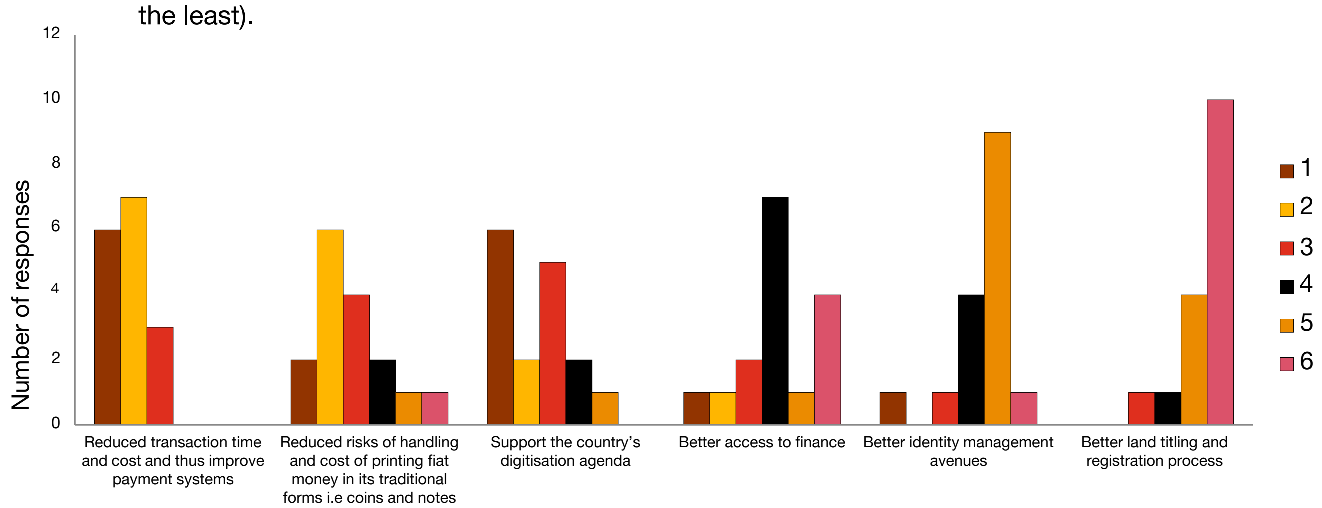
Do you believe the e-Cedi can be used as a more effective monetary policy tool than the current form of the cedi i.e coins and notes?



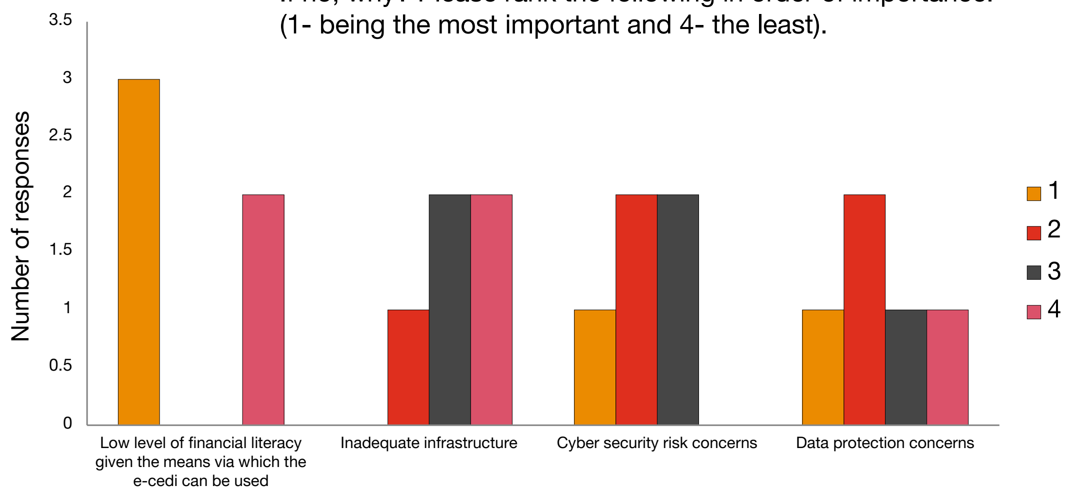
Would the use of the e-Cedi deepen financial inclusion agenda?

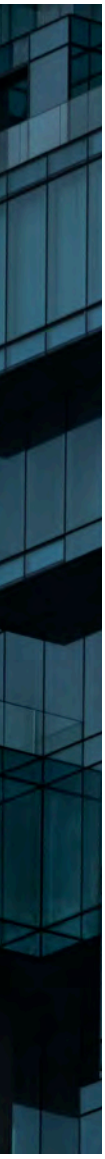


If yes, why? Please rank the following in order of importance. (1- being the most important and 6- the least).



If no, why? Please rank the following in order of importance. (1- being the most important and 4- the least).





Following the announcement by the Governor of BoG in May 2021 on plans to introduce the e-Cedi, the Central Bank has informed the public via a press release dated 11 August 2021 that it has partnered with Giesecke+Devrient (G+D) to pilot a general-purpose Central Bank Digital Currency (retail CBDC) in Ghana. G+D will provide the technology and develop the solution adapted to Ghana's requirements, which will be tested in trial phase with banks, payment service providers, merchants, consumers and other stakeholders.

Industry knowledge of cryptocurrencies and the e-Cedi in particular remains low, however, players in the banking industry expect the e-Cedi to have a positive impact on the sector and the wider economy. There is the general belief that the e-Cedi would promote financial inclusion, support the government's digitisation agenda, act as an effective monetary policy tool and reduce the costs and risks associated with printing and handling fiat money in its current forms.

Bank executives generally agree on infrastructure as the most important factor to enable successful implementation of the e-Cedi. The extent of upgrades required to the existing infrastructure does seem significant with only 20% of respondents confident that they have enough information, product and technological experience to support immediate implementation of the e-Cedi.

Other banks have indicated that they would require a period of two to five years to position themselves to support the implementation of the e-Cedi. Factors of importance during this phase are the level of customer awareness and robustness of risk management policies to address risks and challenges that the e-Cedi would present. The industry stands to gain from a collective approach which would create the potential for technological standardisation and digital upskilling to achieve efficiency for both financial intermediaries and customers.

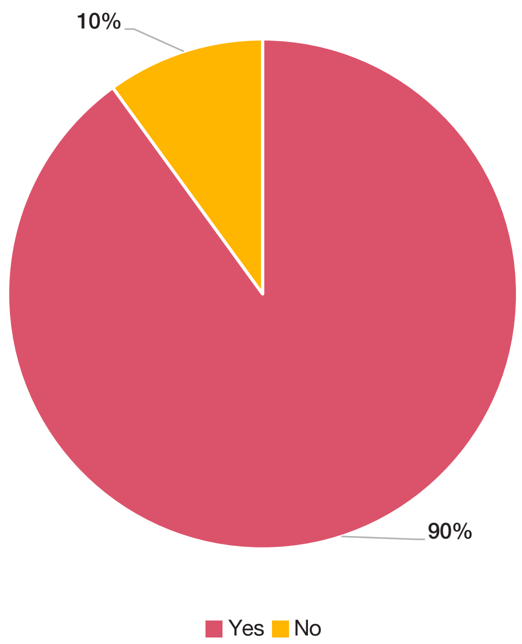
On the wider economy, the e-Cedi is expected to impact the effectiveness of monetary policy and be a catalyst for the government's financial inclusion agenda. According to industry players, the e-Cedi (as a digital currency) would give the Central Bank greater control over money supply. Transaction cost, which is a key consideration for users of electronic payment platforms, is expected to reduce with the introduction of the e-Cedi. This would attract more consumers to electronic forms of payment and deepen the financial inclusion agenda.

Clear legislation and sufficient technical support from the Central Bank are seen as critical factors to the success of the e-Cedi.

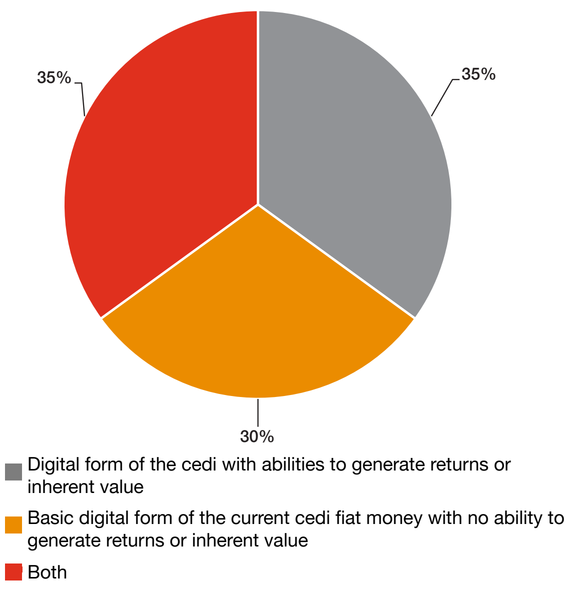
2. Design & Potential Impact Use

Businesses consider profitability or other forms of returns of a project before greenlighting it. The case of BoG, the regulator, may not be any different since this project is about introducing just another form of the country's existing sovereign currency and the returns may not be from a profit perspective. Coming off the back of a profitable 2020 financial year despite the challenges posed by COVID-19, banks look to continue on the same trajectory and deliver value to their shareholders as global restrictions are eased, customer activities increase and they adapt to the 'new-normal'. With 90% of the survey respondents believing the benefits to be accrued justify the costs to be incurred by the regulator by putting in place the required infrastructure and technology, it is anticipated that the introduction of e-Cedi will be highly embraced by the industry.

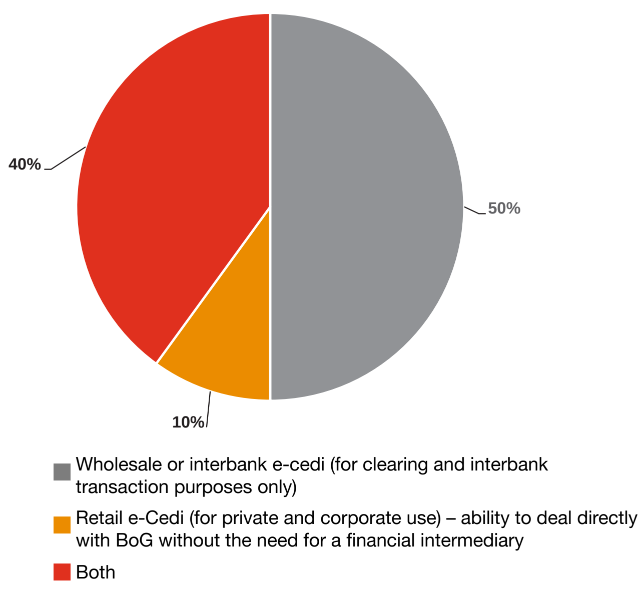
Given that the e-Cedi when issued will be a sovereign, legal tender, BoG is likely to use a permissioned or private blockchain network with its attendant cost. Do you believe the cost for this infrastructure is worth the benefits?



Which form of the e-Cedi would you prefer BoG issue?



Which type of the e-Cedi would you prefer BoG issue?

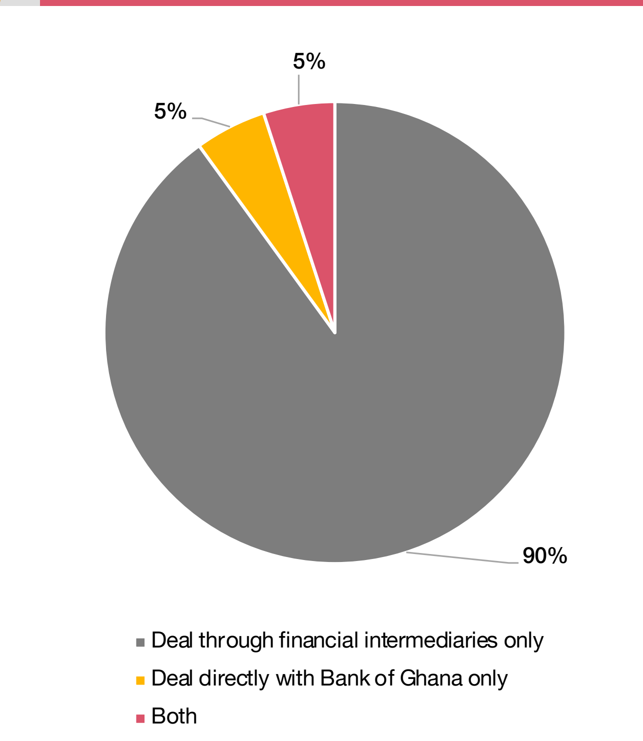


There appears to be no consensus as to the form of e-Cedi BoG should introduce. A third of industry players want the basic digital form of the e-Cedi with no ability to generate returns and create value with another third wanting the digital form with ability to generate returns or create value. The last third prefers both forms of the e-Cedi.

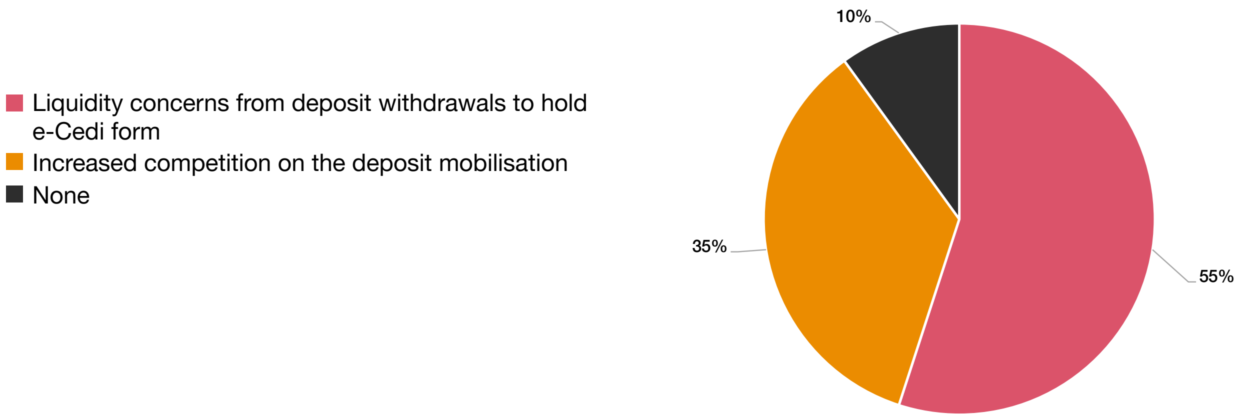
On the type of e-Cedi, half the respondents surveyed prefer wholesale interbank e-Cedi for clearing purposes only whereas 40% of respondents prefer a retail e-Cedi to be issued which would allow personal, private and corporate use of the e-Cedi with the ability to deal directly with BoG without the need for financial intermediaries.

Our questionnaire was administered before BoG's 11 August 2021 press release. The press release has at least indicated the regulator is looking at a retail CBDC. That is not surprising given some of the benefits the regulator expects from the e-Cedi such as financial inclusion and improvement in the country's digitisation agenda. A retail e-Cedi will provide all the benefits of a wholesale e-Cedi and allow for more participation and hence more financial inclusion. Proponents of the wholesale e-Cedi were concerned about risks and wanted the new form of the Cedi to be tried among a limited group, perfected before opening it up to the general public. This view seems to be the same approach the regulator is using given how even though a retail e-Cedi will be introduced, its usage will be piloted with a select group.

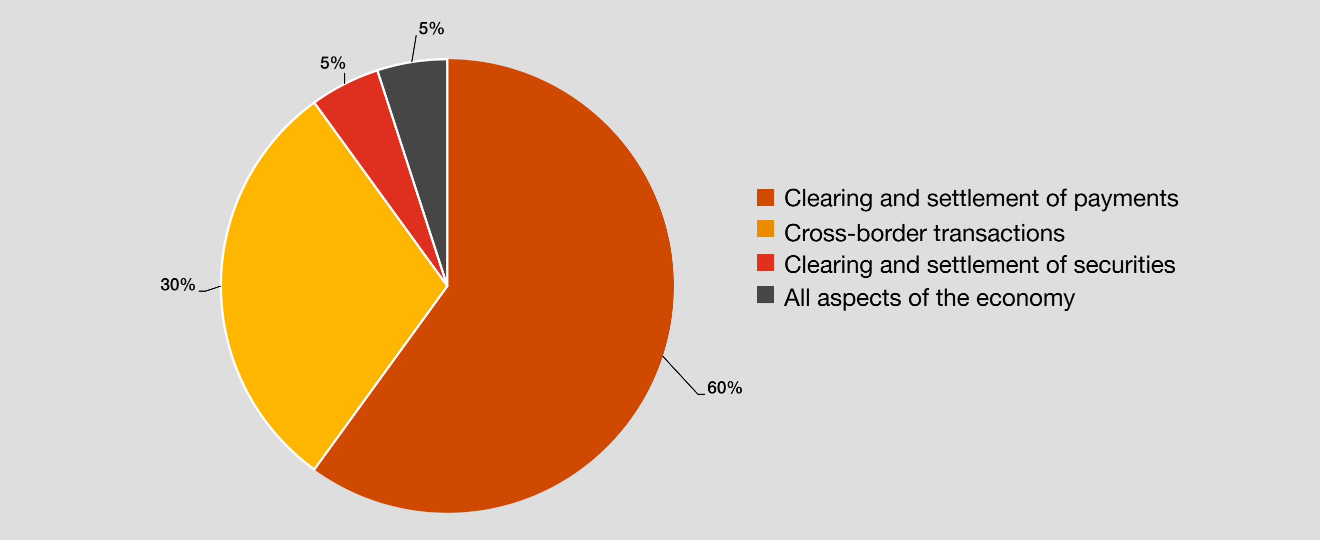
Even though with the retail e-Cedi the public can deal directly with BoG, do you believe this should be the approach or should financial intermediaries be used?



What are your concerns on the possible disintermediation of financial institutions should BoG decide to issue a retail e-Cedi and deal directly with the public without financial intermediaries?



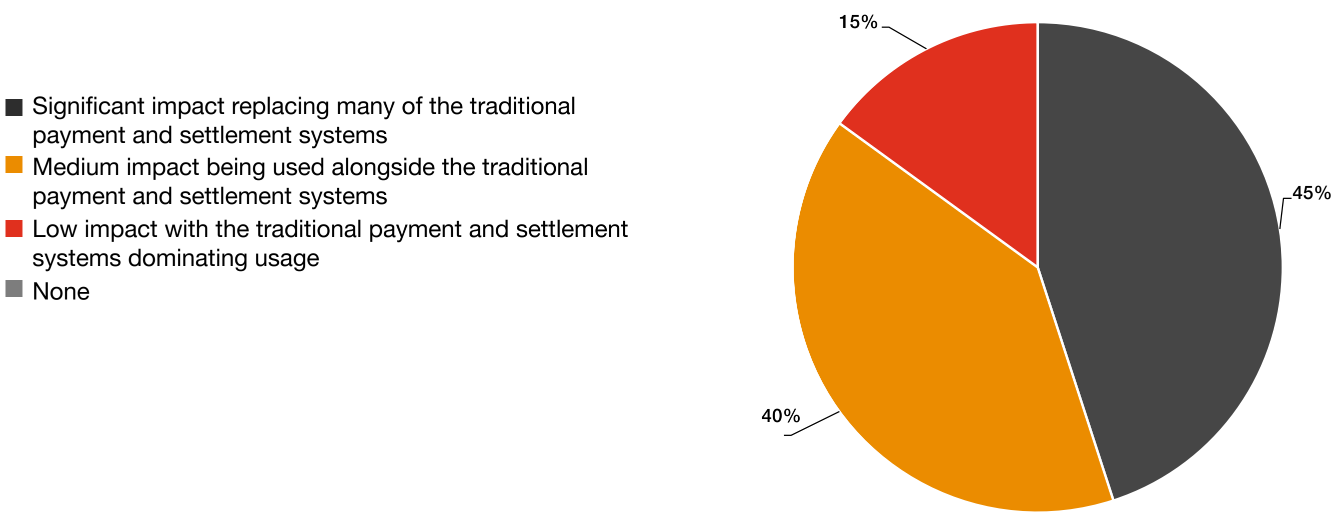
Where do you think wholesale CBDCs would be most relevant in the Ghanaian banking sector?



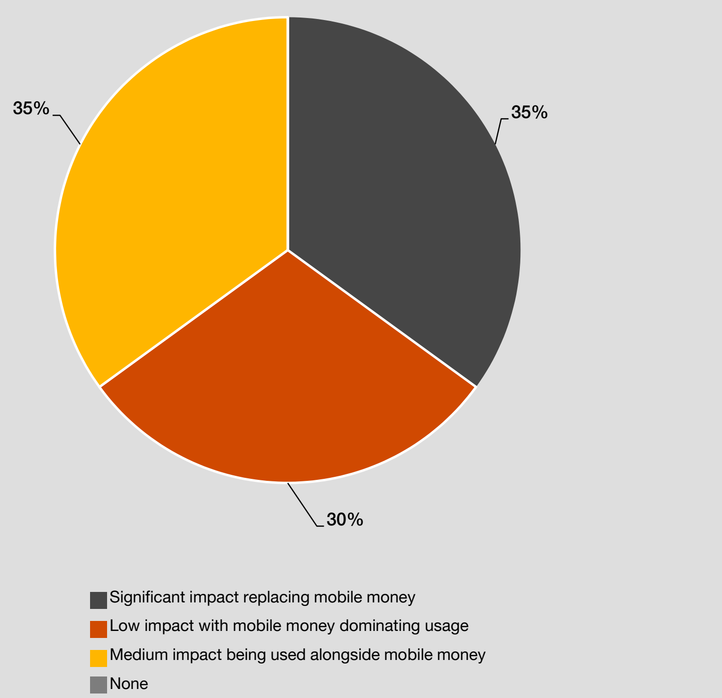
Even though with a retail e-Cedi, BoG can deal directly with the public without financial intermediaries, many respondents do not expect the regulator to do this except for the transaction and settlement role it is expected to play. They expect the current restrictions on the general public in dealing with the regulator with the Ghana Cedi in its current form to continue, with the introduction of the e-Cedi. Regulatory independence they say, is key.

Disintermediation concerns leading to increase competition for deposits and liquidity issues expressed by respondents may be as result of the lack of clarity on the digital currency form BoG had planned to issue. If the e-Cedi will just be the digital form of the current Ghana Cedi and the 11 August 2021 press release issued by BoG in which it was indicated that a retail e-Cedi will be issued, then the above concerns may be overemphasised.

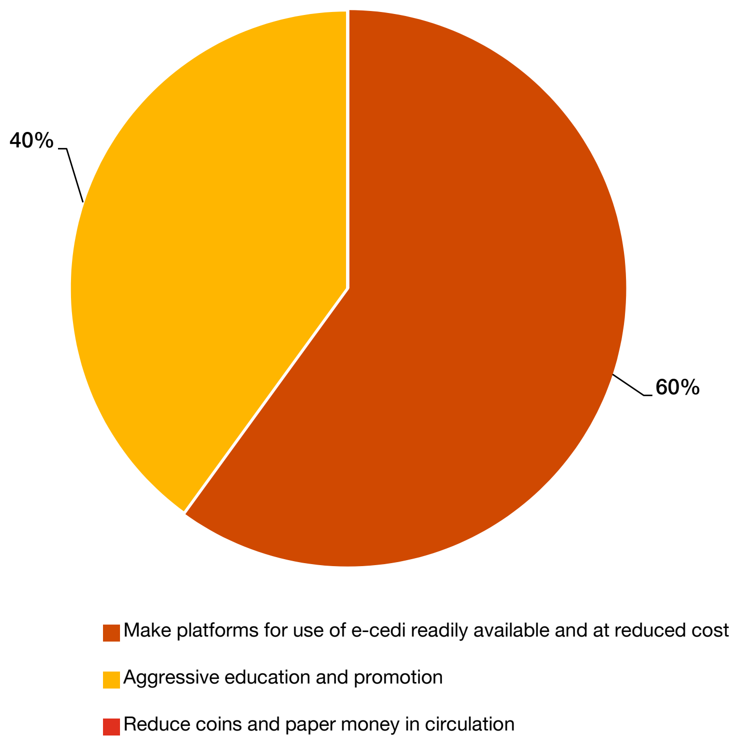
What impact do you expect the e-Cedi to have on the traditional payment and settlement systems in Ghana when introduced?



What impact do you expect the e-Cedi to have on mobile money in particular in Ghana when introduced?



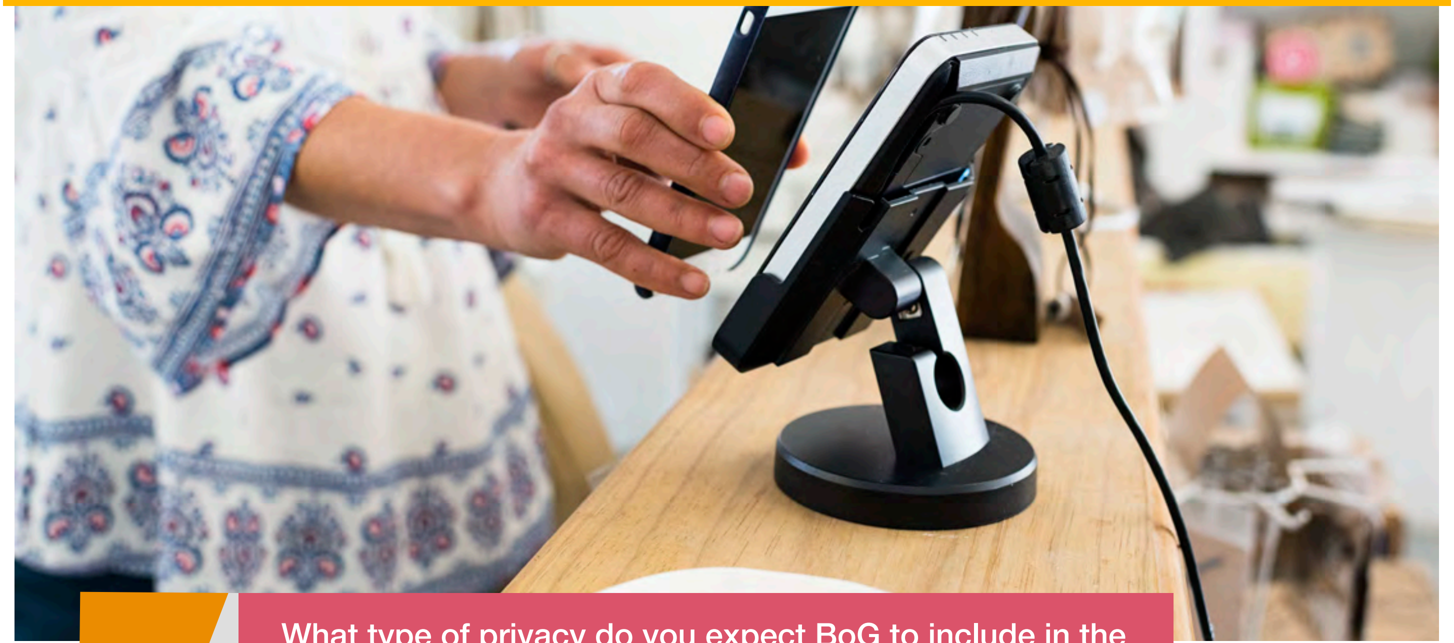
What do you think will be the best way for BoG to increase the usage of the e-Cedi when introduced?



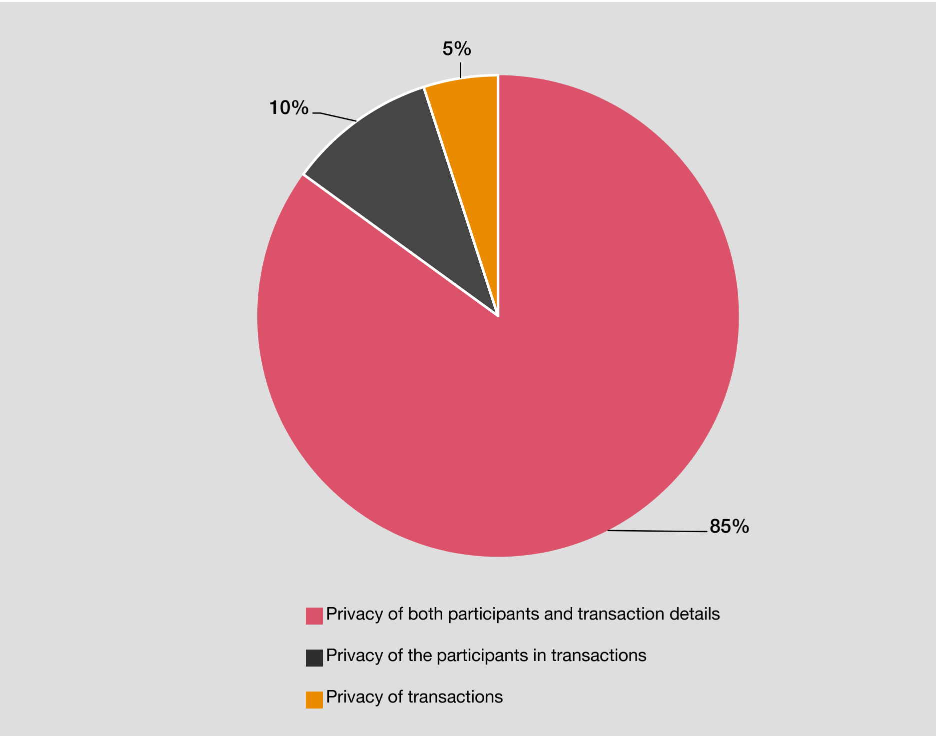
The e-Cedi will continue to perform the functions of the Ghana Cedi but in digital form. In performing the function of medium of exchange or mode of payment, the e-Cedi is expected to impact existing digital and traditional payment and settlement platforms. Currently, mobile money appears to be the most widely used digital payment platform. 85% of respondents expect the e-Cedi to have a medium to high impact on traditional payment and settlement platforms. The benefits of enhanced security, process optimisation (lower transaction cost and time and settlement efficiency), regulatory independence, higher transaction limits etc expected from the e-Cedi account for its prominence envisaged.

70% of respondents expect the e-Cedi to have a medium to high impact on mobile money. The acceptance and penetration level of mobile money since its introduction cannot be overemphasised. The COVID-19 pandemic also contributed to its usage with many of the Ghanaian population who one will not consider as sufficiently financially literate becoming increasingly familiar with the platform. These, together with the smaller size transaction limits allowed on the mobile money platform, are some of the reasons respondents believe mobile money will continue to do quite well even with the introduction of the e-Cedi. Prominence of the e-Cedi will however take some time.

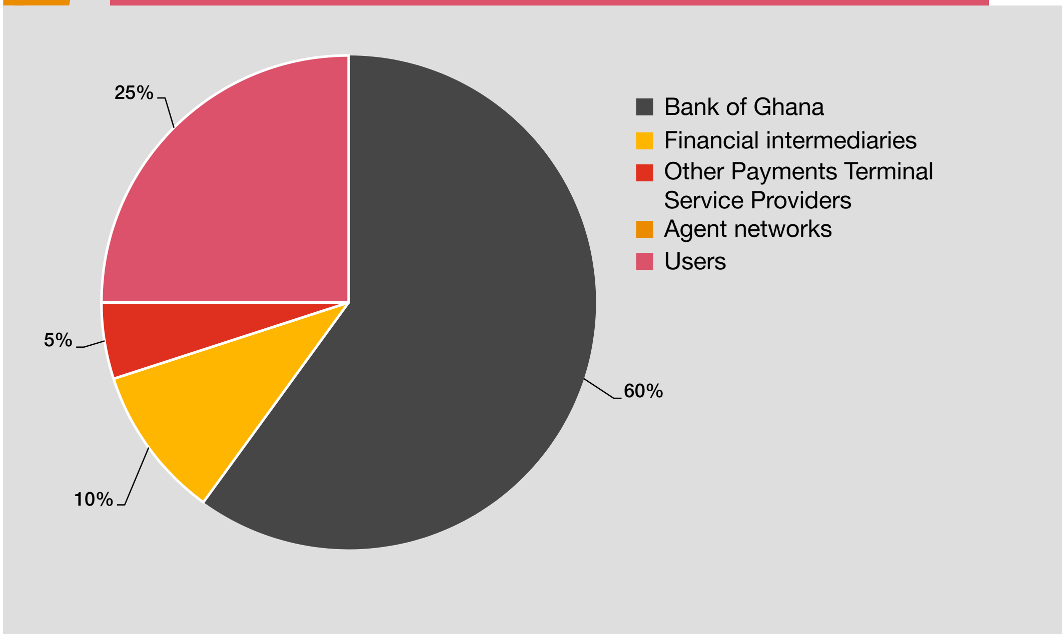
As with all payment systems, patronage is highly dependent on the availability of a low-cost, user-friendly platform. Education to increase user knowledge and promotion to create awareness of the system stand out as critical success factors for the implementation of the e-Cedi.



What type of privacy do you expect BoG to include in the design of the e-Cedi?



Which of the following do you think is the most important for the successful implementation of the e-Cedi?



The Central Bank and end-users are seen by respondents as the stakeholder groups that are critical for the successful implementation of the e-Cedi. Product and regulatory clarity and user experience will drive acceptability and penetration of the e-Cedi.

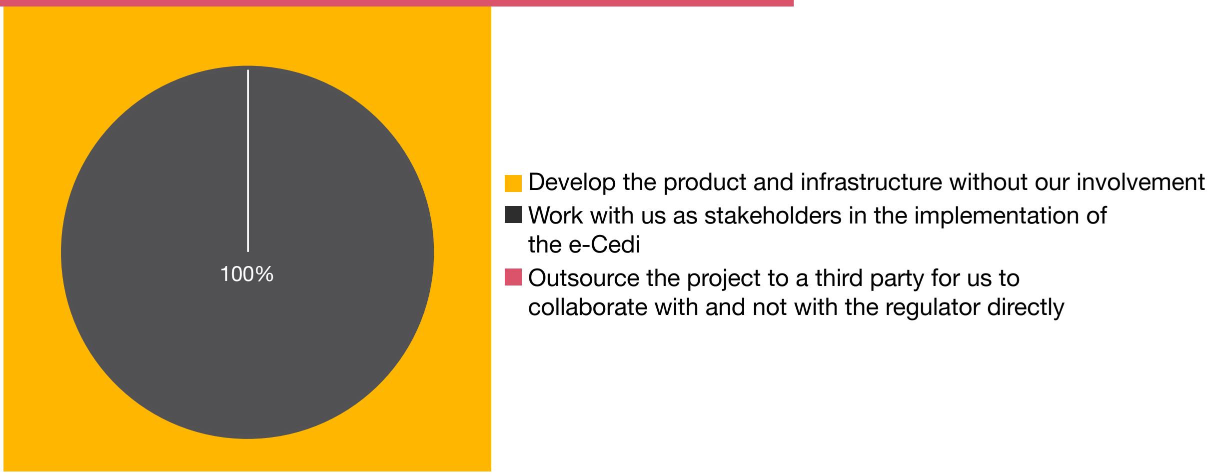
In addition to the benefits of security, convenience, lower cost and reduced transaction times, BoG is expected to provide privacy to both participants and transaction details when designing the e-Cedi and the platforms via which it will be use.

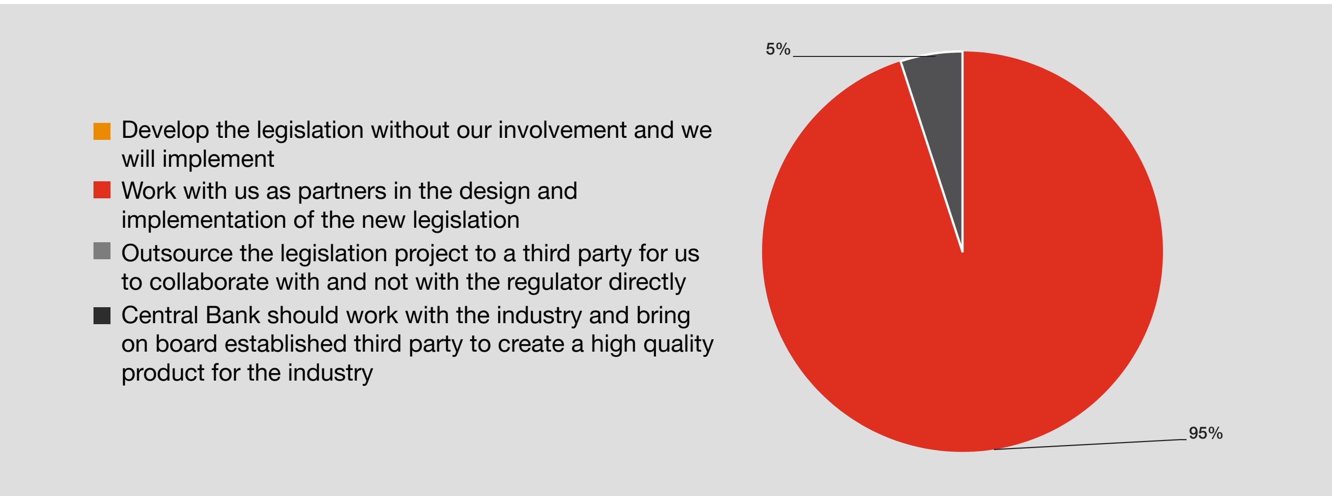
3. Regulation

“There is nothing magic about regulations, too much is bad, too little is bad” – Hillary Rodham Clinton.

In 2018, cryptocurrencies enjoyed a fair share of the spotlight in finance with pioneers such as Bitcoin and newcomers like Ethereum boasting a steady rise in their values. Given the global uncertainty on the role of central banks on the use, holding and trading of cryptocurrencies and concerns about the lack of regulation, BoG issued a public notice on Digital and Virtual currencies operations in January 2018 reminding the public that the use, holding and trading of digital currencies are not licensed under the then Payment Systems Act, 2003 (Act 662). A year later, the Payment Systems and Services Act, (2019) (Act 987), which replaces the Payment Systems Act 2003 (Act 662) was passed without much information on digital and virtual currencies.

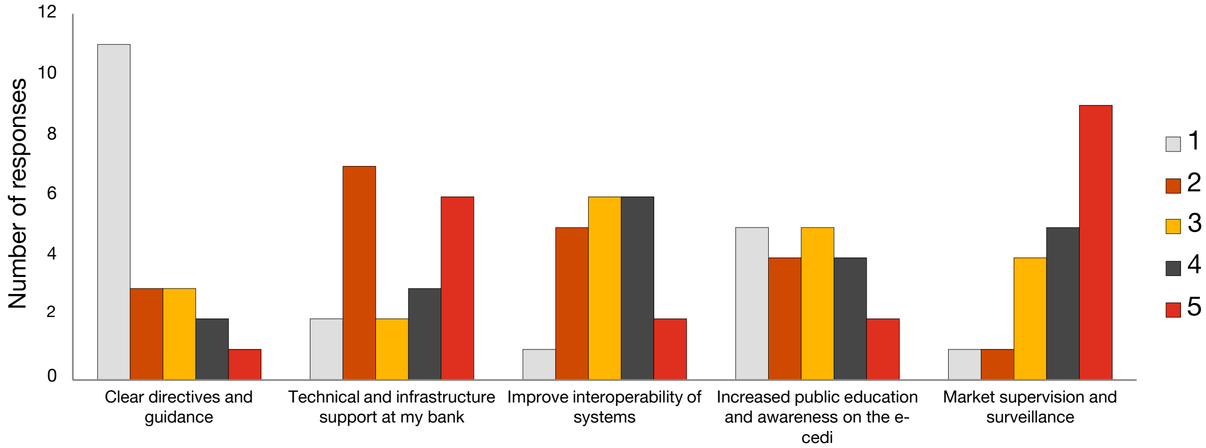
What type of privacy do you expect BoG to include in the design of the e-Cedi?





An inclusive approach to the development and implementation of the e-Cedi including the development of related regulations is what stakeholders expect which will go a long way to ensure that the risks and compliance frameworks of banks are aligned to the risks and compliance requirements of the regulator and are fit-for-purpose.

In which of the following areas will you need the regulator's support with the introduction of the e-Cedi? Please rank, 1- being the most important and 5- the least.

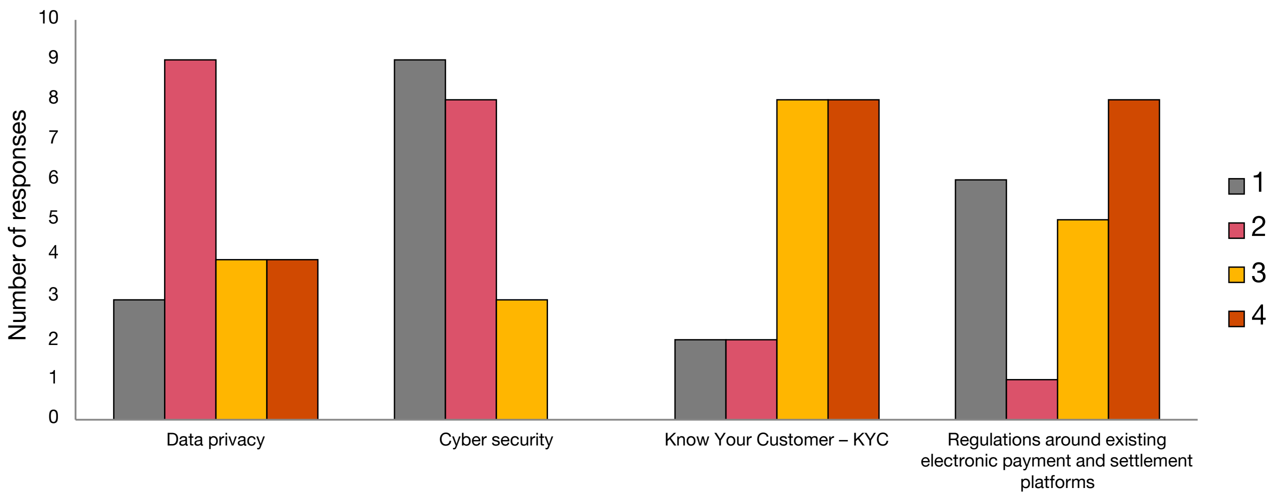


Banks indicated the desire to understand the new digital currency and the accompanying regulation with over 50% of respondents emphasising clarity of directives and guidance on the introduction of the e-Cedi as an area where they require support from the regulator. This is indicative of the progress made in banking supervision where banks aim for zero tolerance for non-compliance in response to the efforts made by the Central Bank in its oversight activities.

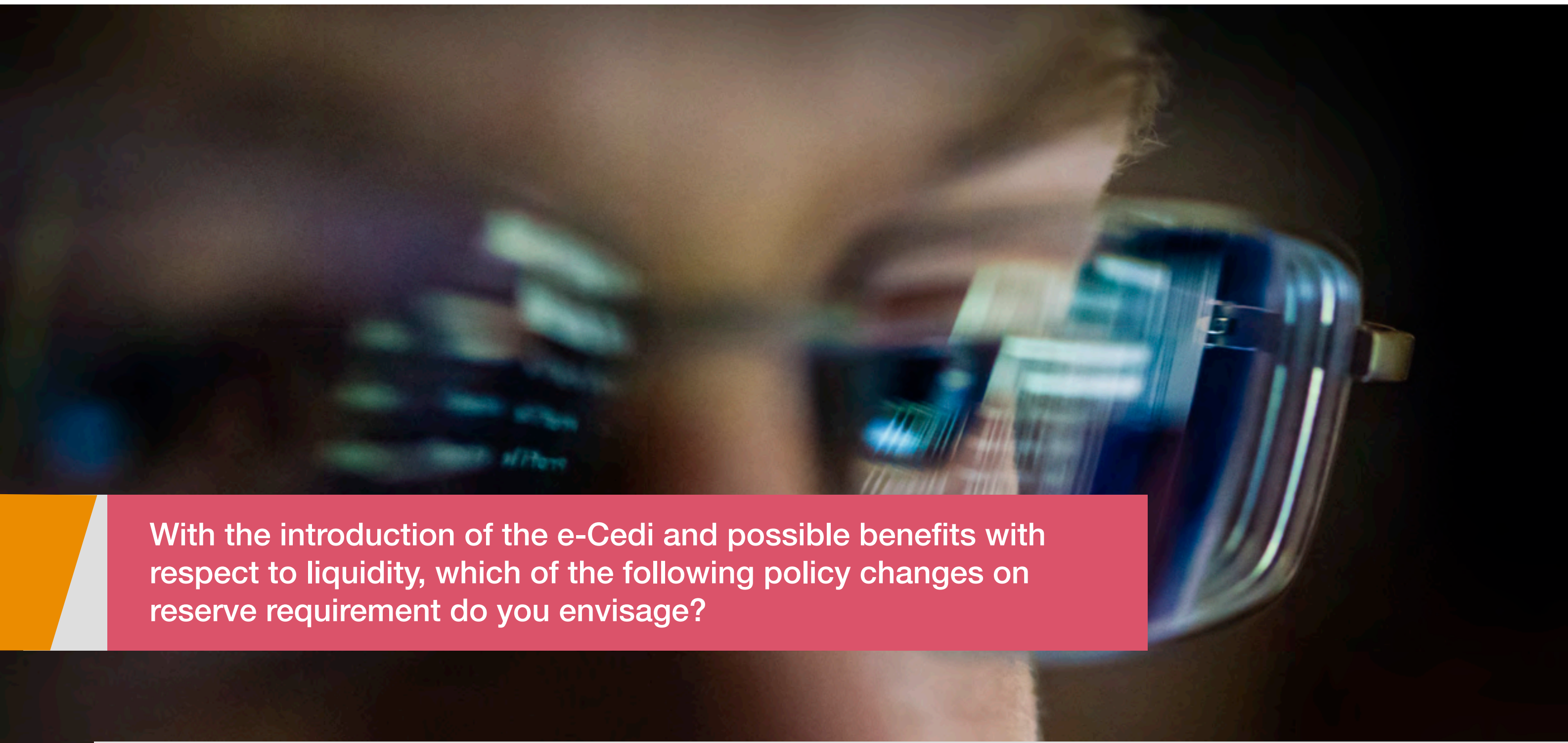
Banks also stressed the importance of technical and infrastructure support and system interoperability as other areas of support desired from the regulator given the lack of general knowledge in the industry of the form and technology to underpin the e-Cedi, and perhaps the inadequate existing infrastructure. Increased public education and awareness of the e-Cedi was also deemed as a vital support mechanism. Reaping the expected benefits of the digital currency is contingent on the public understanding and appreciation of its benefits and acceptability.

The industry and regulator will have to be proactive in ensuring any implementation challenges are appropriately addressed in the areas of infrastructure, regulation, education and awareness in order to realise any synergies from collaborations and to get the country ready for the e-Cedi within the shortest possible timeframe.

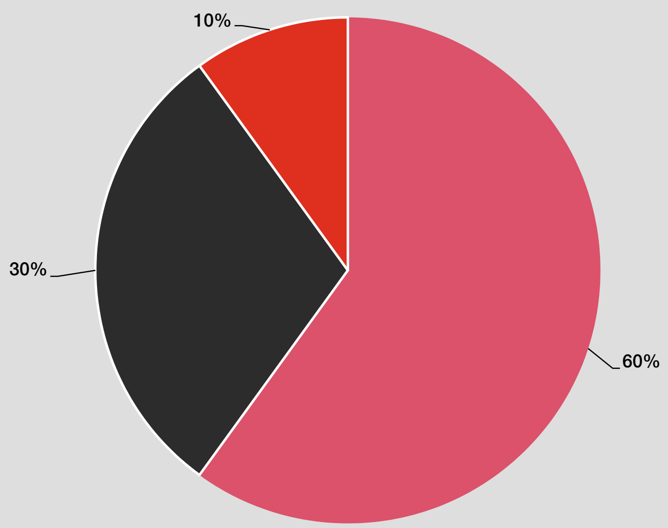
Which of the following areas do you expect the most regulatory changes ahead of the introduction of the e-Cedi in Ghana? Please rank, 1- being the most important and 4- the least.



While blockchain technology produces a tamper-proof ledger of transactions, blockchain networks are not immune to cyberattacks and fraud. Known vulnerabilities in blockchain infrastructure can be exploited to enable theft through code exploitation, theft of private keys and hacking of computers. It is therefore appropriate for banks to expect cybersecurity and data privacy regulations to undergo the most significant changes in getting the industry ready for the introduction of the e-Cedi. The development of regulations is an important first step; however, the appropriate implementation and timely revision to evolving threats will ensure the safety and stability of the financial sector and the economy as a whole.

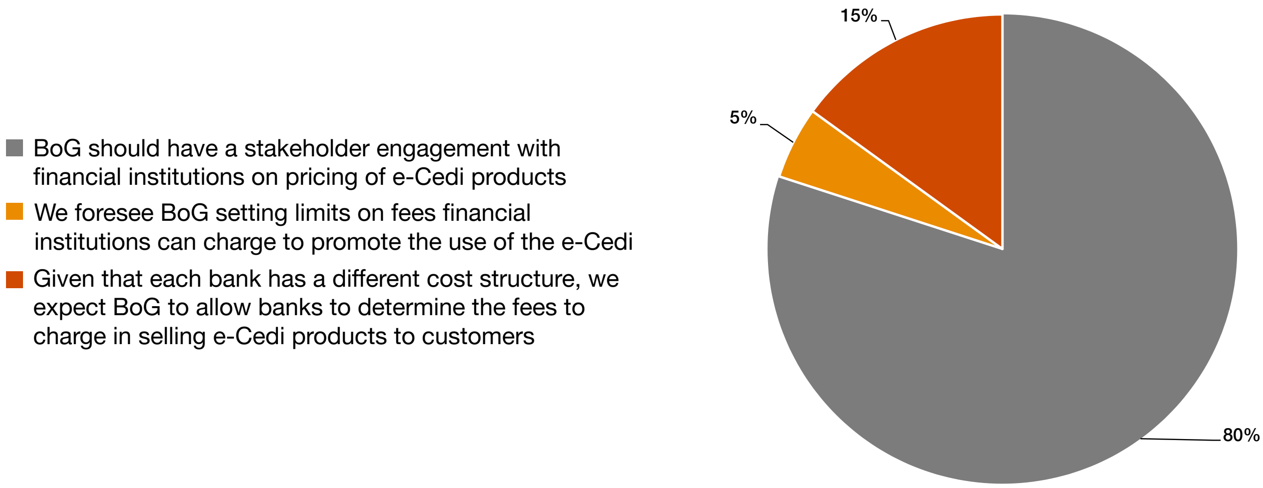


With the introduction of the e-Cedi and possible benefits with respect to liquidity, which of the following policy changes on reserve requirement do you envisage?



60% of banks expect an overall positive impact of the e-Cedi on liquidity through reduced reserve requirements as customers substitute physical cash deposits with e-Cedi holdings. If well-managed, an improvement in liquidity could result in an expansion in activity and potential growth of the banking sector and larger economy through on-lending to customers as loans and advances which are critical for the growth expected in the “real” economy.

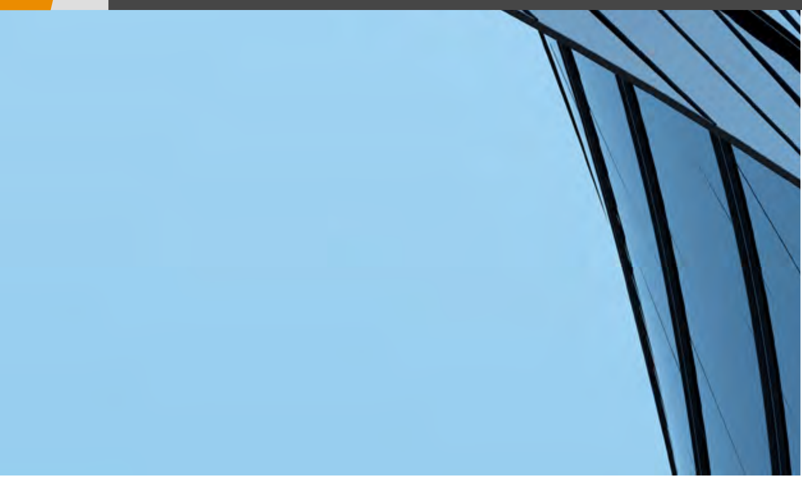
Given the cost associated with getting the required infrastructure in place for the use of the e-Cedi, what kind of policies do you envisage with regards to fee structure to enable the banks to sustain the technology and the new currency form?

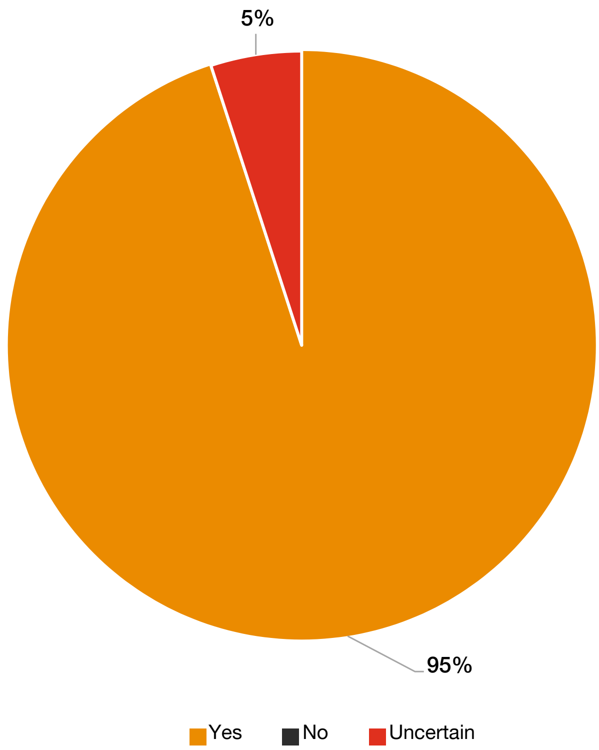


In June 2021, BoG issued a notice to abolish unfair fees, charges and other practices in the banking sector deemed to be inappropriate and detrimental to the financial inclusion agenda and for the protection of customer interests. Many banks have also revised other tariffs downward as competition within the industry intensifies with banks trying to capitalise on the increasing economic activities following the slowdown in 2020.

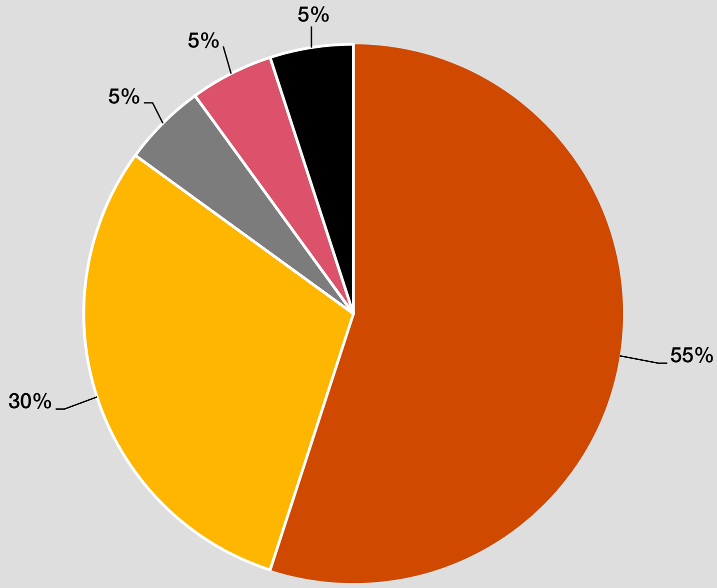
80% of respondents are in favour of stakeholder engagement between financial institutions and the Central Bank regarding the fee structure of e-products. Given the infrastructure investment required for the implementation of the e-Cedi, an inclusive approach to pricing is indeed required to ensure that the objectives of the regulator and financial intermediaries are met while protecting customer interests.

With the introduction of the e-Cedi, do you expect new reporting and disclosure requirements from financial intermediaries on their e-Cedi activities?





What is the frequency of reporting you expect from financial intermediaries to the BoG on their e-Cedi activities?

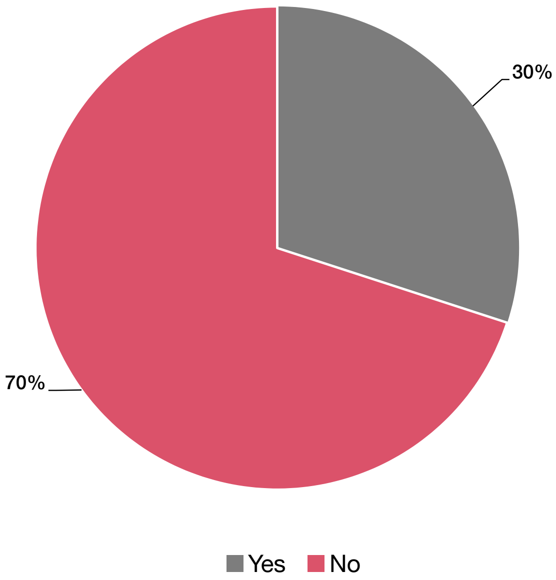


Many banks expect the regulator to require additional reporting and disclosures on their e-money activities following the introduction of the e-Cedi. This would facilitate the regulatory oversight process while also providing valuable information on customer activities and other critical success factors of the e-Cedi project.

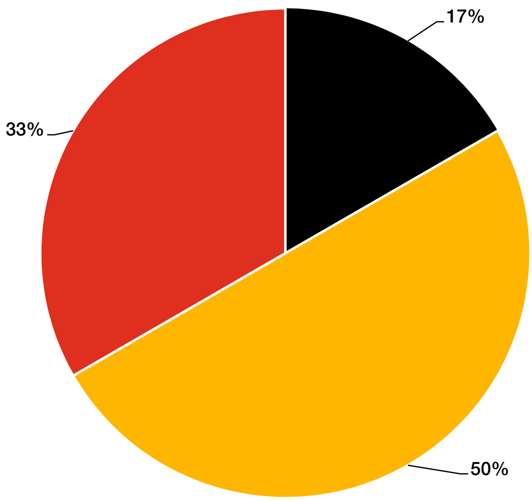
The increase in reporting requirements is bound to present additional time costs to banks. However, it will facilitate the risk monitoring process and compliance with AML, primary reserve and other regulatory requirements around the e-Cedi.

Whereas 55% of banks expect the reporting requirements to be monthly, 30% of respondents are of the view that more information would be required to inform their expectations on the frequency of regulatory reporting that they will consider appropriate.

Do you think the regulator should open up the Ghanaian banking sector to the use, holding and trading of digital assets other than the “e-Cedi”?



If yes, when?

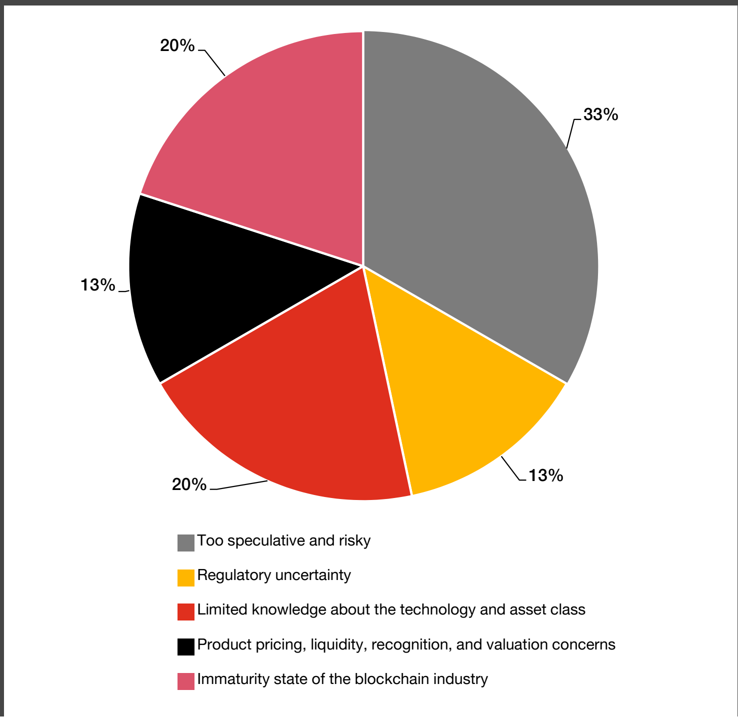


Cryptocurrencies have been cited one of the “greatest technological breakthroughs since the internet” and provide opportunities for revolutionary technological possibilities for consumers, developers, investors, financial institutions, and regulators. The Global Financial and Monetary System in 2030 report published by The Global Future Council on Financial and Monetary Systems argues that the increasing acceptance and adoption of cryptocurrencies will contribute to bringing markets, institutions and infrastructure together in a multi-polar, complex and interconnected world.

Banks in Ghana however prefer that we adopt a conservative approach to opening our “financial borders” to other cryptocurrencies with 70% of banks preferring that the regulator does not allow the use, holding and trading of digital assets other than the e-Cedi due to its highly speculative nature, limited knowledge and the immaturity of the blockchain industry.

5 out of the 6 banks who agree to the opening up of the Ghanaian economy to other cryptocurrencies are of the view that it should be done over the next two to five years.

If no, why?

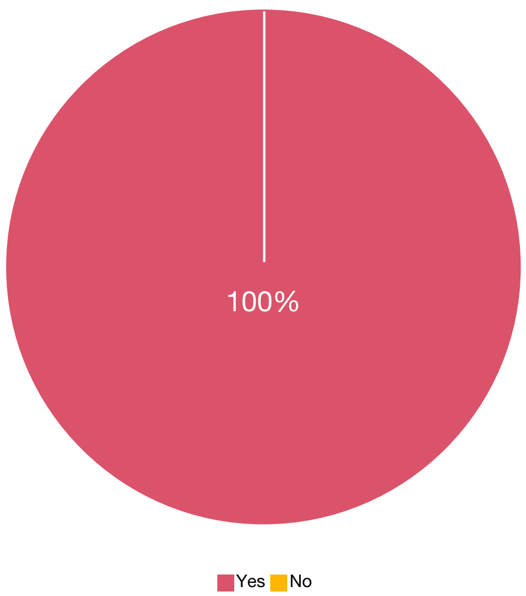


Limited knowledge, risk and volatility have predisposed banks to prefer the avoidance of digital currencies - the industry is currently not ready for an influx of the myriad of digital assets in the cryptocurrency space. In a sector that recently had to increase the minimum capital requirements to ensure the appropriate capital charges are levied given the risk asset holdings of banks, there is added concern about the impact on capital adequacy if other cryptocurrencies or digital assets with known volatilities are added to the asset holdings of banks.

For the e-Cedi, banks have a more optimistic outlook and are more willing to participate as long as the regulator carries them along; offering them much needed support while taking their concerns on board. The banks, regulator and other stakeholders should partner in creating the regulations required for the success of the e-Cedi.

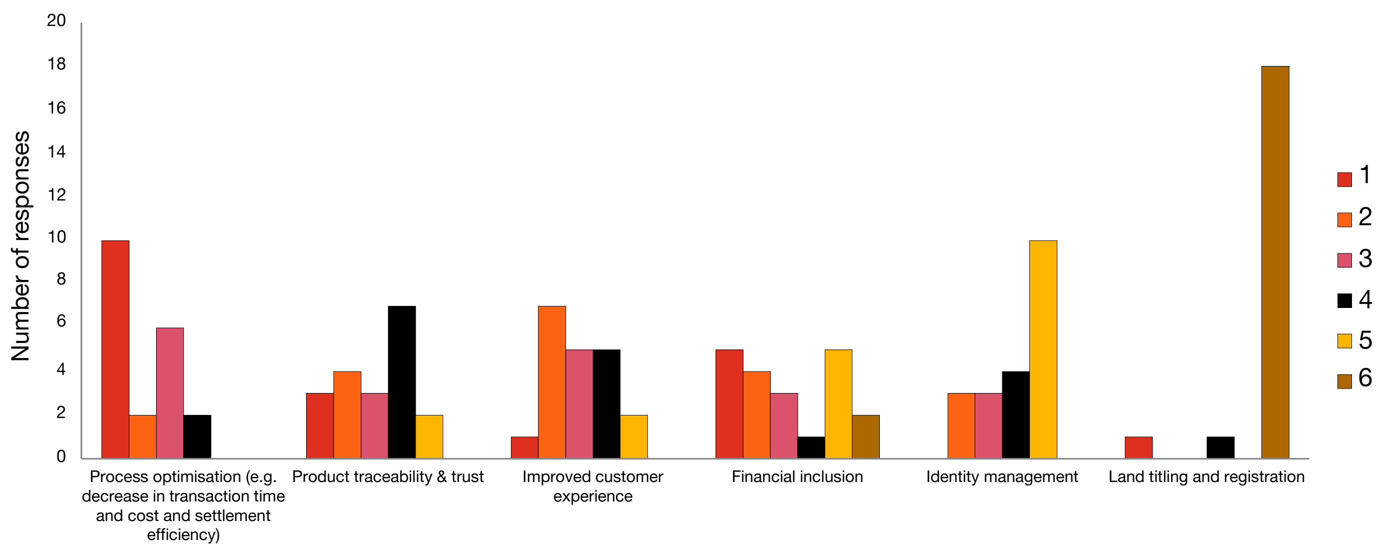
4. Benefits

Do you believe the e-Cedi will offer any benefits to your bank and customers?



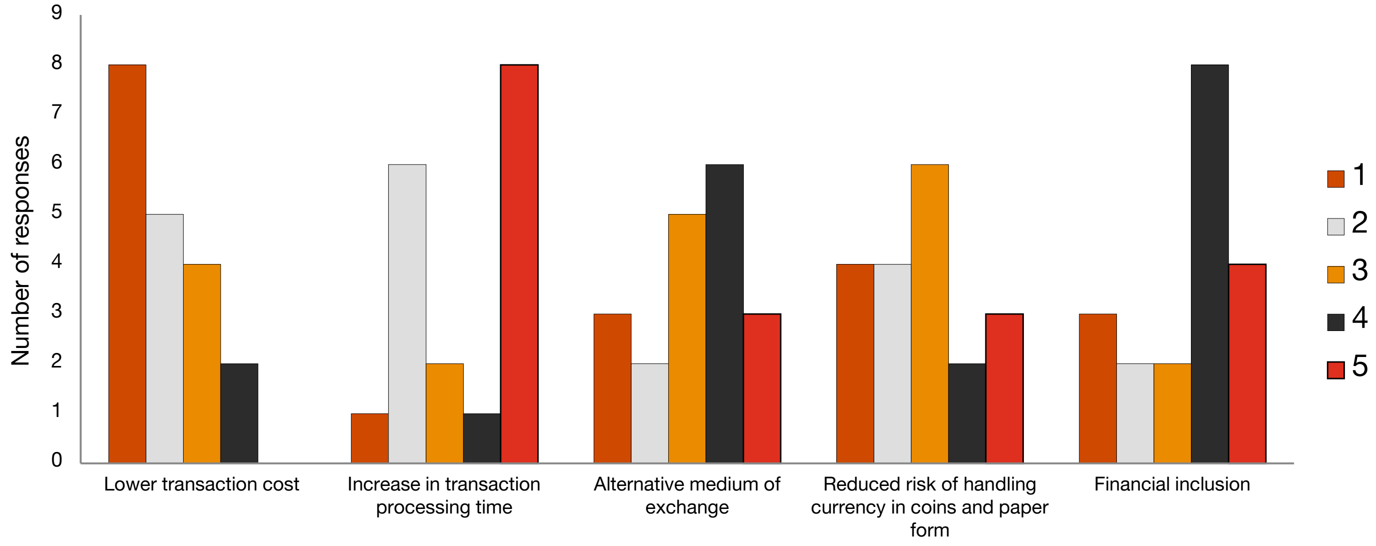
The financial services industry in the midst of a significant transformation, accelerated by the COVID-19 pandemic and given the key role digitisation plays in the financial lives of more and more of the world's population, electronic payments are at the epicentre of this transformation. Payments are increasingly becoming cashless, and the industry's role in fostering inclusion is now of significant priority. With the rapid growth of global non-cash transactions, digital currencies have seen increased development and gained wide attention. It is therefore not surprising that all bank executives surveyed agreed that the e-Cedi will offer some benefits to their banks and customers. The survey responses confirmed that the introduction of the e-Cedi will potentially be a game-changer, providing access to alternative payment solutions for individuals and corporates, as well as reinventing financial market settlement and interbank monetary transactions. Digital currencies will undoubtedly provide new opportunities for financial service organisations of all sizes and types.

Please rank in order of importance the benefits your bank expects from the e-Cedi. 1- being the most important and 6- the least.



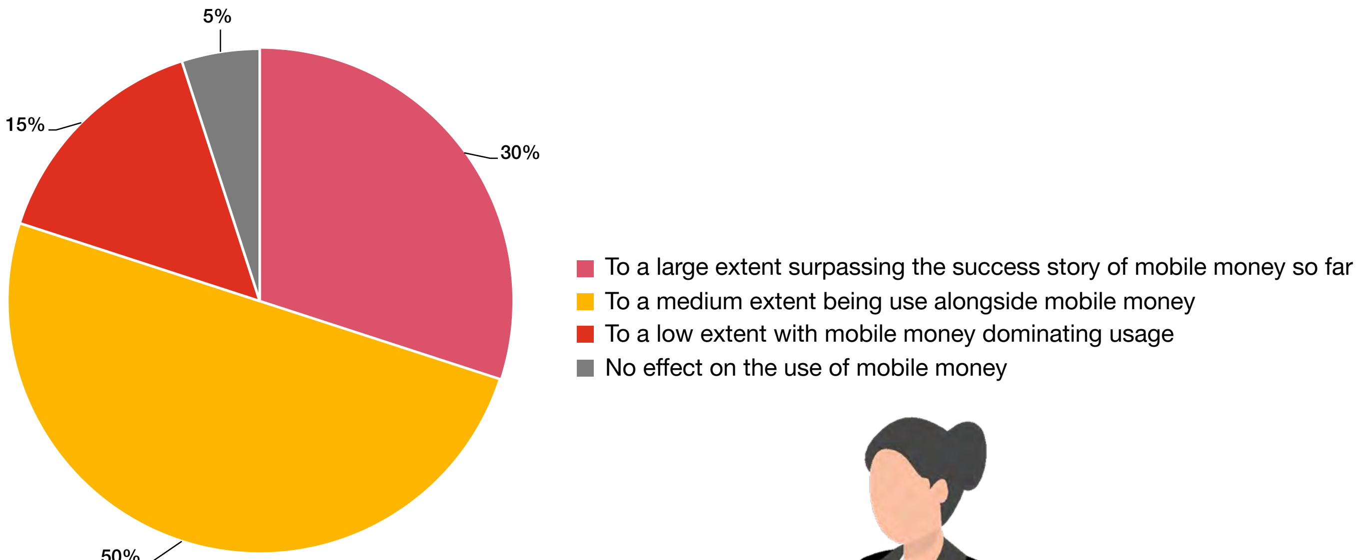
75% of bank executives surveyed held the view that process optimisation and financial inclusion are the most important benefits offered by the e-Cedi with 15% of the bank executives surveyed believing that product traceability and trust are the e-Cedi's most important benefits. Most respondents confirmed that the cost of issuing and managing cash is expensive and the introduction of the e-Cedi will help reduce this and ensure an efficient means of payment.

In what ways do you believe your customers will benefit from the e-Cedi? Please rank, 1- being the most important and 5- the least.



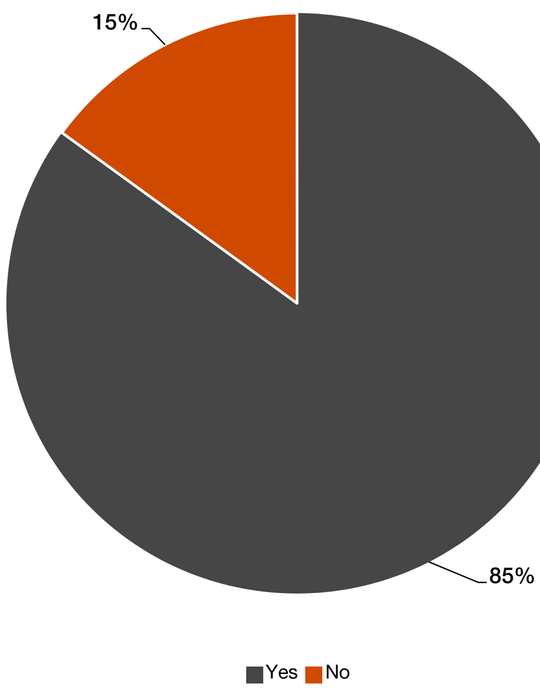
The bank executives surveyed confirmed that transactions would be more efficient with near instantaneous settlement at potentially a fraction of the current cost structure. This would reduce transaction costs and processing time, increase patronage and potentially help address the risks and challenges in handling currency in paper and coin forms. About 15% of the respondents agreed that the e-Cedi could help ensure equal access to lower cost of means of payment for all, thereby spurring financial inclusion. Online payments are supporting the development of digital economies and are driving innovation.

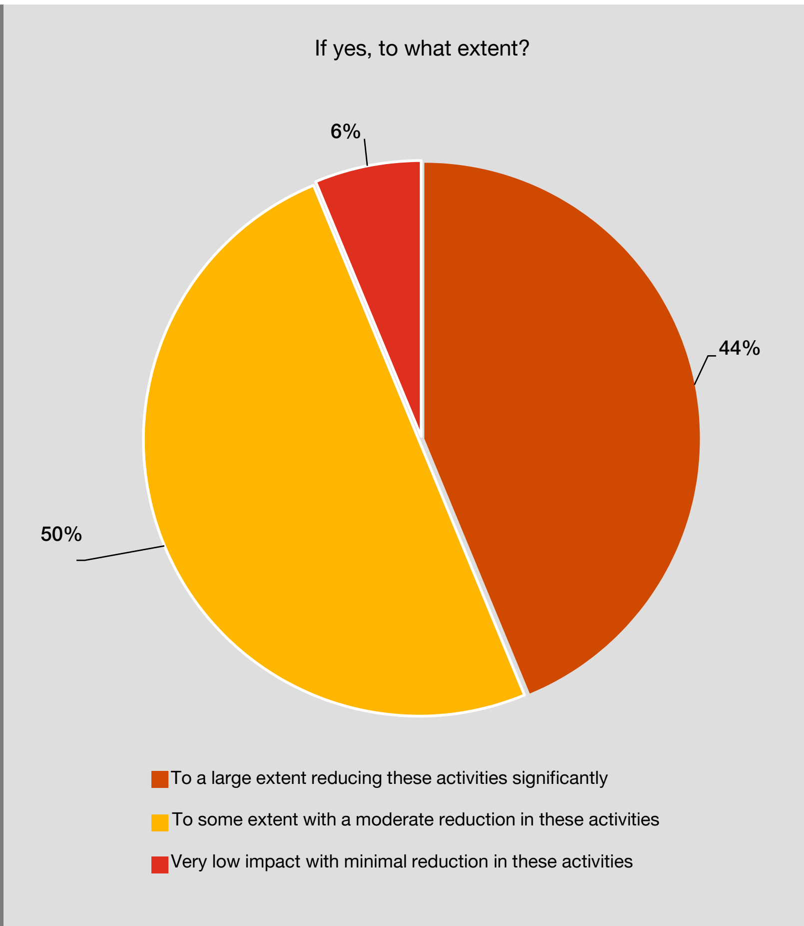
Given the success of mobile money for financial inclusion in Ghana so far, to what extent do you expect the use of the e-Cedi to also contribute to financial inclusion?

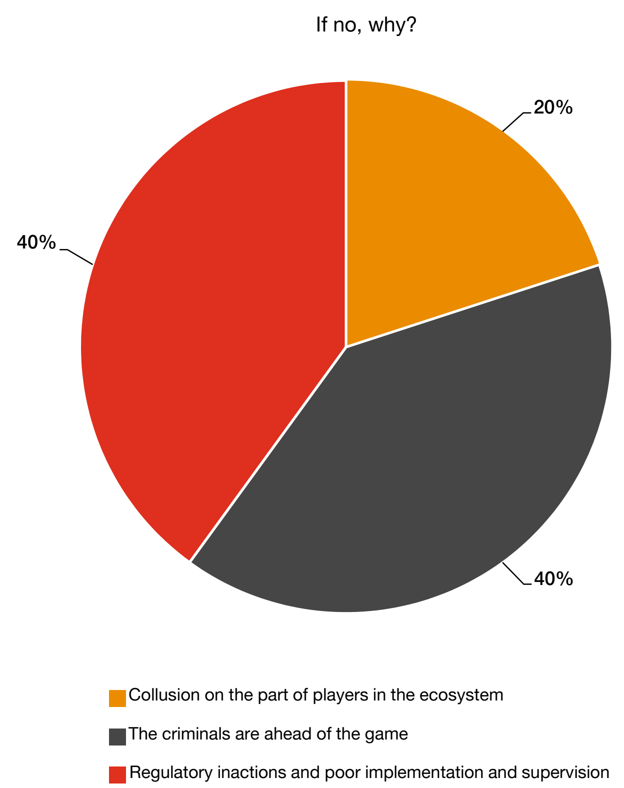


Mobile money innovations and usage are expanding rapidly in Ghana and have significantly contributed to extending financial products and services to millions of the unbanked population. The National Financial Inclusion and Development Strategy (NFIDS) seeks to increase financial inclusion from 58% of Ghana's adult population to 85% by 2023 through prioritising further development of digital financial services and 50% of the respondents believe that mobile money and the e-Cedi can be used as complementary tools to further deepen the financial inclusion agenda. 30% of the surveyed respondents expressed even greater optimism about the potential of the e-Cedi in promoting the country's financial inclusion plan. 20% of the bank executives surveyed are of the view that mobile money will continue to drive the financial inclusion agenda in the country.

CBDCs are believed to provide the flexibility of paper currencies but also retain the traceability and transparency of online fund transfers. Do you expect the e-Cedi to help reduce money laundering and other online illegal financial transactions?

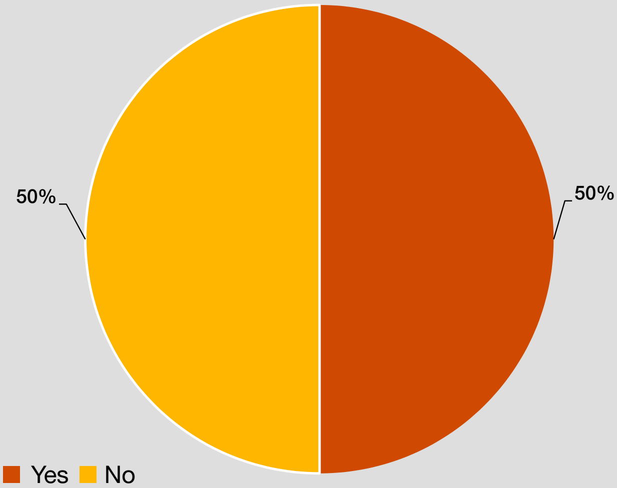




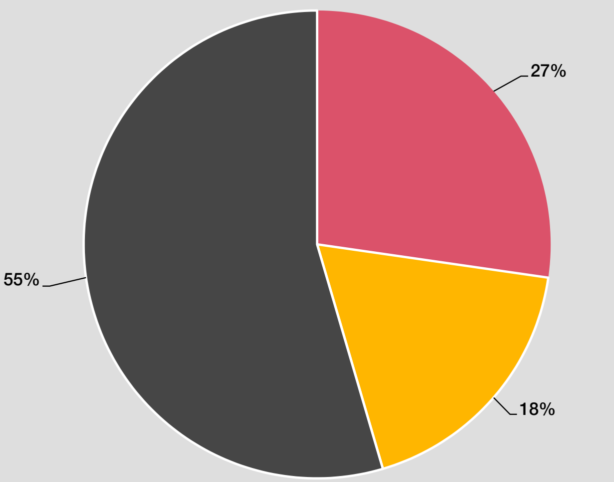


Like all other Central Bank Digital Currencies, the e-Cedi, is expected to help in the fight against illegal financial activities and money laundering, as authorities would be able to trace transactions far more effectively than is possible currently. The Distributed-Ledger-Technology (DLT) which enables the issuance of these digital currencies does not just cut out intermediaries, reduce costs, and increase speed and reach. It also offers greater transparency and traceability for many business processes. Most of the bank executives surveyed expressed optimism about the e-Cedi's ability to reduce illegal financial activities significantly. Of the 5 survey respondents who had doubts about the e-Cedi's ability to reduce illegal financial activities, 4 of them alluded to supervisory and regulatory inaction, poor implementation and sophistication of criminal activities as the major contributory factors for the e-Cedi not doing well in fighting illegal financial activities.

CBDCs are believed to foster price stability by allowing for incremental changes in price as opposed to the rapid change in general price level associated with the coin and paper form of money. Do you expect the e-Cedi to better help manage inflationary pressures?

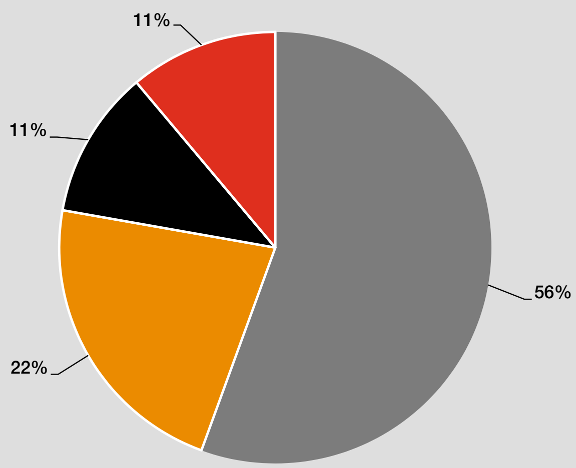


If yes, to what extent?



- To a large extent given the expected significant usage when the e-Cedi is introduced
- Very low impact given the expected minimal usage when the e-Cedi is introduced
- To some extent given the expected moderate usage when the e-Cedi is introduced

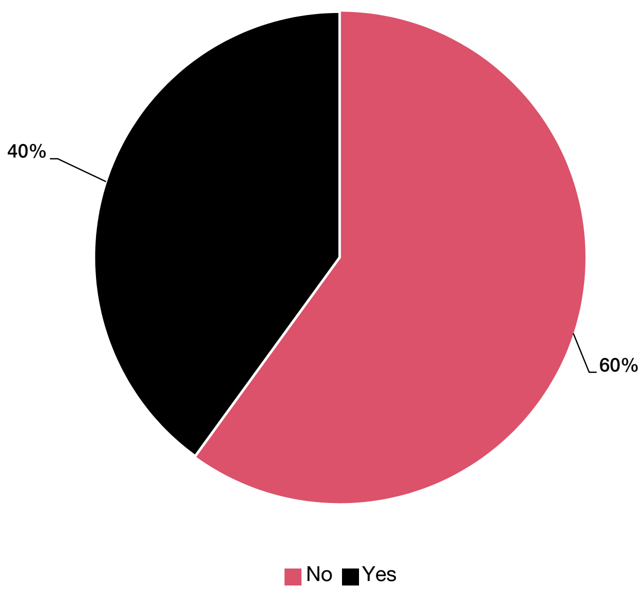
If no, why?

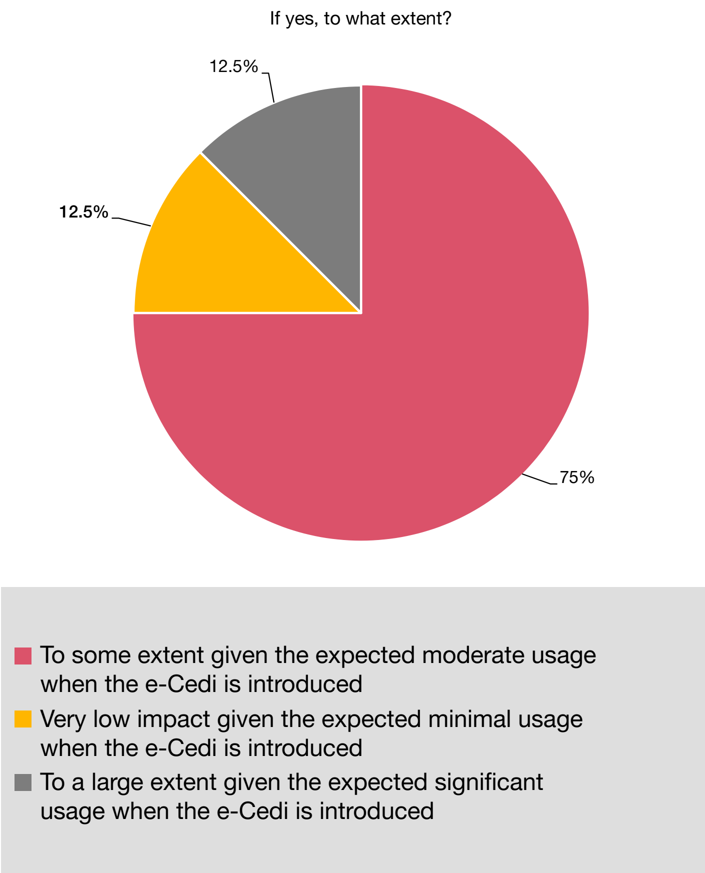


- The inflationary pressures are completely independent of the currency form being used
- Though the currency form matters, the low financial literacy level will not bring the expected results on inflation management
- Collusion on the part of players in the ecosystem
- Too many factors have affect inflation and not just the money supply

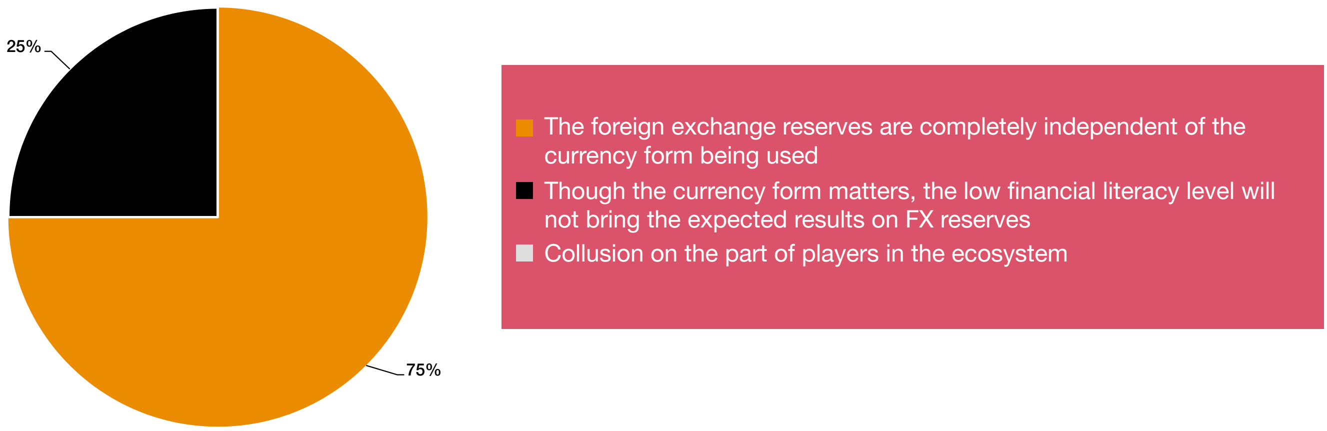
An equal number of survey respondents agreed that the e-Cedi could be used as a tool to manage inflationary pressures as were those who were sceptical of the e-Cedi's use by the authorities to foster price stability. There are still ongoing discussions about the use of CBDCs to stimulate aggregate demand through direct transfers to the public and how monetary transmission could be strengthened. 37% of the survey respondents believe that, considering the expected usage of the e-Cedi, it would have a low-medium impact on BoG's ability to use it to stimulate aggregate demand. 28% of the survey respondents believe that the inflationary pressures are completely independent of the currency form being used and thus the use of e-Cedi to foster price stability would not be effective. Most of these respondents are of the view that as the e-Cedi would coexist with current forms of the Ghana Cedi, users would have access to either instrument and it is unlikely that e-Cedi would significantly affect price stability initiatives.

CBDCs are expected to offer a safer, quicker and traceable medium of cross-border payments and remittances and help improve the country's foreign exchange reserves. Do you expect the e-Cedi to help improve the country's FX reserves?



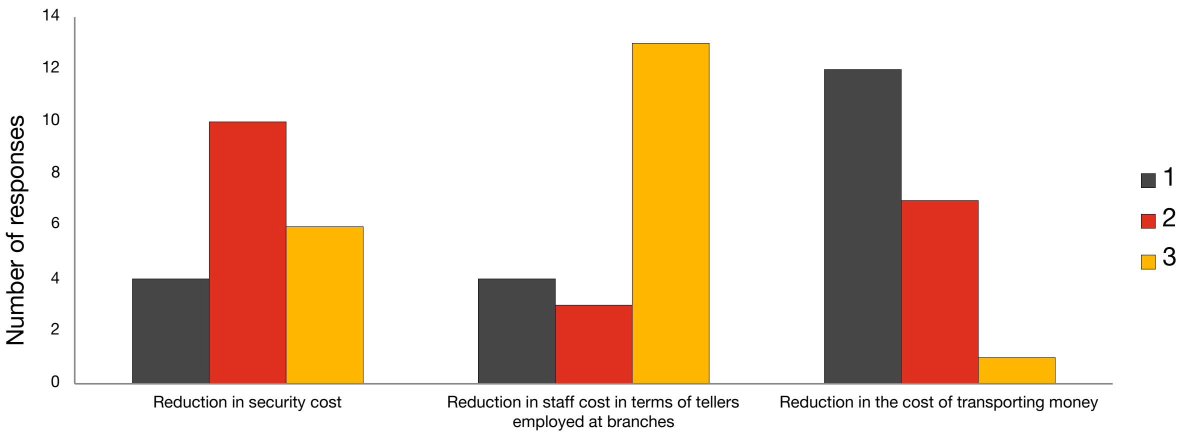


If no, why?



The e-Cedi offers instant, low-cost payment avenues, and like other CBDCs, will allow the industry to participate and benefit from the reinvention of cross-border payments systems. 60% of the bank executives surveyed agreed that the introduction of the e-Cedi will boost cross border payments and remittances and help improve the country's foreign exchange reserves with 88% of these believing the impact will be of medium to high extent. Of the 12 respondents who think otherwise, 75% believe the e-Cedi will not improve the country's FX reserves because FX reserves are largely independent of the currency form used in a country.

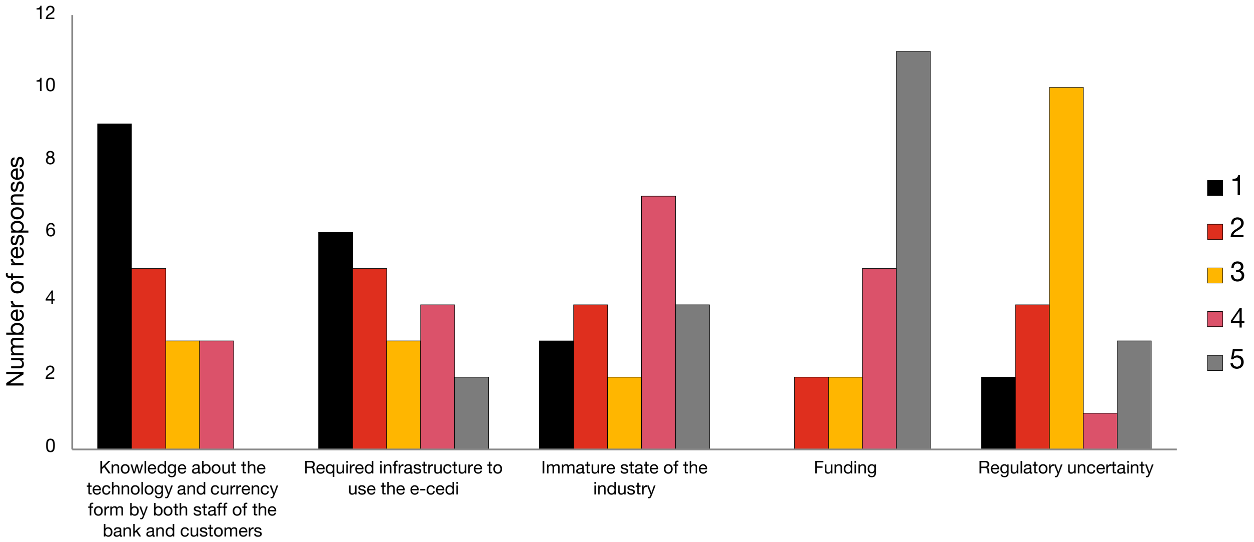
Which of the following cost savings are banks likely to enjoy with the introduction of the e-Cedi? Please rank, 1- being the most likely and 3- the least.



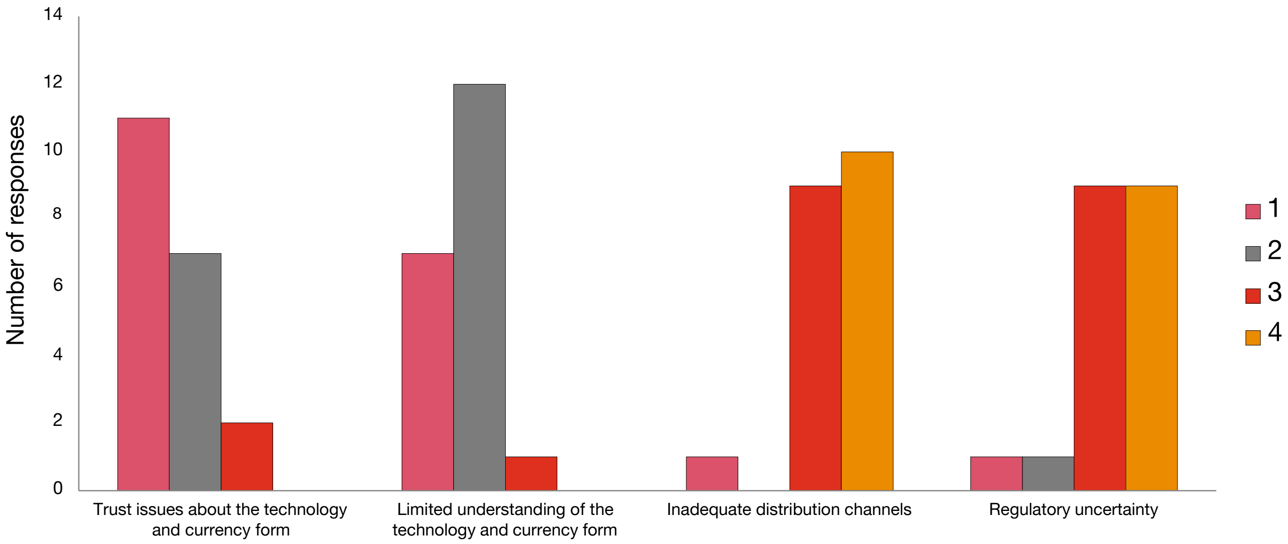
With the introduction of the e-Cedi banks are looking forward to enjoying some costs savings potentially in the areas of cash handling and transfers. Although not significant relative to the overall cost structure of banks, there is a consensus among bank executives that the e-Cedi could reduce some of the costs and risks to the payment systems. 60% of the surveyed bank executives believe that the introduction of the e-Cedi could reduce the cost of transporting money. The impact of COVID-19 and the digital transformation agenda of the banks had already resulted in branchless banking by many banks. Banks have seen a reduction in teller staff costs and security costs and would expect the e-Cedi to reduce these cost lines further.

5. Challenges and risks

Please rank in order of importance the challenges your bank expects to face when the e-Cedi is introduced. 1- being the most important and 5- the least.

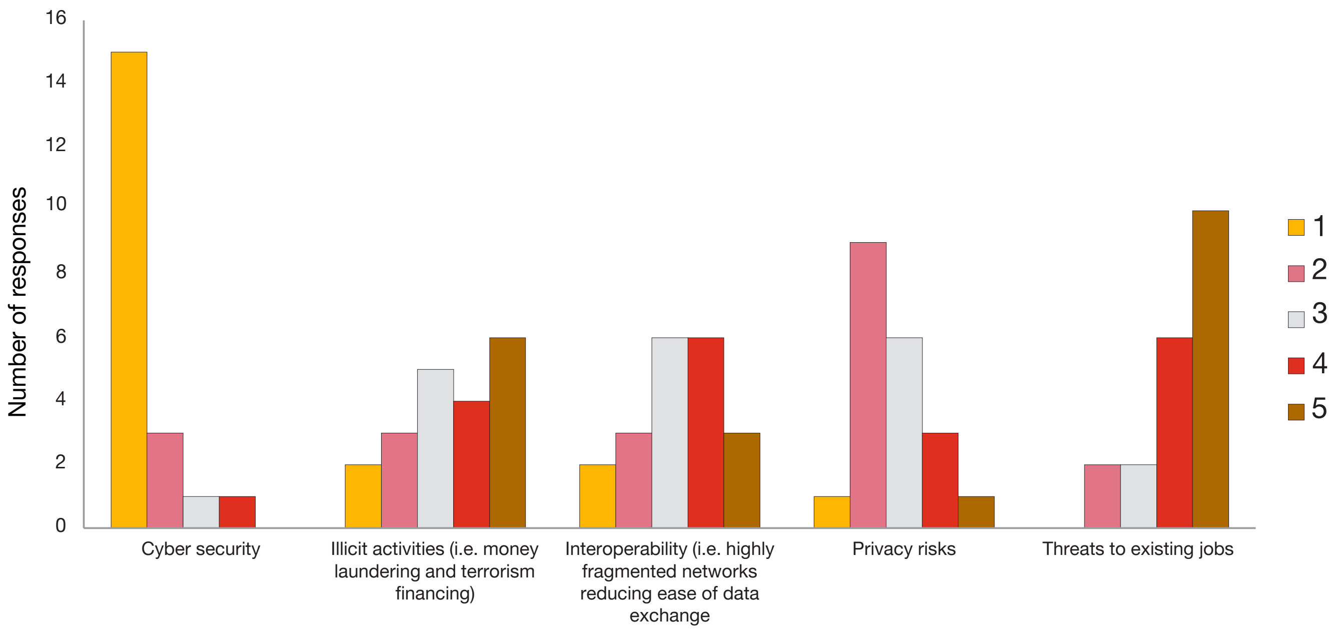


What do you think will be the main challenges for your customers to use the e-Cedi? Please rank, 1- being the most likely and 4- the least.

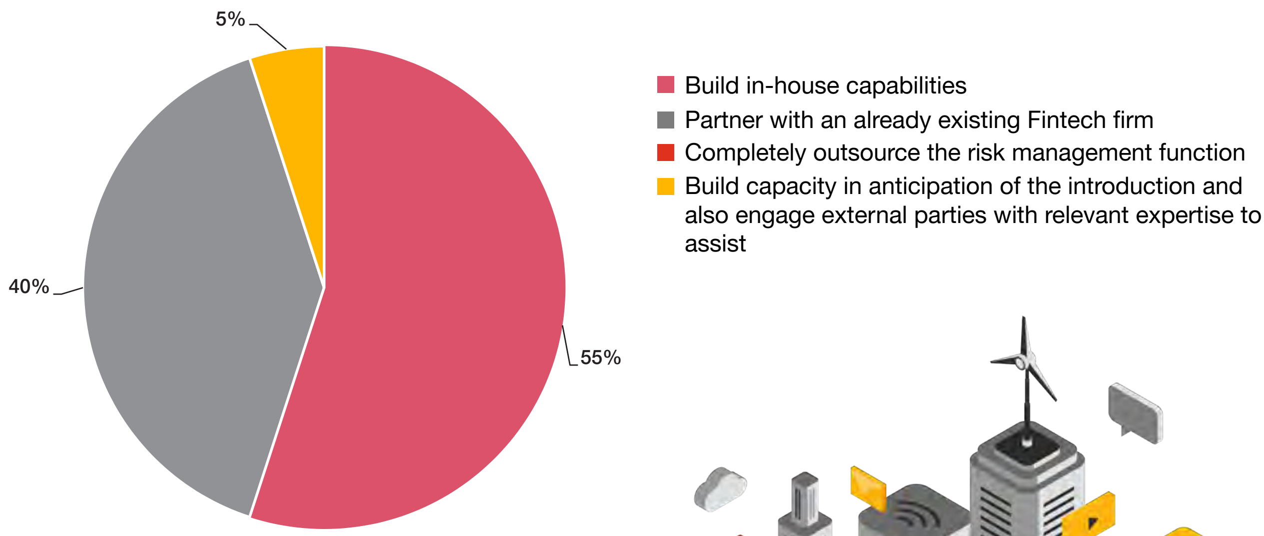


In August 2021, BoG communicated plans to conduct a three-phase project in the design, implementation and piloting of the e-Cedi to a select group for testing. Banks are looking forward to be engaged as stakeholders following the pilot in order to increase their understanding of the technology and e-currency form which will inform the activities to undertake in respect of infrastructure, regulation and customer sensitisation for a successful implementation.

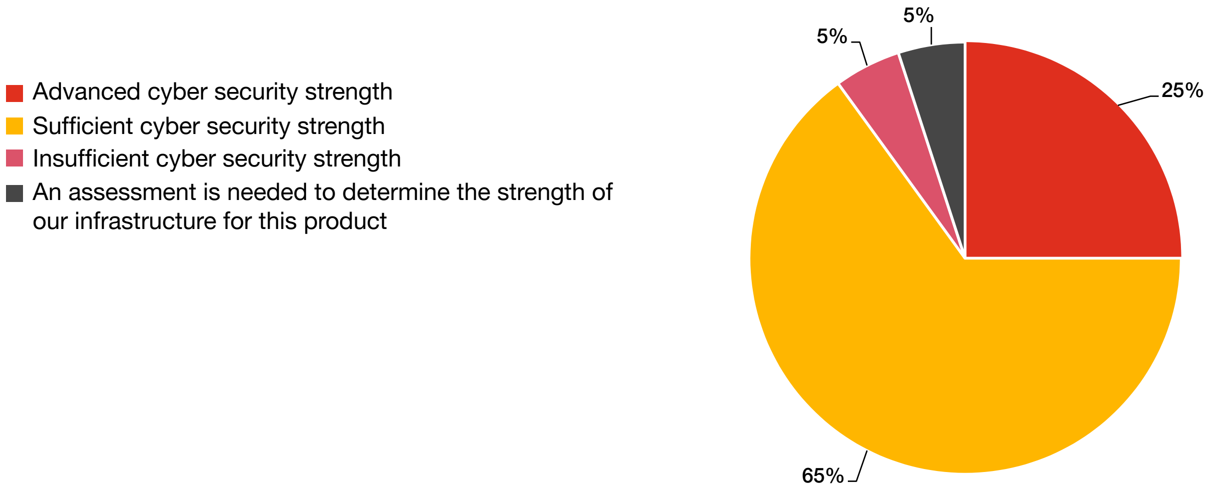
What do you think are the most significant risks posed by the introduction of the e-Cedi? Please rank, 1- being the most significant and 5- the least.



Which one of the following will you consider the most appropriate strategy to reduce the risks associated with this technology and currency form?



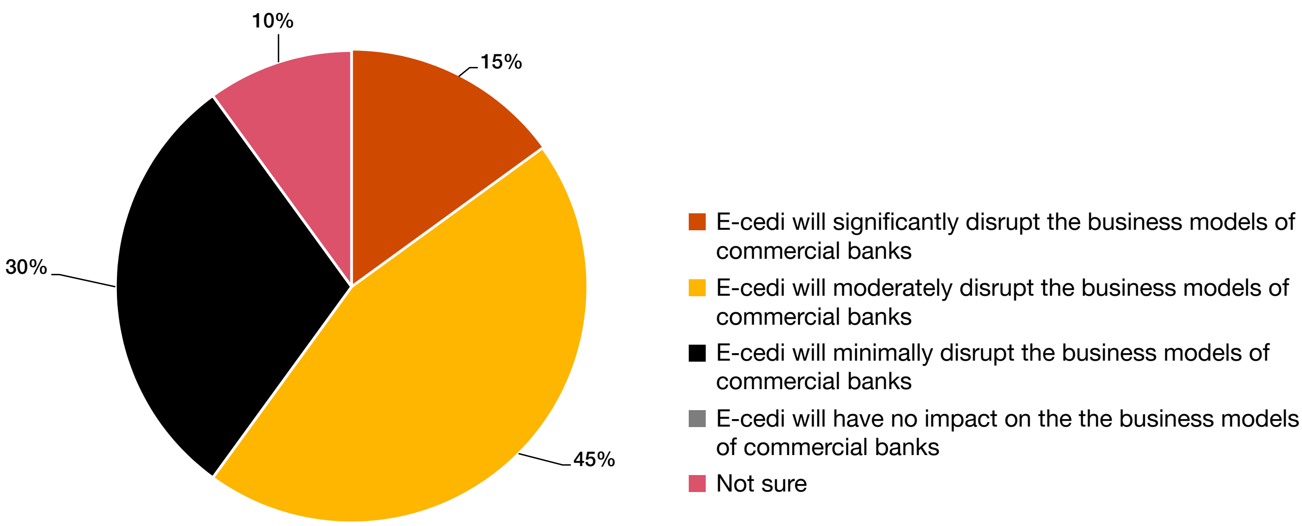
What is the cyber security strength of your bank to mitigate cyber risks associated with this technology and currency form?



Cybersecurity risk is of key concern to banks. There is an increase in the cybersecurity threats faced by banks as the industry becomes increasingly digitised and the introduction of the e-Cedi will add to this threat. Knowledge of the technology and currency form, funding and regulatory uncertainty were also key challenges expected by the banks.

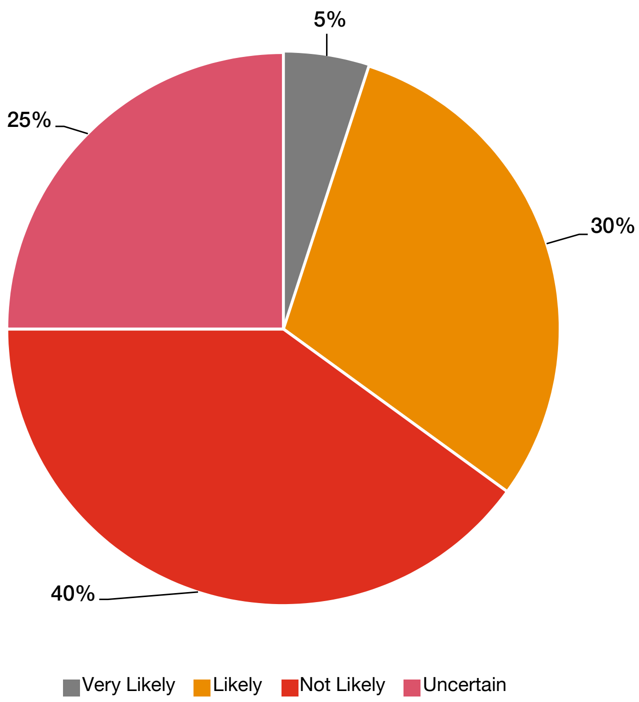
To mitigate these risks, more than half of the respondents preferred to either build or upgrade their existing in-house systems with 40% open to forming partnerships with existing players in the fintech space. These preferences are not surprising given the data privacy concerns and confidentiality of transactions and participants indicated by respondents.

To what extent do you believe the introduction of the e-Cedi will likely disrupt the business models of commercial banks?

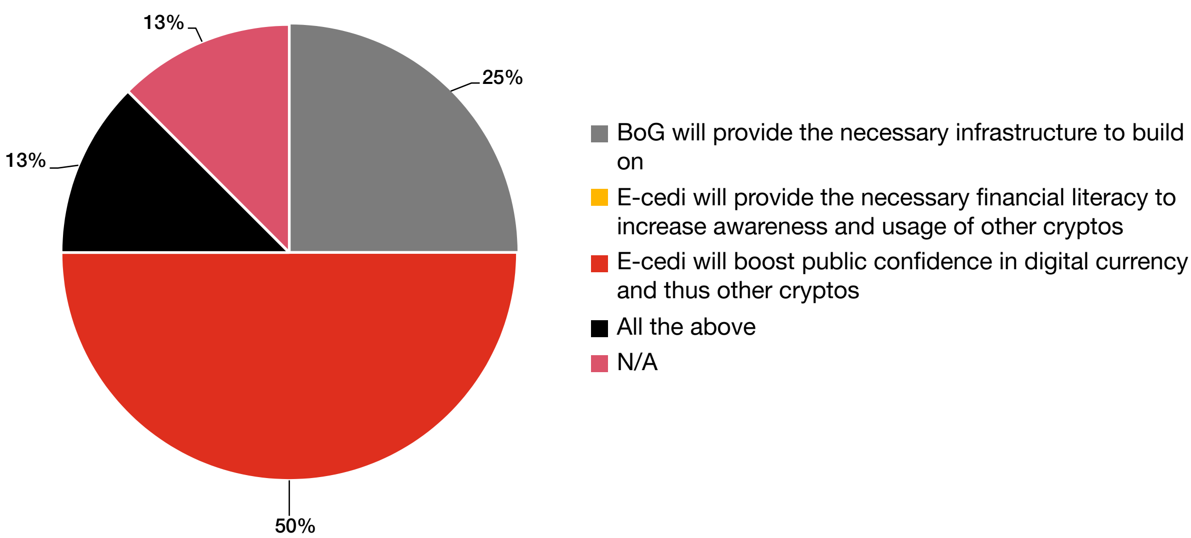


Banks have primarily operated by funding their revenue generating activities through deposits. There is the sentiment that the e-Cedi would create competition for deposits and impact liquidity in the medium to long-term, negatively affecting banks funding. However, the level of disruption is expected to be moderate. 90% of the respondents are advocating for the Central Bank to deal through financial intermediaries. BoG has also subsequently indicated it will introduce a general-purpose retail e-Cedi. This is expected to lessen any negative impact that the implementation of the e-Cedi may have on banks' business model.

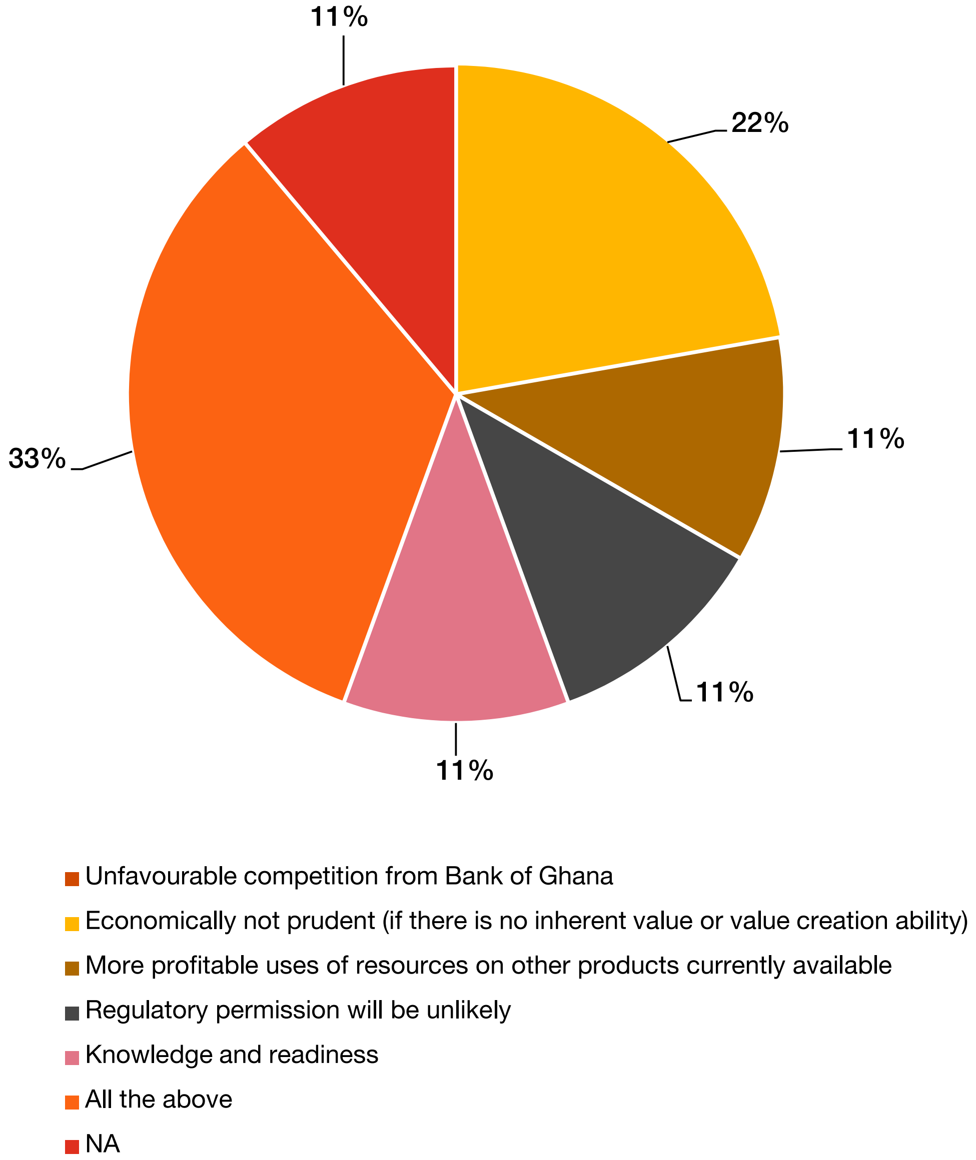
How likely is your bank to issue a cryptocurrency (with no inherent value) should BoG issue the e-Cedi?



If you selected "likely" or "very likely" for the above question, what are some of the possible reasons?



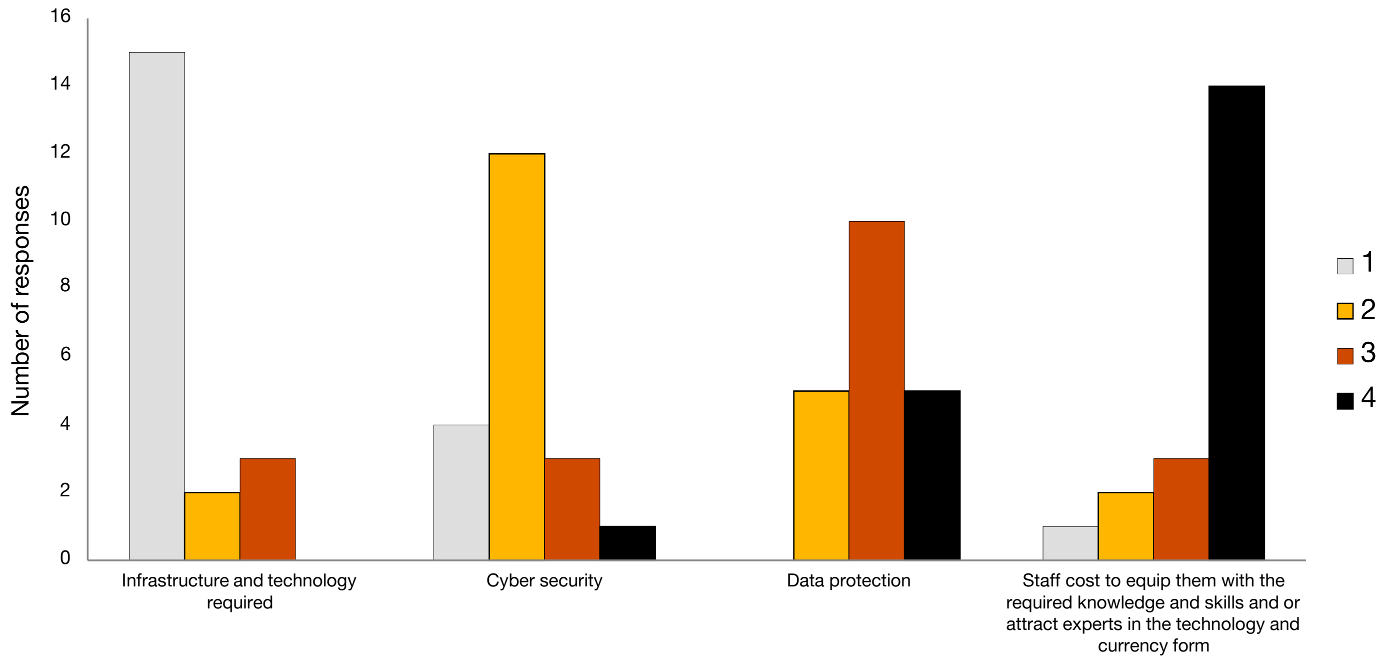
If you selected "not likely" for the above question, what are some of the possible reasons?



There has been a cryptocurrency revolution since the introduction of Bitcoin in 2009. Over a thousand cryptocurrencies have been issued with new ones being developed each month. Cryptocurrency is seen as the new investment vehicle and its potential to outdo traditional investments like bonds and bills keeps rising each day. The Ghanaian banking industry appears to be conservative with 65% of respondents either not likely or uncertain about issuing cryptocurrencies after the introduction of the e-Cedi by BoG. The main reason cited is the uncertainty surrounding cryptocurrencies.

For the banks open to issuing cryptocurrencies, the infrastructure set up by the BoG and the operational success of the e-Cedi would provide the needed market confidence in digital currencies and spur their own adventures. This would create a conducive environment for the success of other digital currencies.

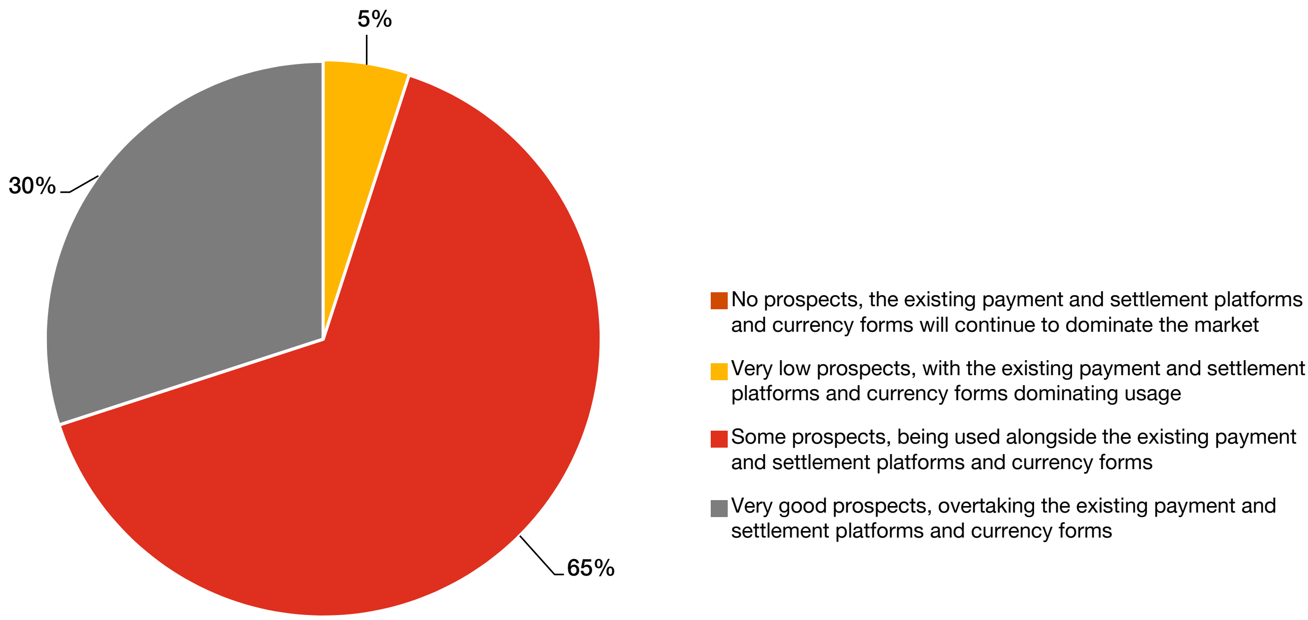
In which of the following areas do you expect your bank to incur the highest cost to be ready for the e-Cedi? Please rank, 1- being the highest cost and 4- the least.



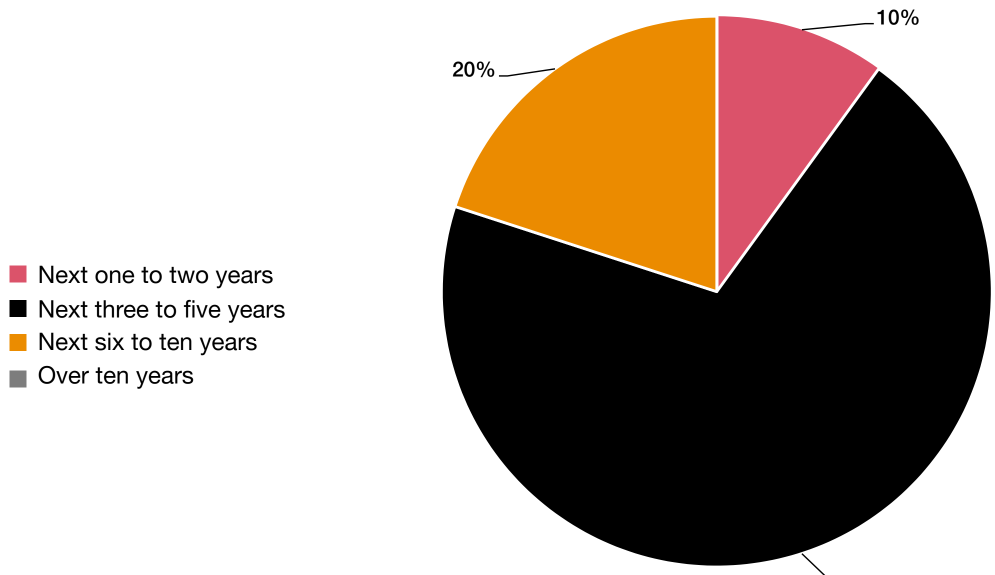
The cost associated with getting the required infrastructure and technology as well as keeping cybersecurity systems up to date appear to be the main hurdle for the survey respondents. The Central Bank is seen as a key player in providing the required infrastructure which financial intermediaries expect to easily hook up to at minimal cost with the necessary interoperability for the success of the e-Cedi.

6. Prospects

What do you think are the future prospects of the e-Cedi in the Ghanaian banking sector?

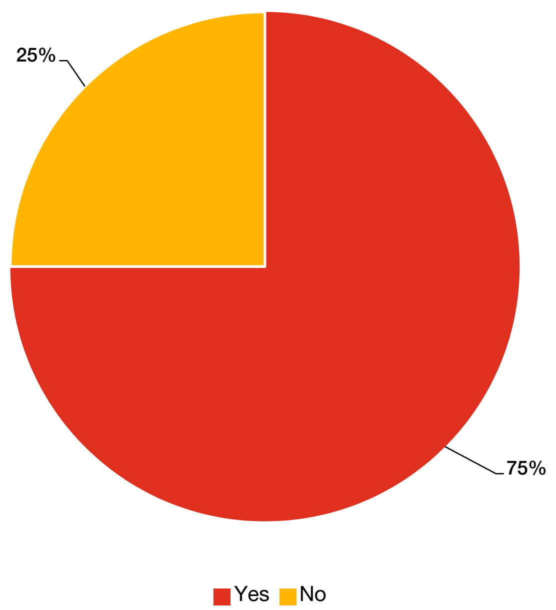


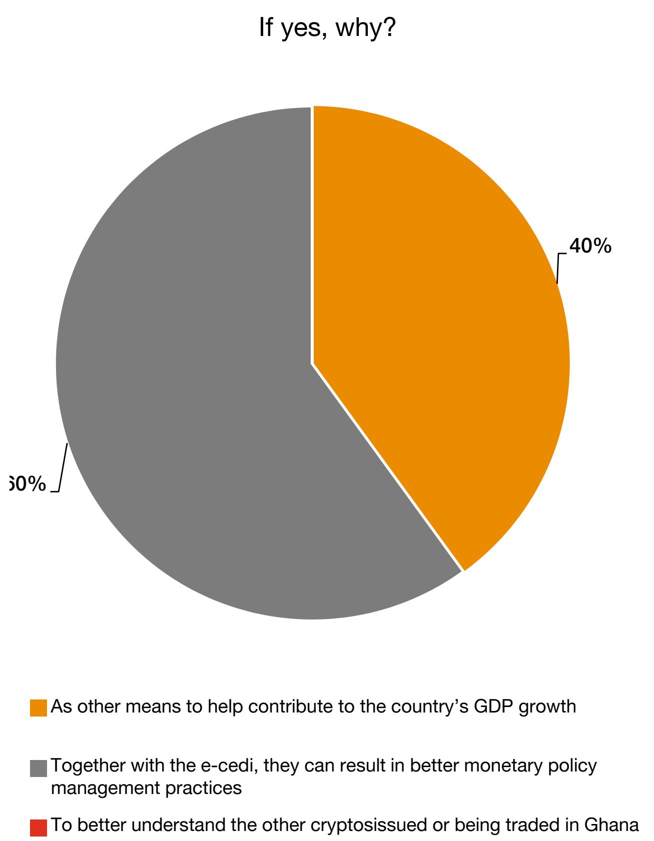
Commercial banks appreciate the fact that the e-Cedi will be central to banking in the future although its exact impact on the banking industry is yet to be ascertained. Majority of respondents believe that the e-Cedi will be used alongside the existing payment and settlement platforms and currency forms to further boost the electronic forms of banking as the preferred mode by customers. 30% of respondents believe that the e-Cedi will overtake the existing payment and settlement platforms and currency forms however this would require the entire industry to have the required infrastructure for digital currency.

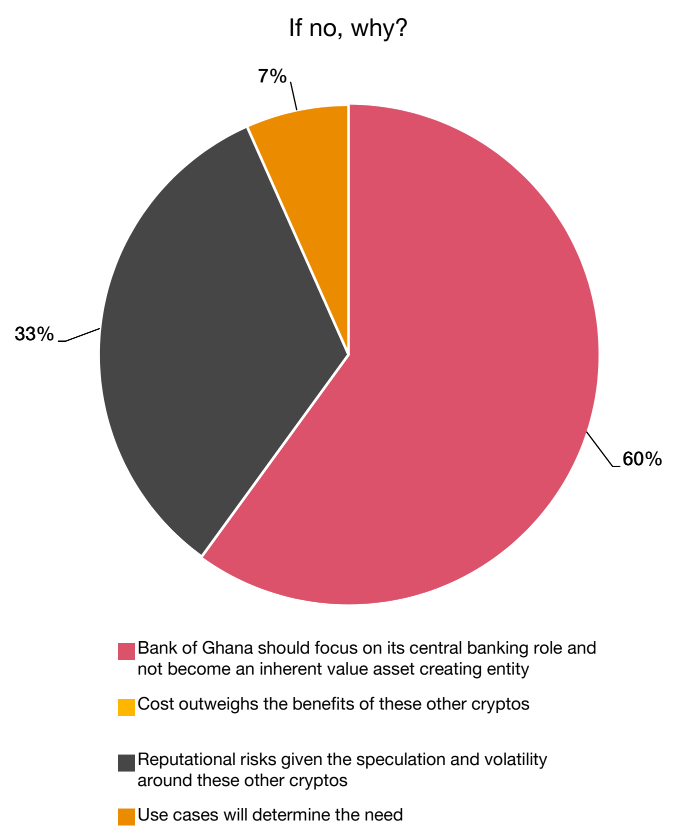


The traditional mode of banking has changed over the years and the preference for faceless banking was further accelerated by the COVID-19 pandemic. Banks expect that innovations in digital banking platforms coupled with increasingly sophisticated information technology solution enthusiastic customers will drive the use of the e-Cedi to prominence in Ghana. Acceptance of the-Cedi as a mode of payment by both small-medium businesses and large corporates and its cross-border trade enhancement prowess would also be expected to drive its use as the world becomes increasingly interconnected.

Do you expect BoG to issue any other form of cryptos (those with inherent value) aside the e-Cedi?



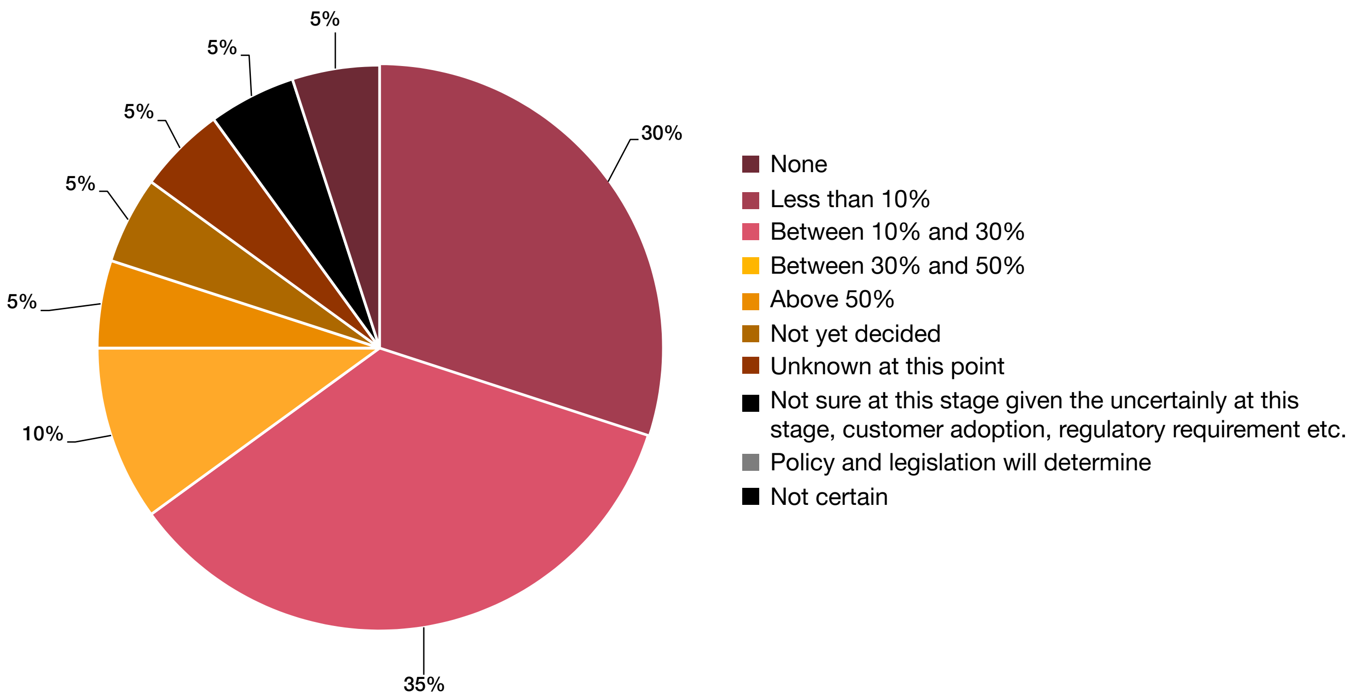




Global uncertainty about cryptos with inherent values or ability to generate returns has impacted their acceptance by regulators and businesses alike. There were lessons learnt from innovations in banking over the years however cryptoassets seem to present a new and unique situation for banks and regulators to understand their features to inform their use, holding, trading and regulation.

Many bank executives are of the view that the regulator, BoG should focus on its central banking role and aside the introduction of the e-Cedi which is just a digital form of the fiat Ghana Cedi, avoid venturing into value creating cryptos given the reputational, speculative and measurement challenges currently with those types of cryptos. Of the 5 respondents who thought otherwise, 3 are of the view that the issuance of value creating cryptos can positively influence monetary policy and also help contribute to GDP growth.

What proportion of your bank's cash holding is likely to be in e-Cedi form when introduced in Ghana?



The advancements made in digital banking have progressed the financial inclusion and cashless agenda. However, demand for cash remains strong. Banks remain certain that the e-Cedi will not have a significant impact on the demand for physical cash at its introductory stage with 10% of bank executives of the view that between 30% to 50% of their cash holdings will be in the form of e-Cedi. 35% of respondents believe the e-Cedi will account for less than 30% of their cash holdings and 25% of bank executives are uncertain.

Digital fiat money is not expected to replace coins and paper money in absolute terms but to complement in diversifying the currency forms available. Continuous dependence on physical cash threatens to erode gains expected from the introduction of the e-Cedi. Costs to the regulator in printing notes and minting coins and to commercial banks in managing the Ghana Cedi in its current forms will remain high. The banks have however agreed the level of their e-cash holding will be driven by customer demand of the "new" currency form. Acceptability of the e-Cedi and platforms for usage will drive its penetration.

3

Banking Industry Overview

Banking Industry Overview

The industry has shown resilience in dealing with the COVID-19 pandemic with some banks posting strong profit numbers in 2020 and also declaring good dividends. Banks continue to drive their digitisation agenda in a bid to promote cashless transactions and reduce in-person contact at branches. This is seen as a key measure to improve banking service delivery and slow down the rate of COVID-19 infections. The recent spate of armed robberies on bullion vans has not only renewed calls for more innovations in banking and perhaps more digitisation but also brought to the fore the need to relook at the country's currency forms.

The industry has also undergone consolidation over recent years and regulatory oversight has improved. Capital levels are now broadly considered adequate but more needs to be done in embedding good risk management practices as outlined in the Capital Requirements Directive (CRD) issued in June 2018. This will only not create a more optimistic environment for the banking sector but also help grow public trust and confidence and allow the regulator to focus supervisory actions on the weaker banks which a proper and full implementation of the CRD will continuously unearth.

Notwithstanding the challenges facing the sector especially due to COVID-19, banks continue to forge ahead to provide the best services to their customers in these uncertain times. Lending activities are expected to grow in the coming years after contracting in 2020, as economic recovery strengthens despite the levels of non-performing loans experienced by some sectors due to COVID-19.

The following are some of the key developments in the banking sector in 2020 and 2021.

Payment of dividend to shareholders

The BoG granted approval to eleven banks to pay dividends for the year ended 31 December 2020. This comes as positive news as the central bank had put a moratorium on dividend payments following the devastating impact of the COVID-19 pandemic on the economy since March 2020. This is expected to boost confidence in the banking sector as the industry continues to stave-off threats to banking business from the COVID-19 pandemic.

Licensing of payment and financial technology service providers (PFTSPs)

In November 2020, BoG announced the establishment of a licensing category for PFTSPs. This is necessitated by the fact that PFTSPs are becoming significant financial market infrastructure service providers. This directive is intended to ensure that all activities within the banking and payments industry are regulated and supervised. PFTSPs provide critical services within the industry including support services for payments, savings and investments, credit scoring predictive analytics, fraud management services and know your customer and customer due diligence authentication services.

Introduction of new liquidity assistance framework

To address the weaknesses identified during the recent banking sector crisis and push towards achieving its financial stability objective, BoG in February 2021 has implemented a new liquidity assistance framework. Key features of the framework are the provision of Intraday Liquidity Facility (ILF) and Emergency Liquidity Assistance (ELA). The ILF is available to all participating banks in the Ghana Interbank Settlement system (GIS) and is interest free. The purpose is to mitigate the risk of interbank transactions settlement failures resulting from insufficient balances in banks' settlement accounts at the central bank. The ELA would be provided to solvent banks, savings and loans and finance houses facing temporary liquidity challenges. This would be used for honouring customer withdrawals and meeting other short-term debt obligations to ensure the maintenance of financial stability in the sector.

Revision of Mergers and Acquisitions Directive

In August 2021, BoG issued a revised directive for mergers and acquisitions to replace and improve upon the gaps identified in the earlier directive issued in 2018. The key revision is a 3-stage approach to the application procedure, with two (2) inherent approval stages. The three stages are pre-merger/acquisition consent stage where BoG grants a "no objection" consent to both parties before merger/acquisition discussion can commence, provisional approval stage and final approval stage. The post-merger/acquisition requirements have also been expanded.

Downward revision of Monetary Policy Committee (MPC) rate

In May 2021, the MPC revised the policy rate further downward from 14.5% to 13.5%. This was maintanied as at July and September 2021. Citing stable inflation outlook and growth in economic activity, the Central Bank hopes that the further reduction in the rate together with other existing fiscal and monetary measures taken to enhance growth at a time when the country's economic data is showing a stronger comeback would reflect in considerable growth in credit advances to the private sector at least to the pre-pandemic levels.

Government secures €170 million loan to establish Development Bank Ghana

The Ministry of Finance and the European Investment Bank have signed an agreement for the provision of a 170 million euro (€170 million) loan for the formation of a new national bank in Ghana, the Development Bank of Ghana (DBG). DBG is an integral feature of the GH₵100 billion Ghana Cares 'Obaatampa' Project, which is intended to drive the revitalisation of the Ghanaian economy following the onset of COVID-19.

It is envisioned as a model institution that aids the financial system in its function of assisting the private sector in expanding and creating jobs. DBG will contribute to addressing two major restrictions in our financial system: a shortage of long-term funding and insufficient finance for the productive sectors of the economy.

BoG Sandbox Pilot

In February 2021, BoG, in conjunction with EMTECH Service LLC, launched a regulatory and innovation sandbox test. This is in accordance with the goal to create a regulatory framework that is both enabling and inclusive, promoting FinTechs and supporting innovation. The regulatory and innovation sandbox will effectively provide a platform for financial sector innovators to connect with sector regulators in order to test digital financial service innovations as the regulatory environment evolves. The sandbox is critical for promoting financial inclusion through new digital financial services as it presents the following advantages:

- Reduce time-to-market;
- Allow regulators to learn about innovations faster;
- Encourage innovators to formalise their business and incentivise incumbents to experiment with new ideas;
- Reduce the cost of innovation for innovators; and
- Provide valuable insight for regulators to evolve effective regulations.

Ghana removed from Anti-Money Laundering list

Banks and other financial institutions are looking forward to normalised relations and operations with their foreign counterparts and customers after Ghana was removed from a global list of countries with deficiencies in their anti-money laundering (AML) and counter-terrorism financing (CTF) regimes in June 2021. The key players in the banking sector hope that the exclusion of the country from the Financial Action Task Force's (FATF) "grey list," will remove the additional hurdles and scrutiny that their transactions and correspondence have undergone since Ghana's inclusion three years ago.

BoG Launches Domestic Gold Purchase Programme

The BoG has started a domestic gold purchase program to help shore up the foreign exchange reserves of the country. The Domestic Gold Purchase Programme was launched in June 2021. This will allow BoG to purchase gold produced in Ghana from selected gold aggregators and mining companies and pay in local currency at market rates. BoG plans to double its gold holdings in the next five years through this initiative to help boost trust in the strength of the economy, improve currency stability, and create a more enticing environment for foreign direct investment and economic growth.

Ghana's first digital currency, the e-Cedi, ready for piloting

In August 2021, BoG announced a partnership with Giesecke+Devrient (G+D) to pilot a general-purpose Central Bank Digital Currency (CBDC), the e-Cedi. G+D would provide the technology to develop solutions adapted to the Ghanaian requirements. The project which is part of the 'Digital Ghana Agenda' would be rolled-out in three phases; design, implementation and pilot. A cross-section of individuals from diverse socio-economic backgrounds will assist in testing the G+D provided solution and provide feedback and insights on end-user acceptance.

4

Total Operating Assets

Quartile analysis using operating assets

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

	2020	R	2019	R	2018	R	2017	R	2016	R
EBG	10.6%	1	10.8%	1	12.0%	2	11.3%	2	10.5%	1
GCB	10.3%	2	10.6%	2	12.1%	1	11.4%	1	8.2%	2
SBG	8.6%	3	7.5%	5	7.0%	5	6.7%	5	7.2%	5
ABSA	8.6%	4	10.3%	3	10.9%	3	7.9%	3	7.4%	4
CBG	6.9%	5	6.0%	7	0.0%	-	0.0%	-	0.0%	-
FBL	6.4%	6	9.2%	4	8.3%	4	7.1%	4	5.8%	7
ZBL	5.5%	7	5.8%	9	6.6%	7	5.9%	7	4.6%	10
SCB	5.3%	8	6.4%	6	6.9%	6	6.0%	6	5.9%	6
CAL	5.3%	9	5.8%	8	6.0%	8	5.3%	8	4.6%	9
ABG	3.9%	10	4.0%	11	4.0%	11	4.0%	11	3.5%	13
ADB	3.8%	11	3.9%	12	4.2%	10	4.5%	9	4.0%	11
SG-GH	3.4%	12	3.7%	13	3.8%	12	3.4%	13	3.4%	14
UBA	2.7%	13	4.0%	10	4.3%	9	4.0%	10	5.3%	8
GTB	2.7%	14	2.8%	15	2.7%	14	2.5%	16	2.2%	17
PBL	2.7%	15	2.6%	16	2.6%	15	2.7%	14	2.2%	16
RBL	2.5%	16	2.9%	14	3.4%	13	2.7%	15	2.5%	15
UMB	2.0%	17	0.0%	-	0.0%	-	3.8%	12	3.7%	12
FABL	2.0%	18	0.0%	-	2.0%	16	2.1%	17	1.9%	18
NIB	1.8%	19	0.0%	-	0.0%	-	0.0%	-	0.0%	-
FNB	1.6%	20	0.8%	19	0.7%	19	0.3%	26	0.4%	29
BOA	1.4%	21	1.7%	17	1.4%	17	1.6%	19	1.5%	20
FBN	1.3%	22	1.1%	18	1.2%	18	0.7%	23	0.8%	23
OBL	0.9%	23	0.0%	-	0.0%	-	0.8%	22	0.6%	25
*PRB	0.0%	-	0.0%	-	0.0%	-	1.8%	18	1.3%	21
*TRB	0.0%	-	0.0%	-	0.0%	-	1.4%	20	1.5%	19
*BSIC	0.0%	-	0.0%	-	0.0%	-	0.8%	21	0.8%	24
*BOB	0.0%	-	0.0%	-	0.0%	-	0.5%	24	0.4%	28
*ECB	0.0%	-	0.0%	-	0.0%	-	0.4%	25	0.5%	27
*TCB	0.0%	-	0.0%	-	0.0%	-	0.1%	27	0.0%	-
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	8.0%	3
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.0%	22
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.5%	26
Industry	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

I. Profit Margin

First quartile

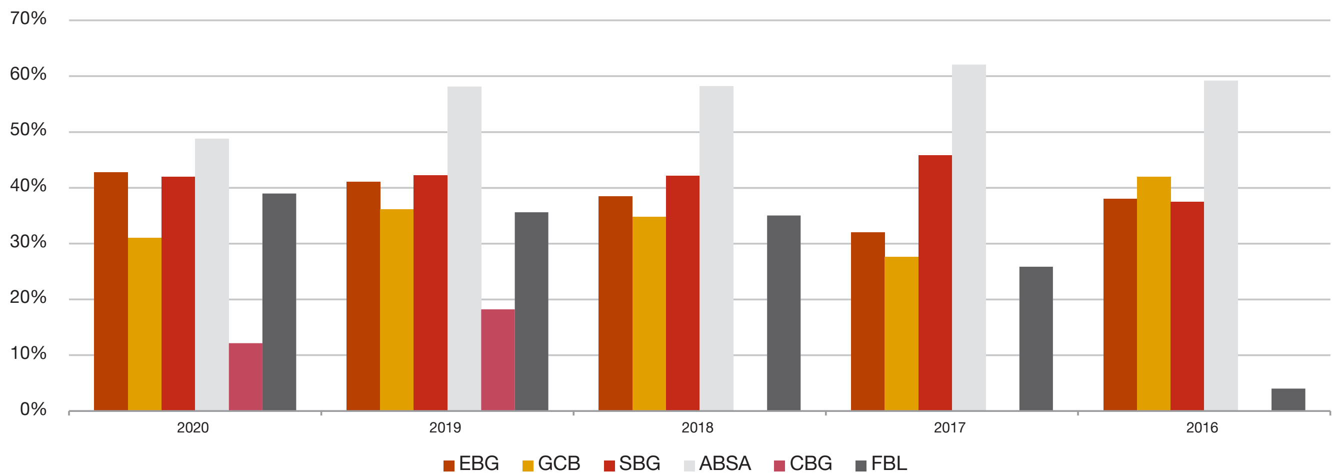
Average PBT margin reduced marginally from 38.6% to 36.0% for the first quartile banks in 2020. ABSA and CBG recorded the most notable reductions, partly offset by EGH and FBL marginal improvements.

The reduction in CBG's PBT margin from 18.2% in 2019 to 12.2% in 2020 was driven by an increase in expected credit losses.

ABSA recorded a decrease in its PBT margin from 58.1% in 2019 to 48.8% in 2020, mainly caused by increase in its operating expenses and impairment charges on financial assets.

FBL and EBG were the only Banks in the first quartile that recorded a marginal increase in PBT. FBL recorded the highest improvement from 35.6% in 2019 to 39.0% in 2020 largely driven by improvements in interest income.

First Quartile - Profit before tax margin



Second quartile

Banks in the second quartile recorded an improved average PBT margin of 49.7% compared to the prior year average of 41.9%. The improvement in profit performance in the quartiles is attributed to ZBL, SCB, ABG and ADB. The aforementioned banks improved their PBT margins from 56.8%, 49.7%, 57.4% and 42% in 2019 to 63.8%, 65.6%, 60.9% and 17.6% in 2020 respectively.

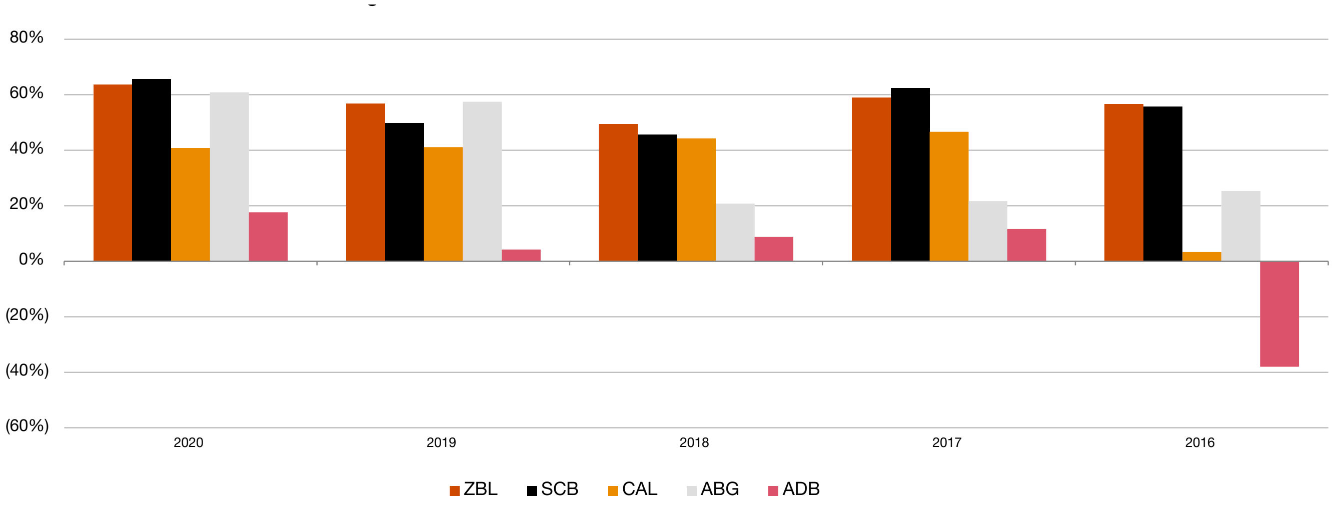
The improved profit performance for ADB was driven by a higher net interest income.

The improvement in the revenue lines is supported by growth in loans and advances and investment securities underpinned by increased deposits mobilisation.

SCB's significant improvement in PBT margins of 65.6% compared to prior year of 49.7% is as a result of a decrease in operating expenses and a reduction in net impairment charge for the year.

ZBL also improved PBT margins from 56.8% in 2019 to 63.8% in 2020. This was driven by improved performance from interest income and fee and commission income.

Second Quartile - Profit before tax margin



Third quartile

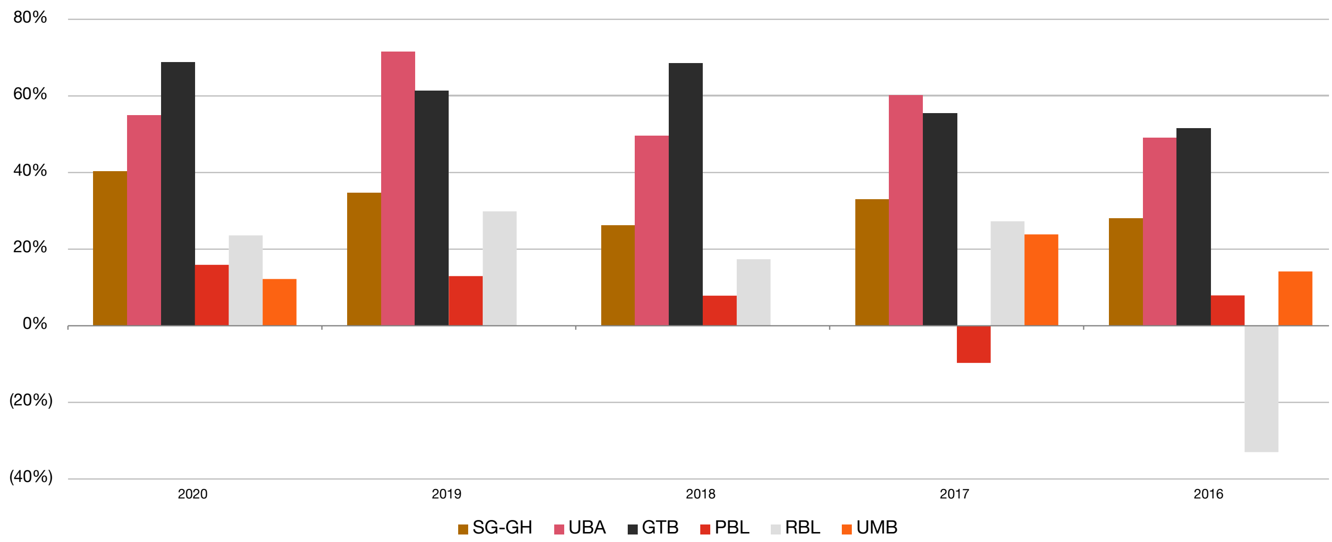
Average profit margin for the third quartile banks improved marginally from 35.1% in 2019 to 36.0% in 2020. UBA and RBL deteriorated to 54.9% and 23.6% down by 16.6% and 6.3% respectively compared to the prior years.

RBL results saw a decrease in net interest income and an increase in net impairment loss on financial assets.

UBA's profit margin reduced significantly as a result of increase in net impairment loss on financial assets and net trading revenue. Net impairment loss for the period increased significantly compared to prior year results due to the impact of COVID-19 on sectors where the Bank is heavily concentrated.

The deterioration from UBA and RBL offset a significant part of the improvement from the other banks in this quartile.

Third Quartile - Profit before tax margin

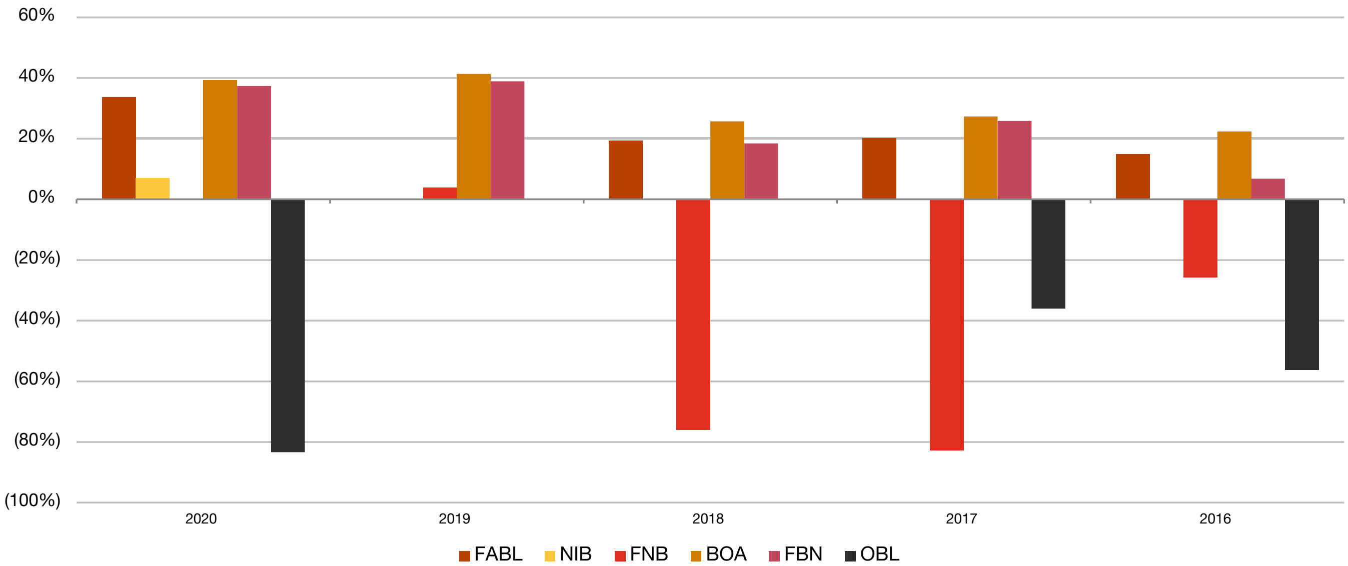


Fourth quartile

Overall profitability performance of banks in this quartile declined in 2020 to 5.7% compared to 14.0% in 2019. FNB recorded a decrease in PBT margin from 3.8% in 2019 to 0.3% in 2020 as a result of increased costs attributable to the acquisition of GHL.

OBL recorded a PBT margin of negative 83.3% as its expenditures exceeded income generated by the Bank.

Fourth Quartile - Profit before tax margin

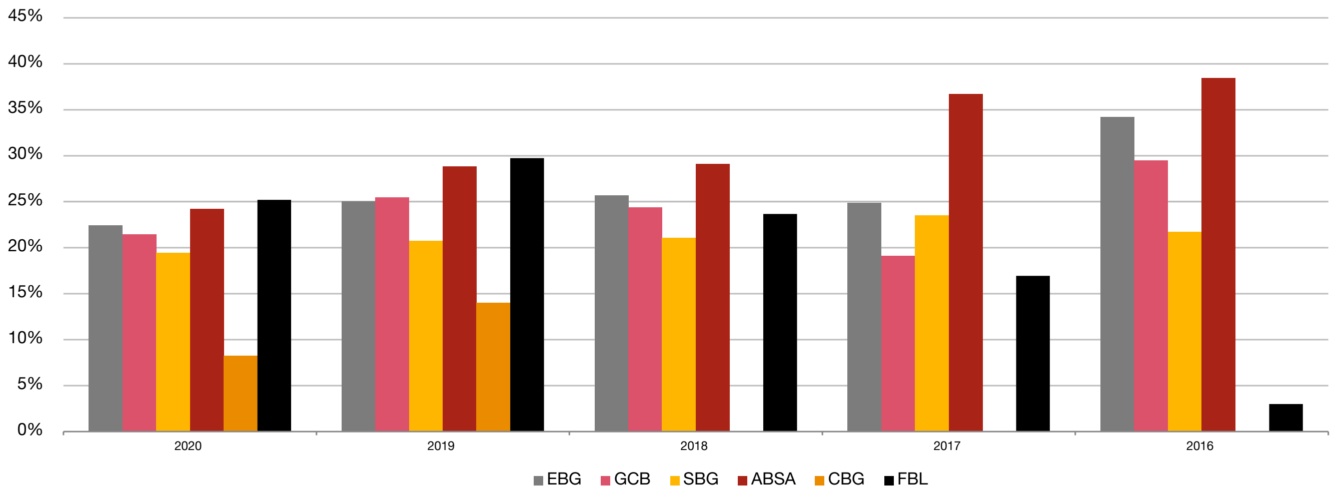


II. Return on Equity

First quartile

ROE of the first quartile banks averaged 20.1% in 2020, down from 24.0% in prior year. ROE for all the banks declined during the period. CBG, ABSA and FBL are the main drivers of the decline with their ROEs reducing from 14.0%, 28.8% and 29.8% in 2019 to 8.2%, 24.2% and 25.2% in 2020 respectively. The drop is as a result of the weaker PBT margins performance as noted in 2020.

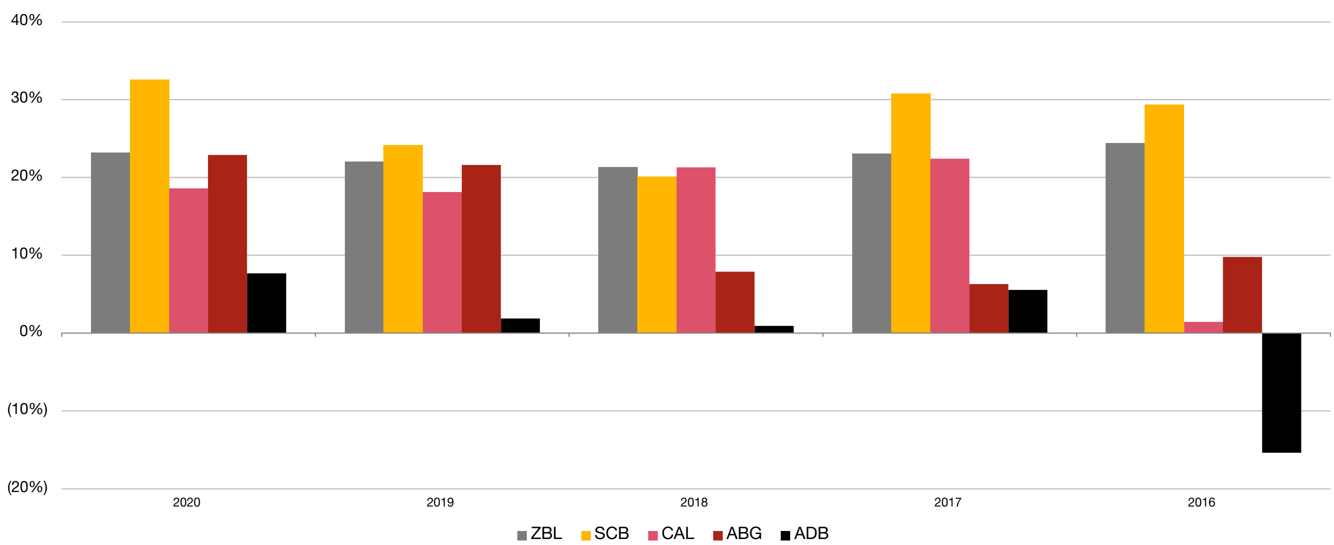
First Quartile - Return on equity



Second Quartile

Second quartile banks on average posted ROE of 21%, an increase from the 2019 ROE of 17.6%. Key drivers of the increase are SCB and ADB which posted ROE of 32.6% and 7.7% in 2020 compared to 24.2% and 1.9% posted in 2019 respectively. The increase was in line with improved profit for the period for these banks, as reflected in their improved PBT margins.

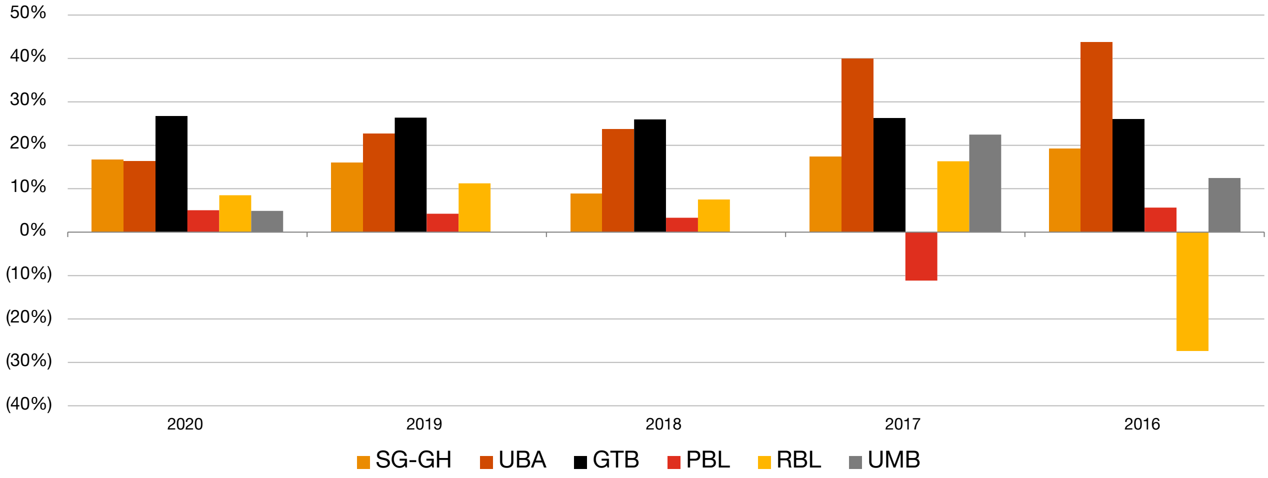
Second Quartile - Return on equity



Third Quartile

The ROE in this quartile decreased from 13.4% to 13.0%. UBA and RBL reported ROEs of 16.4% and 8.5% in 2020 as compared to 22.7% and 11.2% in 2019 respectively. The decrease was offset by the increase in ROE posted by PBL and UMB respectively. The increase in ROE for PBL is as a result of the increase in the profit for the year as reflected in its profit before tax margin.

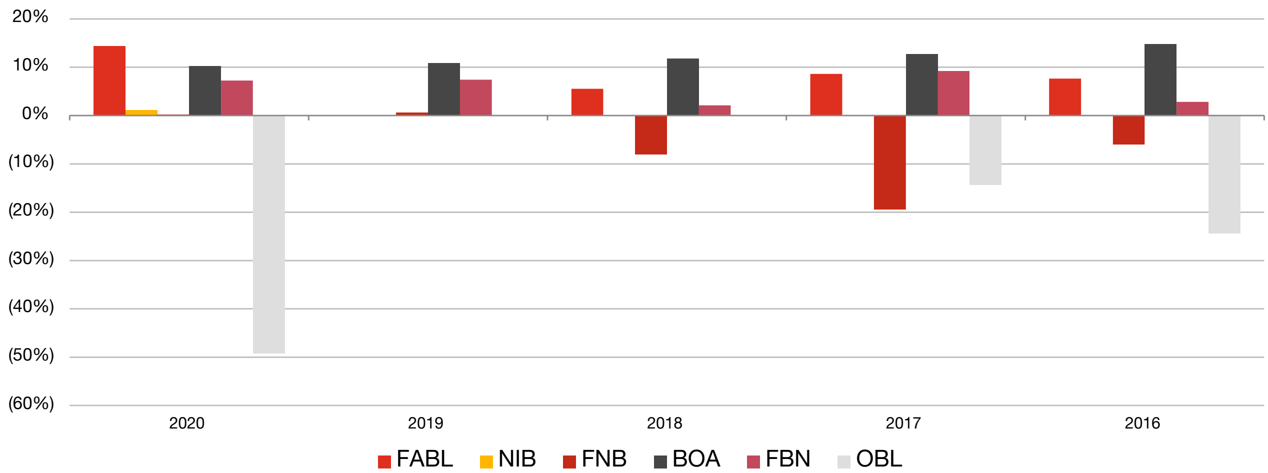
Third Quartile - Return on equity



Fourth Quartile

ROE for the fourth quartile has worsened from an average of 3.2% in 2019 to negative 2.7% in 2020. OBL was a key contributing factor. OBL increased equity but did not generate enough profits due to increased operating costs and impairment charges on financial assets.

Fourth Quartile - Return on equity

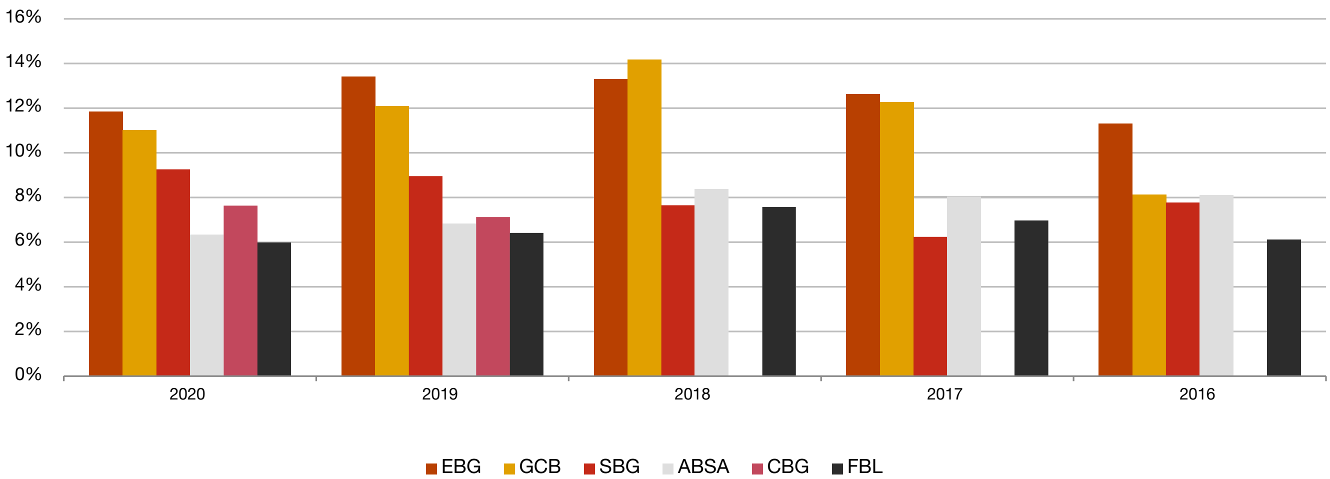


III. Share of Industry Deposits

First quartile

The first quartile banks' share of industry deposits declined marginally from 54.9% in 2019 to 52.1% at the end of 2020. All the banks in this quartile saw their share of industry deposits decline except for CBG and SBG which posted 7.6% and 9.3% in 2020 compared to 7.1% and 9.0% in 2019. EBG and GCB recorded the most decline in deposits of 1.6% and 1.1% lower than the prior period respectively. The decline in the share of industry deposits for the remaining banks was less than 1.0%.

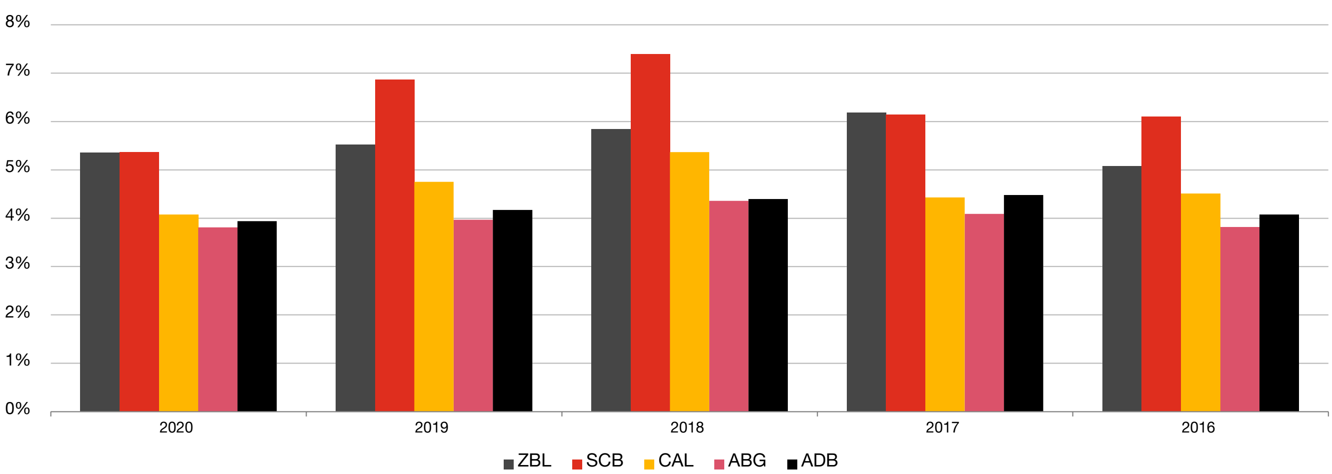
First Quartile - Share of industry deposits



Second Quartile

This quartile held 22.6% of the industry' share of deposits marginally down from the previous year's 25.3%. Although none of the banks in this quartile improved its percentage share of deposit, in absolute terms there were increases in their total deposits from 2019 to 2020; averaging 21%.

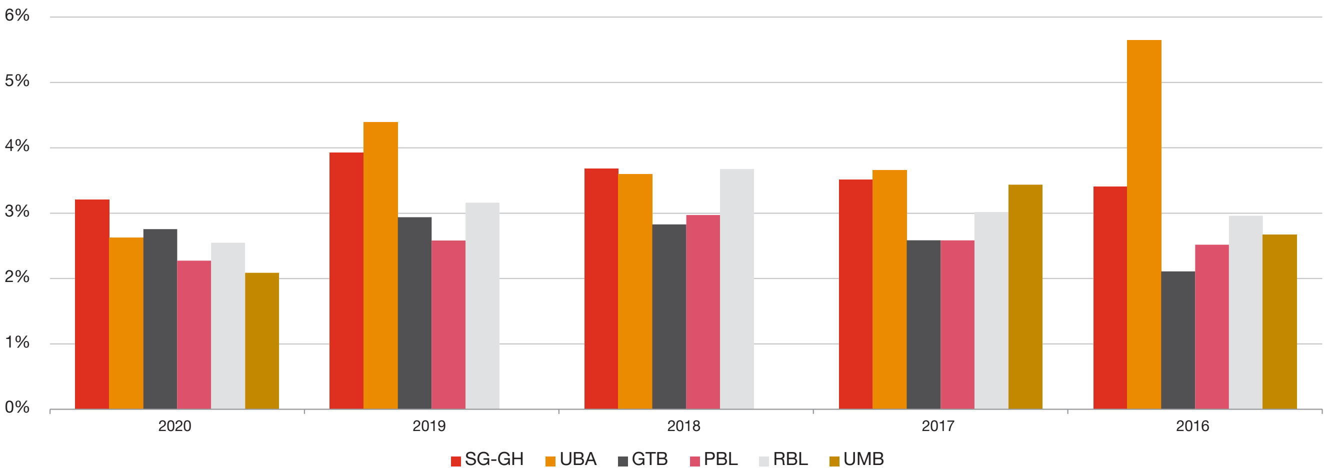
Second Quartile - Share of industry deposits



Third Quartile

Third quartile banks held 15.5% share of the industry's deposits. This was lower than the 2019 share of 17.0%. UMB is the only gainer in this quartile with a 2.1% increase. The remaining banks in this quartile contributed to the decline in 2020.

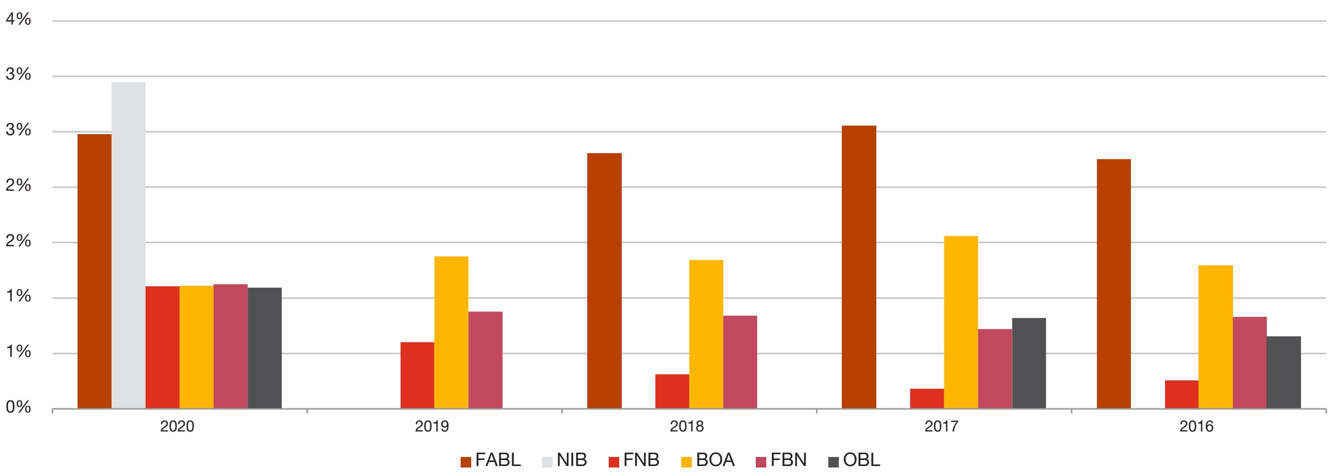
Third Quartile - Share of industry deposits



Fourth Quartile

The fourth quartile banks held 9.9% of the industry's deposits at the end of 2020, up from 2.9% at the end of 2019. The increase in market share is indicative of the level of competitiveness in the industry and the efforts being made by banks in this quartile to mobilise low cost funds.

Fourth Quartile - Share of industry deposits

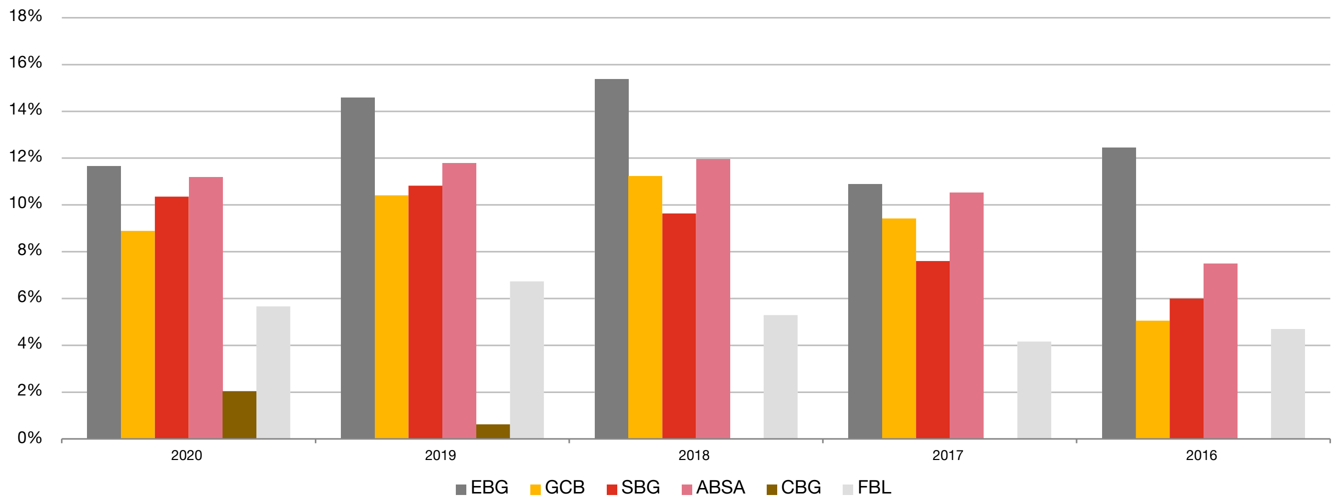


IV. Share of Industry Loans and Advances

First quartile

The industry's loans and advances increased from GH₵ 40.30 billion as at end of 2019 to GH₵ 46.92 billion as at end of 2020 despite COVID-19. EBG and ABSA continue to hold a significant portion of the industry's advances with 11.7% and 11.2% respectively, which is a decline compared to 14.6% and 11.8% in 2019. CBG recorded growth in its share of industry advances from 0.6% in 2019 to 2.0% in 2020 supported by higher deposits mobilised which translated into loan disbursements.

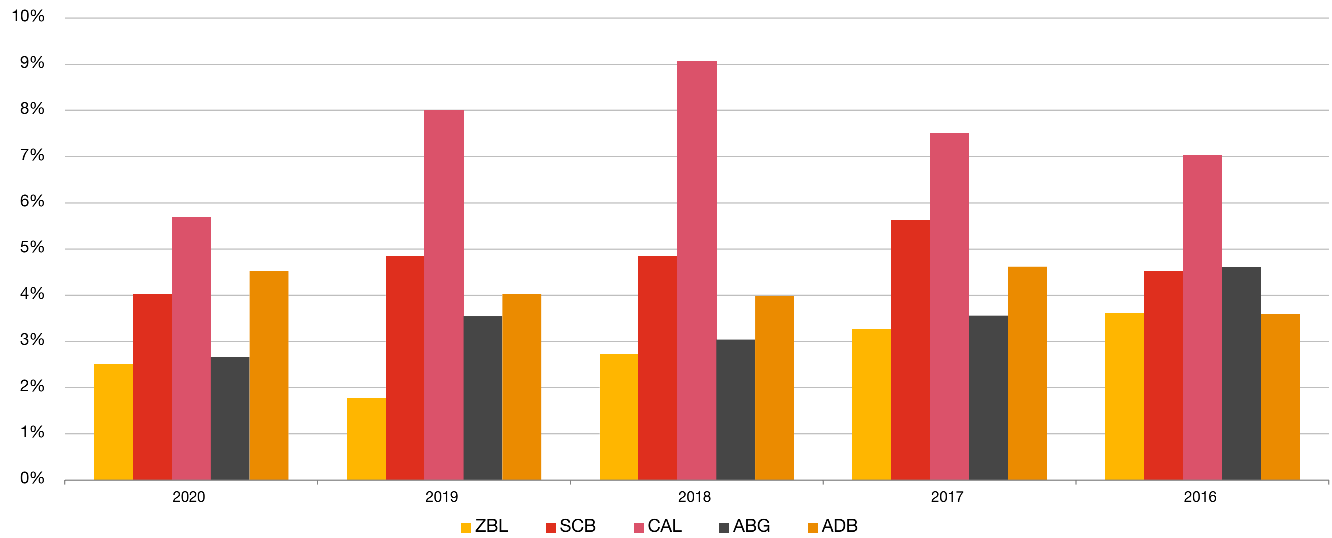
First Quartile - Share of industry advances



Second Quartile

Second quartile banks recorded a share of industry advances of 19.4% in 2020 compared to 22.2% in 2019. CAL bank continued to hold a significant portion of this quartile's share despite the decline in its share from 8.0% in 2019 to 5.7% in 2020. ADB and ZBL recorded increases in their shares of the industry advances with ADB from 4.0% in 2019 to 4.5% in 2020 and ZBL from 1.8% in 2019 to 2.5% in 2020 and this is attributed to aggressive growth in their retail loans.

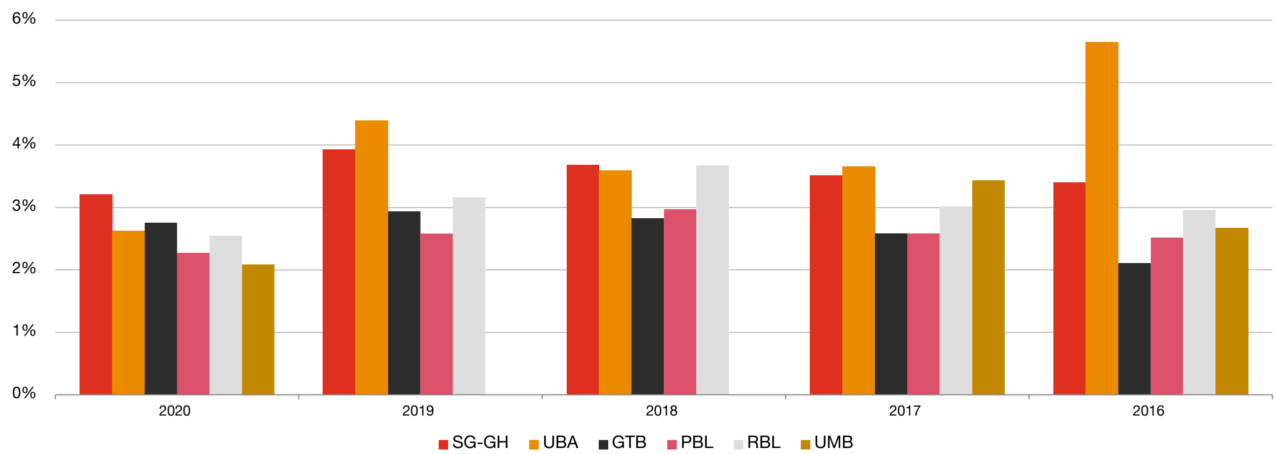
Second Quartile - Share of industry advances



Third Quartile

Third quartile banks also increased their share of the industry’s advances from 19.8% at the end of 2019 to 22.4% at end of 2020. GTB and PBL recorded increased share of industry advances. SG-GH and RBL recorded declines in their shares of industry advances which partly offset the marginal increase recorded for the quartile.

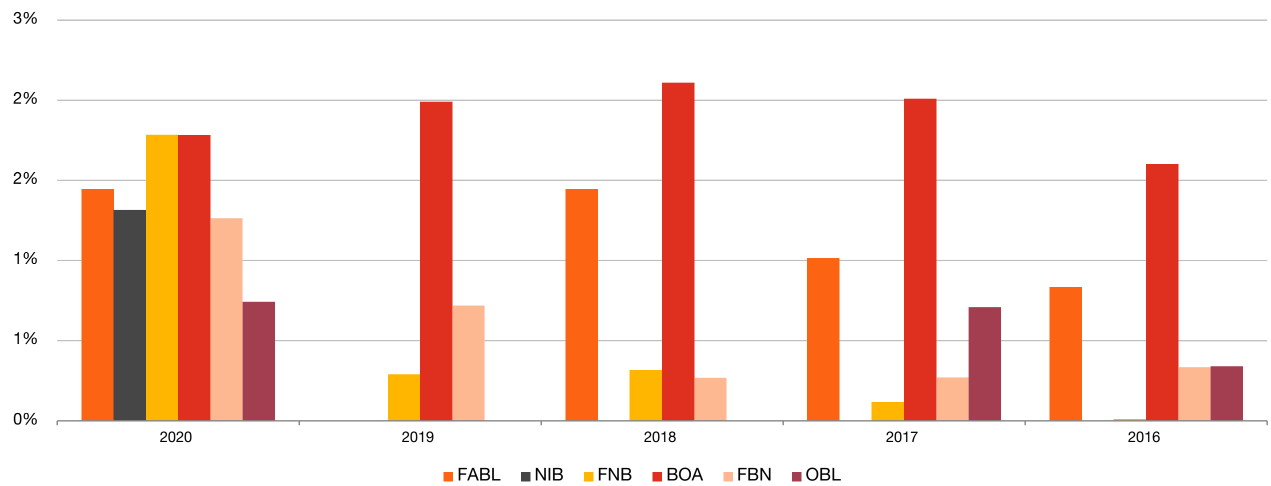
Third Quartile - Share of industry advances

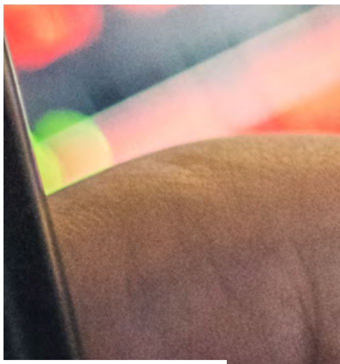


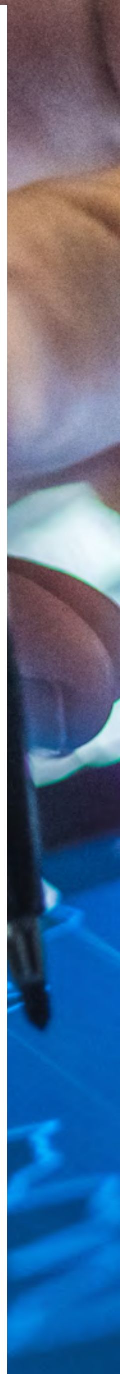
Fourth Quartile

Banks in this quartile grew their share of industry advances from 3.0% at end of 2019 to 8.3% as at end of 2020. These were funded mainly by increased capital injections, borrowings and customer deposits. BOA however recorded a decreased share of industry advances from 2.0% in 2019 to 1.8% in 2020.

Fourth Quartile - Share of industry advances





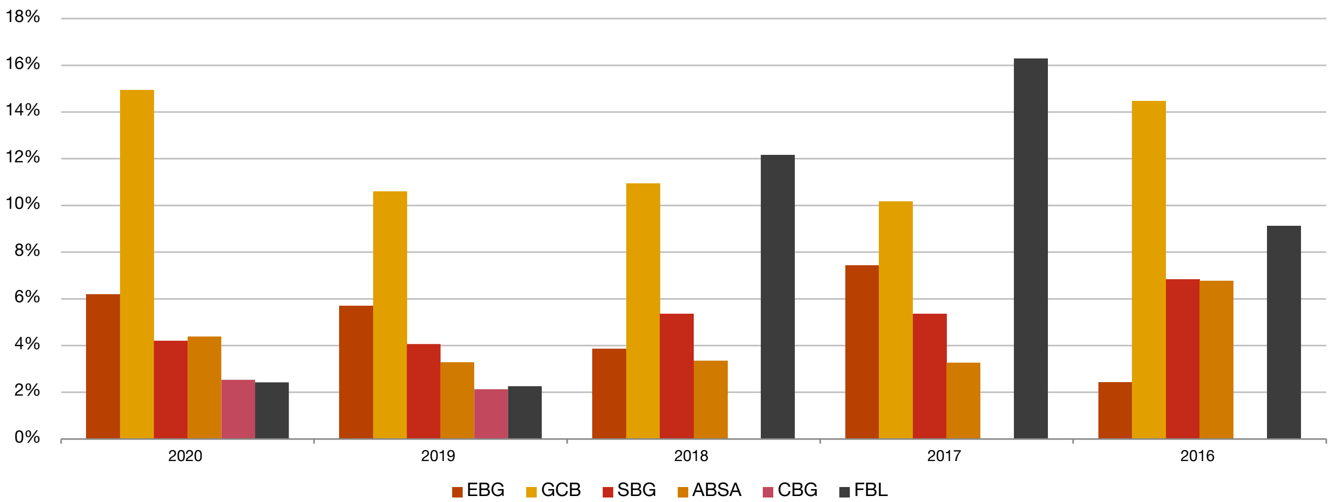


V. Impairment Allowance/Gross Loans and Advances

First quartile

Overall, the first quartile banks' quality of loan book deteriorated marginally, with an increase in average ratio of impairment allowance on gross loans and advances from 4.7% in 2019 to 5.8% in 2020. All the banks in this quartile recorded an increase in impairment allowance to gross loans and advances. The increase is occasioned by the slow recovery of businesses and the economy in general due to COVID-19. Tourism and aviation sub-sectors were hardest hit by COVID-19.

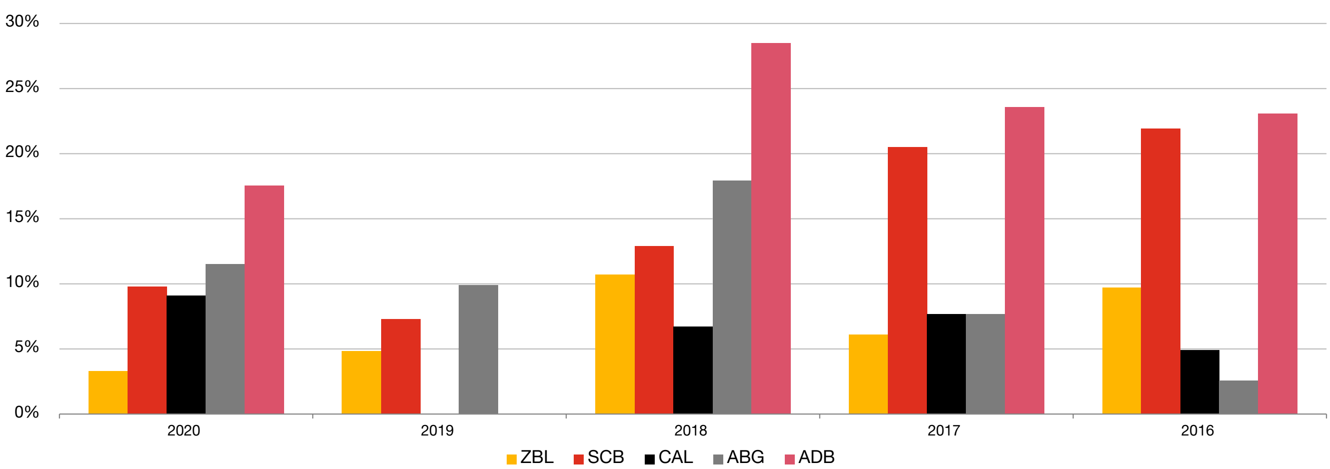
First Quartile - Impairment allowance/gross loans and advances



Second Quartile

The second quartile banks generally experienced a drop in asset quality, with an average impairment allowance to gross loans ratio of 10.2% at the end of 2020, worsening from 4.4% as at the end of 2019. All banks in this quartile recorded a deterioration in their ratios except Zenith Bank whose loan book quality improved resulting in a decrease in impairment allowance. ADB recorded the highest impairment to gross loans and advances provision for the period of 17.5%.

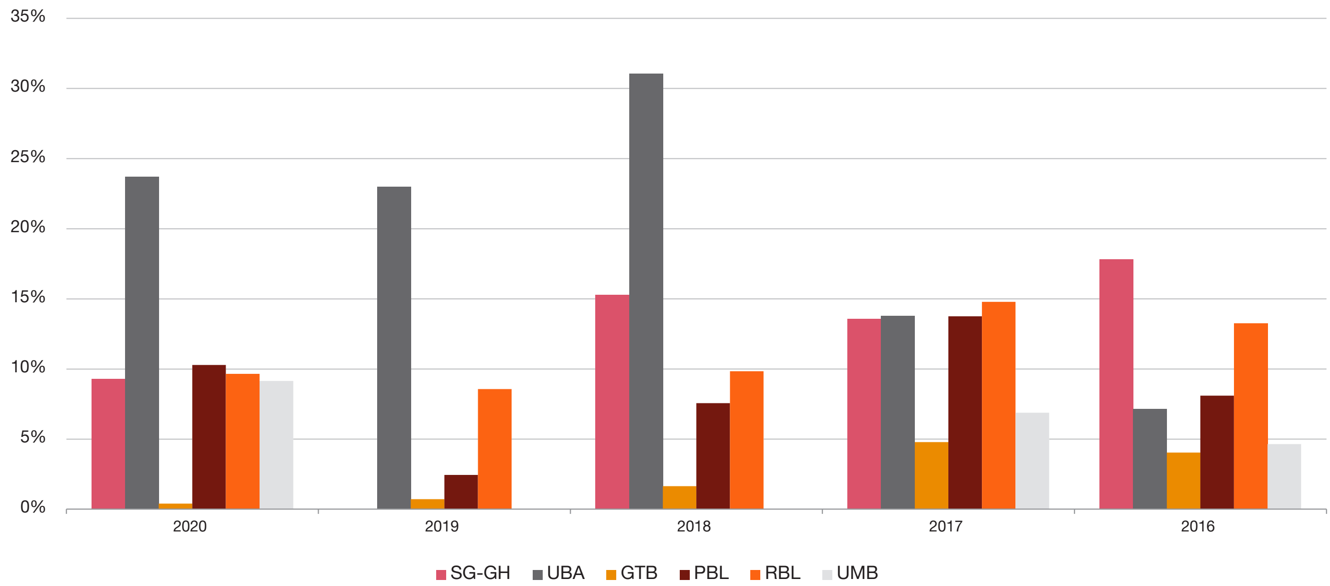
Second Quartile - Impairment allowance/gross loans and advances



Third Quartile

Banks in this quartile also experienced further deterioration in quality of loan book, recording an average impairment allowance to gross loans ratio of 10.4% in 2020, up from a ratio of 5.8% as at the end of 2019. PBL impairment allowance to gross loan worsened the most from 2.4% in 2019 to 10.3% in 2020. This was as a result of increased impairment charge in line with the increase impaired loans. The deterioration in loan quality recorded by the quartile is attributable to COVID-19 and unfavourable performance in the small and medium scale business sector.

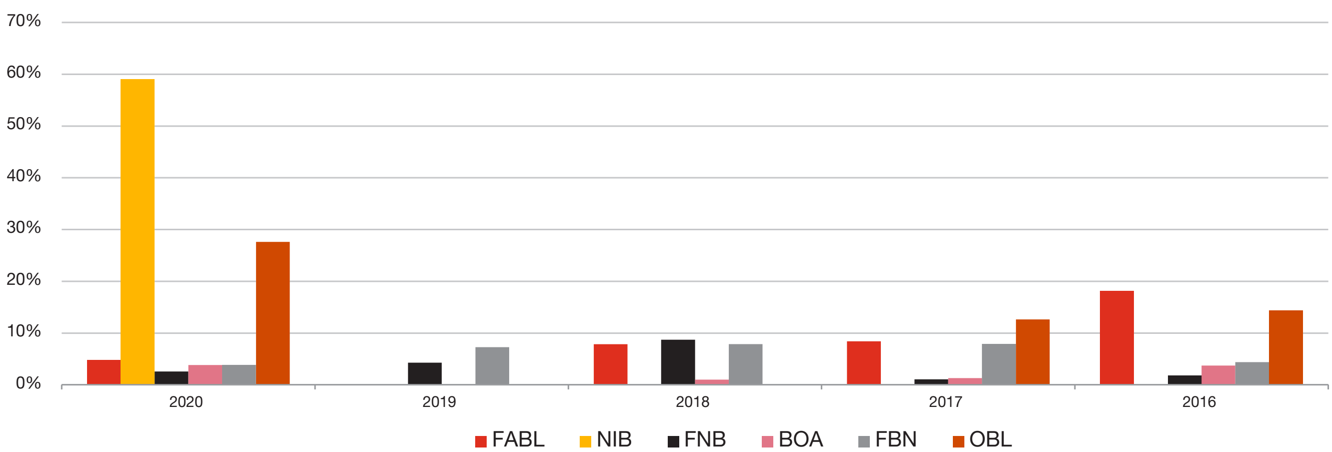
Third Quartile - Impairment allowance/gross loans and advances



Fourth Quartile

In line with the general trend seen in the industry, the fourth quartile banks' average impairment allowance to gross loans ratio also worsened to 17.0% at the end of 2020 compared to 1.9% at the end of 2019. This quartile has suffered similar trends as the third quartile banks because its loan customer portfolio is dominated by the small and medium enterprises with a higher risk of default.

Fourth Quartile - Impairment allowance/gross loans and advances

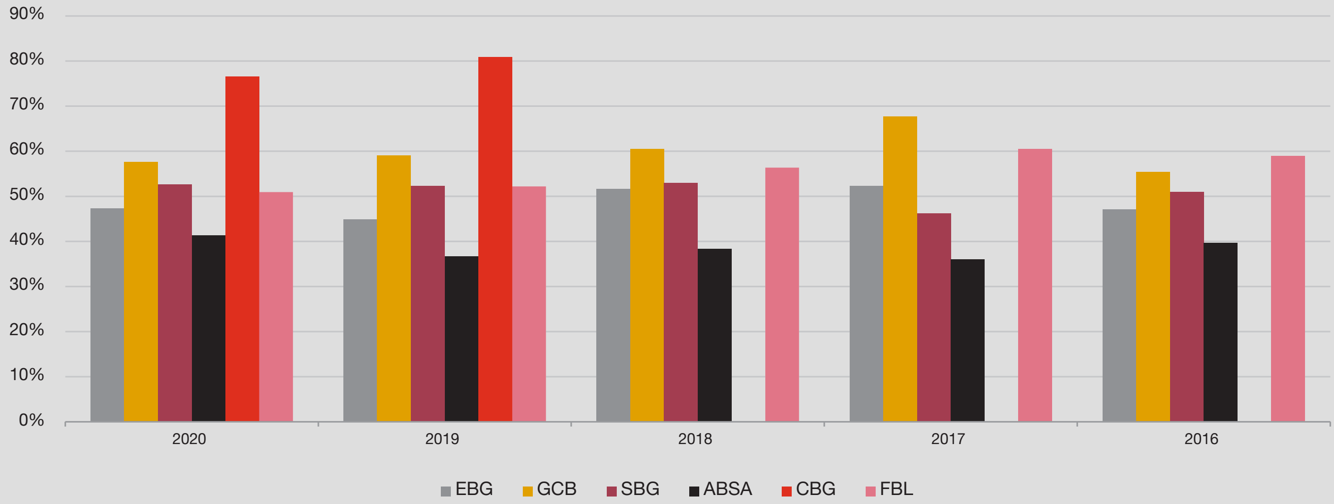


VI. Cost Income Ratio

First quartile

First quartile banks recorded a stable cost income ratio over the two-year period with 54.4% in 2020 and 54.3% in 2019. The general stability in the quartile is attributed to improved efficiencies from improved internal controls. The impact of the improved efficiencies by GCB, FBL and CBG on the ratio was however offset by EBG and ABSA.

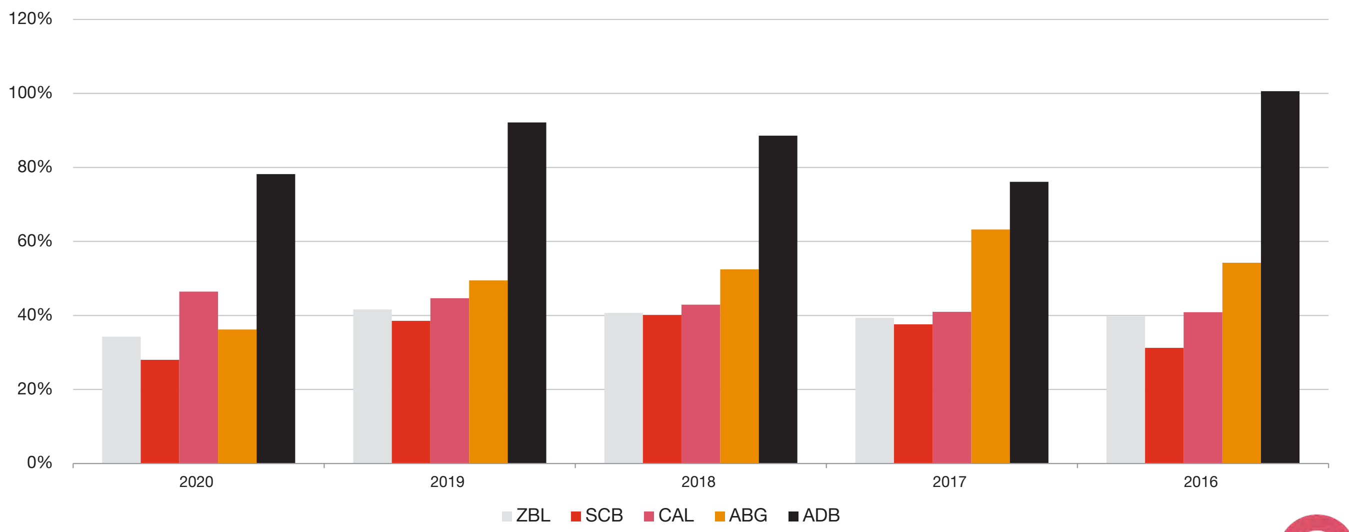
First Quartile - Cost income ratio



Second quartile

Second quartile banks recorded an improved cost to income ratio of 44.6% in 2020 compared to 53.3% in 2019. In general, the banks in this quartile improved their cost to income ratio except for CAL which deteriorated from 44.7% to 46.4%. The remaining banks in the quartile marginally improved cost to income ratios as a result of efficiencies in cost cutting strategies and improvement in internal controls.

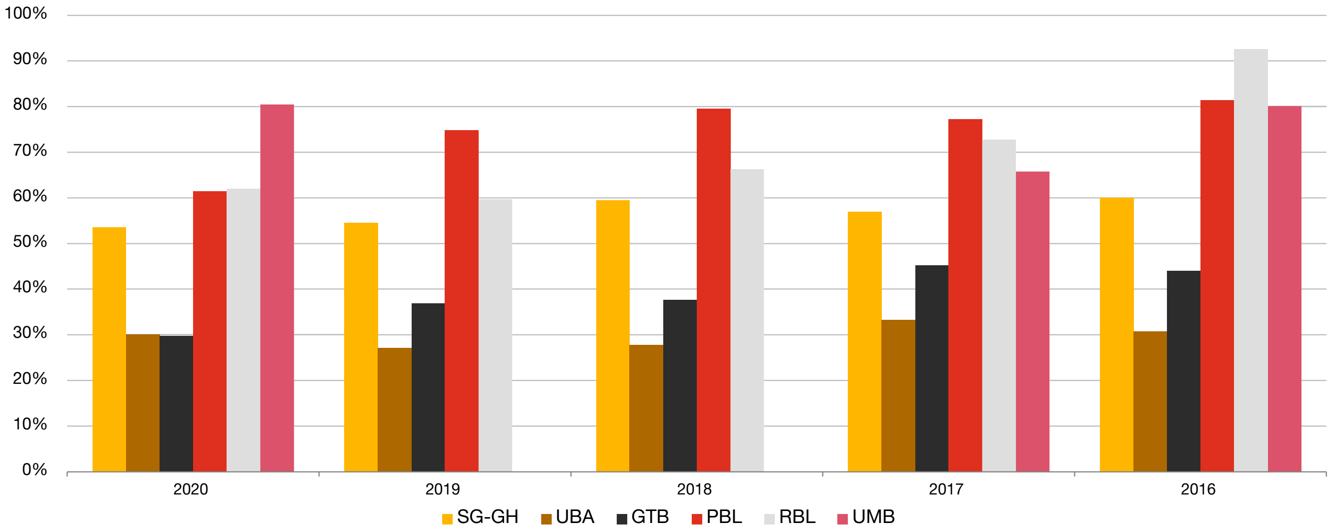
Second Quartile - Cost income ratio



Third Quartile

The third quartile recorded a deteriorated cost to income ratio from 42.2% in 2019 to 52.9% in 2020. UMB's cost to income ratio is the main driver for the worsened cost to income ratio for this quartile. GTB and PBL recorded an improved cost to income ratio of 29.8% and 61.4% in 2020 to 36.9% and 74.8% in 2019 respectively. Though costs increased during the period, the entities recorded an increase in net interest income which led to a decrease in their ratios. The improvement is as a result of improved internal controls and cost efficiencies. This was however offset by the deteriorated ratios of UBA, RBL and UMB.

Third Quartile - Cost income ratio

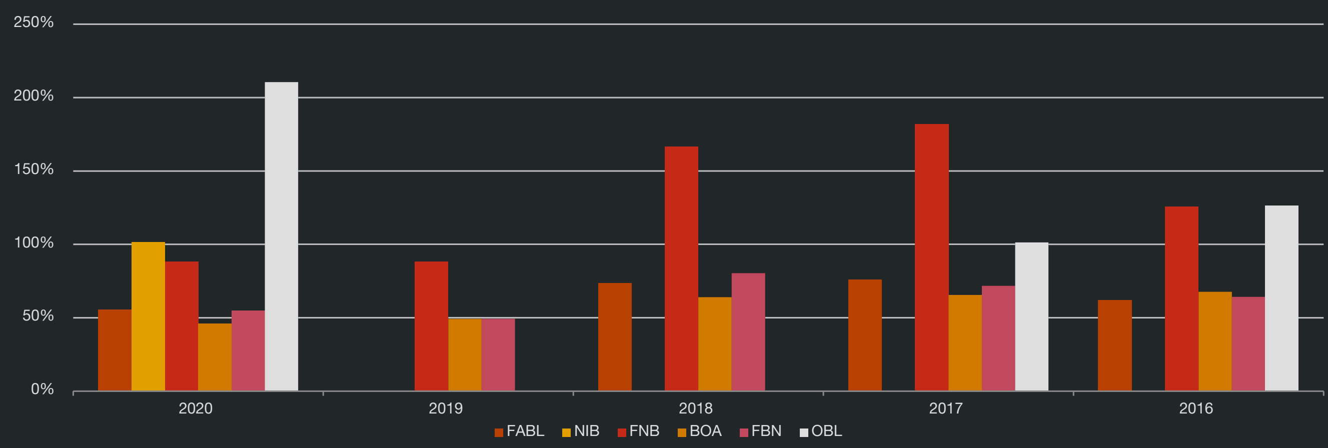


Fourth Quartile

The cost to income ratio for the fourth quartile banks deteriorated from an average of 31.2% in 2019 to 92.9% in 2020. The deterioration of the quartile's ratio is attributed to OBL, NIB and FABL. Their general performance in this quartile deteriorated due to cost inefficiencies and acquisition and merger expenses resulting from OBL's merger with BSIC and FABL's with Energy Bank.

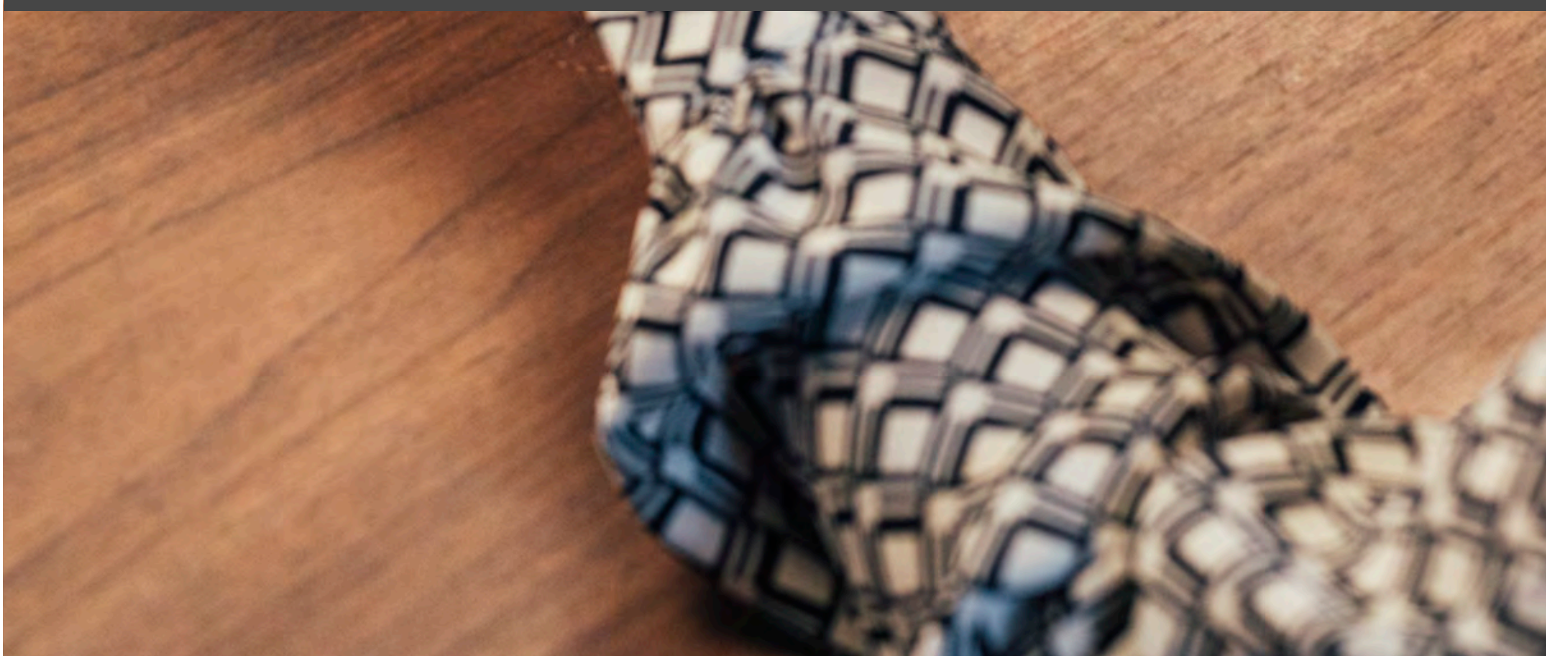
BOA and FNB marginally improved cost to income ratio, however, this was not enough to offset the deteriorated ratios of the other banks in this quartile.

Third Quartile - Cost income ratio



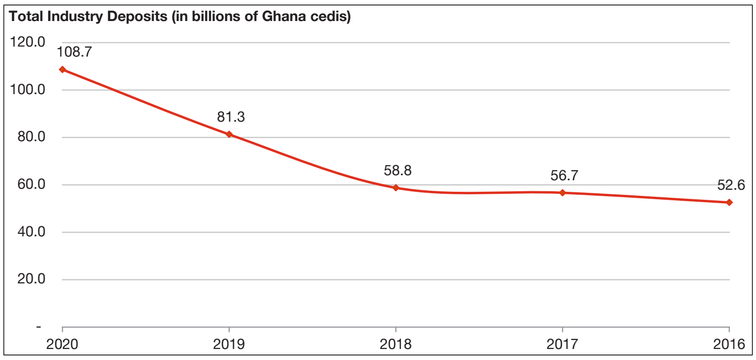
5

Market Share Analysis



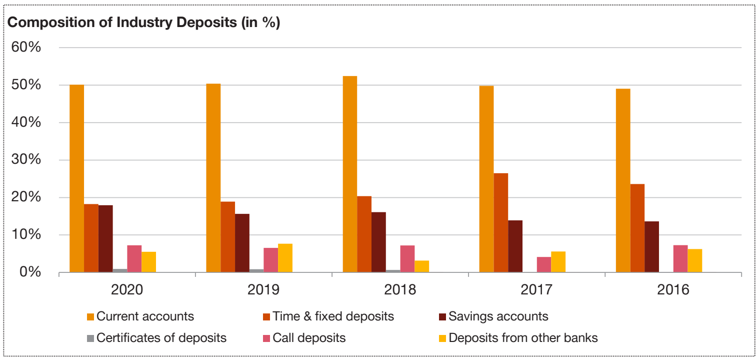
Market Share Analysis

Despite the lockdowns, layoffs and a slowdown in business activities in the first half of 2020 due to the COVID-19 pandemic, the banking industry remained resilient and was bolstered by increased consumer confidence. Deposits grew by GH₵ 27 billion representing a growth rate of 33.6% over 2019.



This was achieved by aggressive deposit mobilisation strategies in the second half of the year and was complemented by the drive to promote digital and cashless transactions. The use of digital channels reduced the level of withdrawals at ATMs and branches and ensured that monies remained within the banking system.

Current accounts continue to dominate the deposit mix in line with the industry's goal of reducing its costs of funds. Savings accounts deposits have also grown over the past five years, almost catching up with fixed deposits in 2020. As banks deploy strategies to mobilise cheaper deposits, short-term liquidity needs remain funded by interbank deposits.



GCB and EBG continue to dominate with the share of the industry's deposits; a trend that has continued over the past five years. With a combined network of over 250 branches, continued efforts to promote digital and electronic banking and a customer-centric ideology, the two banks continue to maintain over a fifth of the industry's deposits. However, increased competition from the likes of Stanbic Bank and Consolidated Bank has seen the market share of GCB and EBG fall over the past three years from 27.5% in 2018 to 25.5% in 2019 and to 22.8% in 2020.

SBG maintains the third position from the previous year and gained an additional 0.3% of the market share of customer deposits. The bank intensified focus on digitisation and improved its quality of customer service delivery. The resulting goodwill and favourable brand image have resulted in business from new customers and an increase in business from existing customers.

A new entrant into the banking scene in 2018 following the collapse of 7 banks, CBG, has gained renewed customer confidence and seeks to establish itself as a force to reckon with. The bank maintained the fourth position and gained an additional 0.5% of market share, growing its deposits by 34.7% over the course of the 2020 financial year.

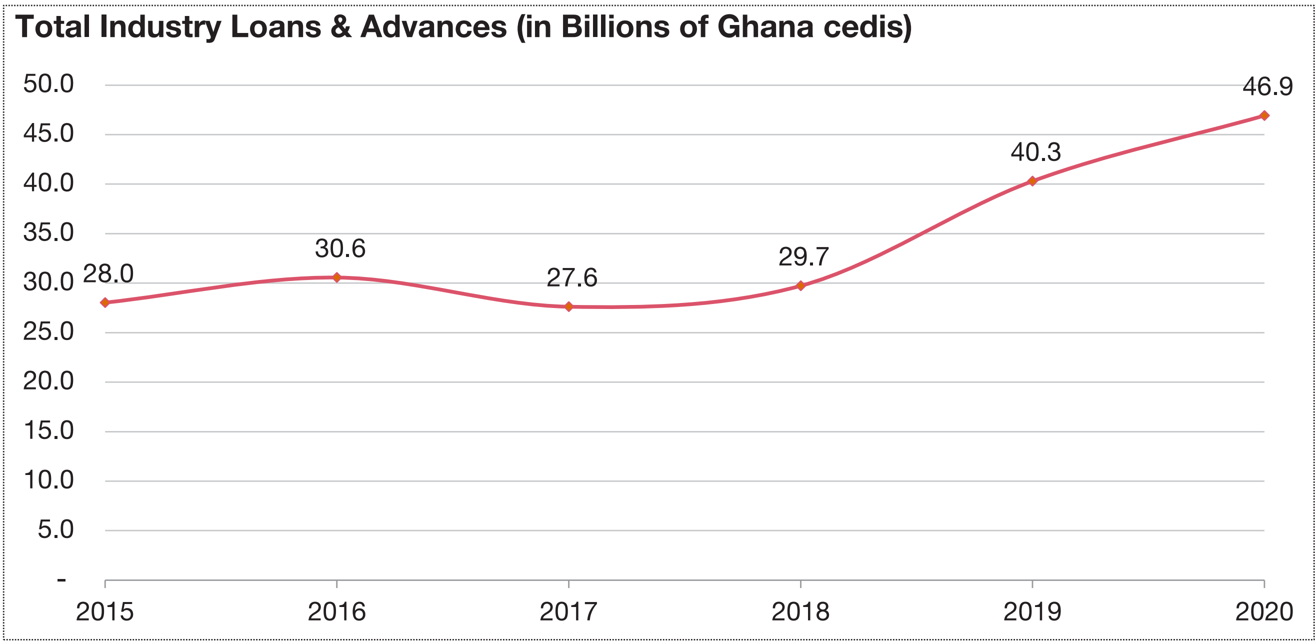
ABSA, FBL, SCB, ZBL, CAL, and ADB round up the top 10 market share leaders in deposits. UBA fell out of the top 10 in 2019 to rank number 15 in 2020. Apart from SBG and CBG, all the other banks in top 10 lost market share. This is attributed to increased competition within the industry as each player introduces innovative products and strives to provide the highest level of customer service quality.

The COVID-19 pandemic appears to have accelerated the growth in digitisation and with increased competition in the industry, it is expected that consumers would be given the highest level of service with the best available technology.

Share of Industry Deposits

	2020	R	2019	R	2018	R	2017	R	2016	R
EBG	11.8%	1	13.4%	1	13.3%	2	12.6%	1	11.3%	1
GCB	11.0%	2	12.1%	2	14.2%	1	12.3%	2	8.1%	2
SBG	9.3%	3	9.0%	3	7.7%	4	6.2%	5	7.8%	4
CBG	7.6%	4	7.1%	4	0.0%	-	0.0%	-	0.0%	-
ABSA	6.3%	5	6.8%	6	8.4%	3	8.0%	3	8.1%	3
FBL	6.0%	6	6.4%	7	7.6%	5	7.0%	4	6.1%	5
SCB	5.4%	7	6.9%	5	7.4%	6	6.1%	7	6.1%	6
ZBL	5.4%	8	5.5%	8	5.8%	7	6.2%	6	5.1%	8
CAL	4.1%	9	4.8%	9	5.4%	8	4.4%	9	4.5%	10
ADB	3.9%	10	4.2%	11	4.4%	9	4.5%	8	4.1%	11
ABG	3.8%	11	4.0%	12	4.4%	10	4.1%	10	3.8%	12
SG-GH	3.2%	12	3.9%	13	3.7%	11	3.5%	12	3.4%	13
NIB	2.9%	13	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GTB	2.8%	14	2.9%	15	2.8%	15	2.6%	15	2.1%	18
UBA	2.6%	15	4.4%	10	3.6%	13	3.7%	11	5.7%	7
RBL	2.5%	16	3.2%	14	3.7%	12	3.0%	14	3.0%	14
FABL	2.5%	17	0.0%	-	2.3%	16	2.6%	17	2.2%	17
PBL	2.3%	18	2.6%	16	3.0%	14	2.6%	16	2.5%	16
UMB	2.1%	19	0.0%	-	0.0%	-	3.4%	13	2.7%	15
FBN	1.1%	20	0.9%	18	0.8%	18	0.7%	23	0.8%	24
BOA	1.1%	21	1.4%	17	1.3%	17	1.6%	18	1.3%	19
FNB	1.1%	22	0.6%	19	0.3%	19	0.2%	26	0.3%	28
OBL	1.1%	23	0.0%	-	0.0%	-	0.8%	22	0.7%	25
*TRB	0.0%	-	0.0%	-	0.0%	-	1.2%	19	1.1%	21
*BSIC	0.0%	-	0.0%	-	0.0%	-	0.9%	20	0.9%	23
*PRB	0.0%	-	0.0%	-	0.0%	-	0.9%	21	1.0%	22
*ECB	0.0%	-	0.0%	-	0.0%	-	0.5%	24	0.5%	26
*BOB	0.0%	-	0.0%	-	0.0%	-	0.3%	25	0.3%	29
*TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	27	0.0%	-
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	5.0%	9
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.2%	20
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.5%	27
Industry	100.0%		100.0%		100.0%		100.0%		100.0%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.



Loans and advances increased by GH₵ 6.6 billion in 2020 compared to GH₵ 10.6 billion in 2019 representing 16.3% growth. The slowdown in growth between the comparative years is attributable to the COVID-19 pandemic. Government's enforced lockdown, lay-offs and general economic slowdown made banks wary and slowed down lending in the first half of the year. Economic activity picked-up in the second half and with renewed confidence banks increased their lending, albeit very cautiously. Industry growth in loans and advances is expected in the coming years in line with the projected economic recovery.

Composition of industry loans and advances (%)

	2015	2016	2017	2018	2019	2020
Agriculture, forestry & fishing	3.9%	4.1%	5.7%	3.8%	5.6%	4.1%
Mining & quarrying	3.6%	3.1%	2.5%	3.8%	3.5%	3.1%
Manufacturing	10.0%	8.8%	10.7%	10.6%	7.8%	10.8%
Construction	9.5%	8.9%	7.8%	7.4%	3.2%	7.1%
Electricity, gas & water	14.1%	12.4%	7.4%	6.4%	5.3%	8.5%
Commerce & finance	24.9%	24.5%	23.4%	25.4%	18.8%	17.5%
Transport, storage & communication	4.3%	8.5%	7.9%	4.9%	8.1%	10.8%
Services	19.2%	19.5%	19.2%	22.4%	17.1%	21.2%
Miscellaneous	9.7%	9.5%	14.5%	14.0%	28.2%	14.0%
Housing	0.9%	0.8%	0.9%	1.2%	2.4%	2.9%
Total Industry Loans & Advances	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The services and commerce and finance sectors as well as other loans classified as miscellaneous continue to dominate the industry concentration of advances. General trading and commercial activities picked up aggressively in the second half of 2020 following government's mandated lockdown. This coupled with BoG's policy measures on COVID-19 ensured that these sectors got access to the needed finance to promote business activities. Manufacturing and construction also benefited from the COVID-19 policy measures as advances to the sectors increased by 2.0% and 4.0% respectively.

Advances to the housing and utilities sector experienced a marginal improvement over the previous year. The improvement in housing was driven by the acquisition of GHL Bank by FNB which saw the resulting synergy lead to an increase in access to mortgage facilities. The combined capacity of the two banks as well as FNBs aggressive strategy to improve access to mortgage financing, dubbed Yoho 2021, is expected to increase the share of the industry's advances to housing.

Share of Industry Advances

	2020	R	2019	R	2018	R	2017	R	2016	R
EBG	11.7%	1	14.6%	1	15.4%	1	10.9%	1	12.5%	1
ABSA	11.2%	2	11.8%	2	12.0%	2	10.5%	2	7.5%	3
SBG	10.3%	3	10.8%	3	9.6%	4	7.6%	4	6.0%	6
GCB	9.0%	4	10.4%	4	11.2%	3	9.4%	3	5.1%	7
SG-GH	6.1%	5	7.3%	6	6.2%	6	5.7%	6	3.4%	14
CAL	5.7%	6	8.0%	5	9.1%	5	7.5%	5	7.0%	4
FBL	5.7%	7	6.7%	7	5.3%	7	4.2%	11	4.7%	8
ADB	4.5%	8	4.0%	10	4.0%	11	4.6%	8	3.6%	13
PBL	4.1%	9	4.5%	9	4.1%	10	3.8%	12	3.3%	16
SCB	4.0%	10	4.9%	8	4.9%	8	5.6%	7	4.5%	10
RBL	3.6%	11	3.9%	11	4.4%	9	3.3%	14	3.3%	15
UMB	3.6%	12	0.0%	-	0.0%	-	4.4%	10	3.7%	11
ABG	2.7%	13	3.5%	12	3.0%	12	3.6%	13	4.6%	9
UBA	2.6%	14	2.6%	13	2.4%	14	4.5%	9	6.6%	5
GTB	2.5%	15	1.6%	16	1.6%	16	1.6%	18	2.2%	18
ZBL	2.5%	16	1.8%	15	2.7%	13	3.3%	15	3.6%	12
CBG	2.0%	17	0.6%	18	0.0%	-	0.0%	-	0.0%	-
FNB	1.8%	18	0.3%	19	0.3%	18	0.1%	26	0.0%	-
BOA	1.8%	19	2.0%	14	2.1%	15	2.0%	17	1.6%	19
FABL	1.4%	20	0.0%	-	1.4%	17	1.0%	20	0.8%	21
NIB	1.3%	21	0.0%	-	0.0%	-	0.0%	-	0.0%	-
FBN	1.3%	22	0.7%	17	0.3%	19	0.3%	25	0.3%	25
OBL	0.7%	23	0.0%	-	0.0%	-	0.7%	21	0.3%	24
*TRB	0.0%	-	0.0%	-	0.0%	-	3.1%	16	2.4%	17
*BSIC	0.0%	-	0.0%	-	0.0%	-	1.1%	19	0.9%	20
*BOB	0.0%	-	0.0%	-	0.0%	-	0.6%	22	0.4%	23
*PRB	0.0%	-	0.0%	-	0.0%	-	0.4%	23	0.2%	27
*ECB	0.0%	-	0.0%	-	0.0%	-	0.4%	24	0.3%	26
*TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	27	0.0%	-
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	10.3%	2
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.6%	22
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	100%		100%		100%		100%		100%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

EBG and ABSA maintained their dominance over the market share of loans and advances despite losing 2.9% and 0.6% of market share respectively.

EBG experienced a 6.9% decline in the value of its gross loans and advances. This was driven by a 39.0% and 38.0% fall in the value of loans to the utilities and services sectors respectively. Advances to the bank's customers in the commerce and finance sector more than doubled to GH₵1 billion to make up the shortfall in the services sector. The increase in advances to the commerce and finance sector was driven by the uptick in business and commercial activities following the first half slowdown from the COVID-19 pandemic.

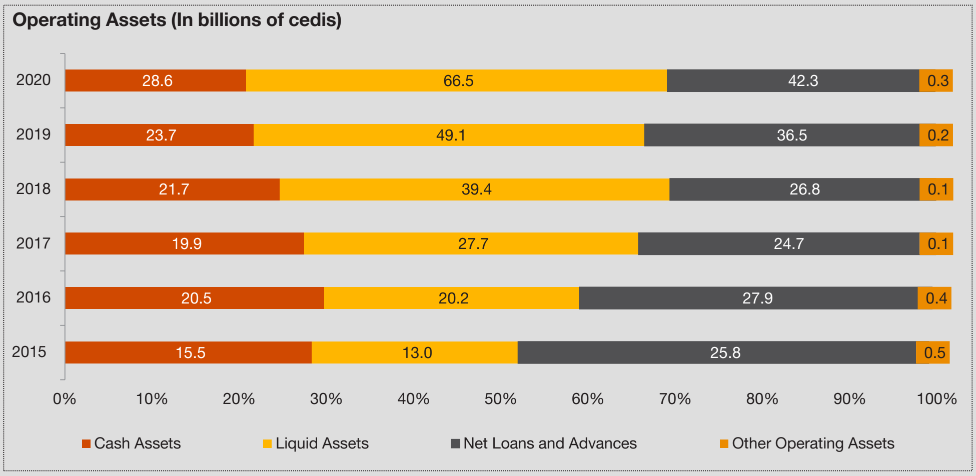
ABSA maintained its positive trend of year on year growth of its gross loans and advances portfolio although it was at a reduced rate compared to 2020. Gross advances grew by 11.0% as compared to 34.0% in 2019. The profile of the bank's credit portfolio however changed over the course of the year with the services sector dominating in 2020 compared to 2019 where the commerce and finance sector dominated.

SBG and GCB maintained their third and fourth positions from last year but lost 0.5% and 1.4% market share respectively. Their gross loans and advances grew by 11.0% and 5.3% respectively which was driven by the commerce & finance and miscellaneous sectors as they both focus on helping general trading and commercial activities to rebound from the aftermath of the COVID-19 pandemic.

CBG continues its push to improve its market position, gaining an additional 1.4% of market share of loans and advances in 2020. The bank grew its loan portfolio by 280.0% with the construction and services sector accounting for 69.0% of its portfolio.

The commerce and finance, miscellaneous and services sectors continue to dominate the total volume of advances as banks express renewed confidence in these sectors even as the economy continues to experience intermittent adverse effects of the COVID-19 pandemic.

Share of industry operating assets



Composition of industry operating assets

	2016	2017	2018	2019	2020
Cash Assets	29.7%	27.5%	24.6%	21.6%	20.8%
Liquid Assets	29.3%	38.3%	44.8%	44.9%	48.3%
Net Loans and Advances	40.4%	34.1%	30.5%	33.3%	30.7%
Other Operating Assets	0.6%	0.2%	0.2%	0.2%	0.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The year 2020 saw the largest growth in liquid assets over the past five years. Liquid assets grew by GH₵ 17.4 billion as banks became more cautious of lending following the COVID-19 pandemic. Employee layoffs, Government mandated lockdowns and a general decline in economic activities increased credit risk on advances to customers and pushed banks to invest in government issued bills and bonds which were deemed to be safer. Liquid assets comprising Government of Ghana bonds and bills continue to represent the largest share of industry operating assets as banks look for safe, less risky investments given the level of default associated with loans and advances.

Share of industry operating assets

	2020	R	2019	R	2018	R	2017	R	2016	R
EBG	10.6%	1	10.8%	1	12.0%	2	11.3%	2	10.5%	1
GCB	10.3%	2	10.6%	2	12.1%	1	11.4%	1	8.2%	2
SBG	8.6%	3	7.5%	5	7.0%	5	6.7%	5	7.2%	5
ABSA	8.6%	4	10.3%	3	10.9%	3	7.9%	3	7.4%	4
CBG	6.9%	5	6.0%	7	0.0%	-	0.0%	-	0.0%	-
FBL	6.4%	6	9.2%	4	8.3%	4	7.1%	4	5.8%	7
ZBL	5.5%	7	5.8%	9	6.6%	7	5.9%	7	4.6%	10
SCB	5.3%	8	6.4%	6	6.9%	6	6.0%	6	5.9%	6
CAL	5.3%	9	5.8%	8	6.0%	8	5.3%	8	4.6%	9
ABG	3.9%	10	4.0%	11	4.0%	11	4.0%	11	3.5%	13
ADB	3.8%	11	3.9%	12	4.2%	10	4.5%	9	4.0%	11
SG-GH	3.4%	12	3.7%	13	3.8%	12	3.4%	13	3.4%	14
UBA	2.7%	13	4.0%	10	4.3%	9	4.0%	10	5.3%	8
GTB	2.7%	14	2.8%	15	2.7%	14	2.5%	16	2.2%	17
PBL	2.7%	15	2.6%	16	2.6%	15	2.7%	14	2.2%	16
RBL	2.5%	16	2.9%	14	3.4%	13	2.7%	15	2.5%	15
UMB	2.0%	17	0.0%	-	0.0%	-	3.8%	12	3.7%	12
FABL	2.0%	18	0.0%	-	2.0%	16	2.1%	17	1.9%	18
NIB	1.8%	19	0.0%	-	0.0%	-	0.0%	-	0.0%	-
FNB	1.6%	20	0.8%	19	0.7%	19	0.3%	26	0.4%	29
BOA	1.4%	21	1.7%	17	1.4%	17	1.6%	19	1.5%	20
FBN	1.3%	22	1.1%	18	1.2%	18	0.7%	23	0.8%	23
OBL	0.9%	23	0.0%	-	0.0%	-	0.8%	22	0.6%	25
*PRB	0.0%	-	0.0%	-	0.0%	-	1.8%	18	1.3%	21
*TRB	0.0%	-	0.0%	-	0.0%	-	1.4%	20	1.5%	19
*BSIC	0.0%	-	0.0%	-	0.0%	-	0.8%	21	0.8%	24
*BOB	0.0%	-	0.0%	-	0.0%	-	0.5%	24	0.4%	28
*ECB	0.0%	-	0.0%	-	0.0%	-	0.4%	25	0.5%	27
*TCB	0.0%	-	0.0%	-	0.0%	-	0.1%	27	0.0%	-
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	8.0%	3
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.0%	22
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.5%	26
Industry	100.0%		100%		100%		100%		100.0%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

EBG and GCB continue to lead the banking industry in terms of operating assets despite losing market share. Over the past four years, these two have accounted for at least a fifth of the industry's operating assets.

Despite the loss in market share, EBG's operating assets grew by GH₵2.7 billion. This growth of 23.1% was driven by an increase in cash holdings and additional investments in bonds and bills of 41.0% and 54.0% respectively. The bank's net loans and advances declined by 7.0%.

GCB's operating assets were also bolstered by a 43.0% increase in liquid assets of GH₵ 2.6 billion which was driven by funds mobilised from customer deposits.

SBG unseated ABSA to take the third position in 2020. This was fuelled by a 37.46% and 165.7% growth in cash assets and liquid assets respectively for SBG as compared to a 1.73% increase and 1.46% decline in liquid assets and cash assets respectively for ABSA. SBGs growth in liquid assets and cash assets is as a result of the growth in deposits.

It appears competition in the industry remains high as banks in the top 10 continue to lose operating assets market share to some of the lower ranked banks. This competition is expected to improve efficiency and provide the highest quality of service to customers at reduced costs.

From the growth in operating assets, the banking sector has shown resilience in the wake of the COVID-19 pandemic and with renewed confidence from the general public, the banks are poised to weather any additional shocks from the pandemic and return value to shareholders and other stakeholders.

6

Profitability and Efficiency

Profit before tax margin

	2020	R	2019	R	2018	R	2017	R	2016	R
GTB	68.8%	1	61.3%	2	68.6%	1	55.4%	6	51.5%	5
SCB	65.6%	2	49.7%	6	45.7%	5	62.4%	2	55.7%	4
ZBL	63.8%	3	56.8%	5	49.4%	4	58.9%	5	56.6%	3
ABG	60.9%	4	57.4%	4	20.8%	13	21.7%	17	25.3%	11
UBA	54.9%	5	71.5%	1	49.5%	3	60.1%	4	49.1%	6
ABSA	48.8%	6	58.1%	3	58.2%	2	62.0%	3	59.2%	2
EBG	42.8%	7	41.1%	10	38.4%	8	32.1%	10	38.1%	8
SBG	41.9%	8	42.2%	7	42.2%	7	45.9%	8	37.5%	9
CAL	40.7%	9	41.2%	9	44.3%	6	46.7%	7	3.4%	21
SG-GH	40.4%	10	34.7%	14	26.2%	11	32.9%	9	28.0%	10
BOA	39.4%	11	41.3%	8	25.7%	12	27.3%	12	22.4%	12
FBL	39.0%	12	35.6%	13	35.1%	9	25.9%	14	4.0%	20
FBN	37.3%	13	38.9%	11	18.4%	15	25.8%	15	6.8%	19
FABL	33.7%	14	0.0%	-	19.3%	14	20.3%	18	14.9%	15
GCB	31.1%	15	36.1%	12	34.8%	10	27.6%	11	42.0%	7
RBL	23.6%	16	29.9%	15	17.4%	16	27.3%	13	-33.0%	26
ADB	17.6%	17	4.2%	18	8.8%	17	11.6%	20	-38.0%	27
PBL	15.9%	18	12.9%	17	7.9%	18	-9.7%	22	7.9%	18
UMB	12.2%	19	0.0%	-	0.0%	-	23.9%	16	14.2%	16
CBG	12.2%	20	18.2%	16	0.0%	-	0.0%	-	0.0%	-
NIB	7.0%	21	0.0%	-	0.0%	-	0.0%	-	0.0%	-
FNB	0.3%	22	3.8%	19	-75.9%	19	-82.8%	26	-25.8%	24
OBL	-83.3%	23	0.0%	-	0.0%	-	-36.0%	24	-56.3%	29
*BOB	0.0%	-	0.0%	-	0.0%	-	83.4%	1	87.1%	1
*BSIC	0.0%	-	0.0%	-	0.0%	-	13.3%	19	17.2%	13
*ECB	0.0%	-	0.0%	-	0.0%	-	4.0%	21	1.9%	22
*PRB	0.0%	-	0.0%	-	0.0%	-	-25.9%	23	10.4%	17
*TRB	0.0%	-	0.0%	-	0.0%	-	-42.4%	25	-47.0%	28
*TCB	0.0%	-	0.0%	-	0.0%	-	-508.8%	27	0.0%	-
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-9.6%	23
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-31.6%	25
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	15.2%	14
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	40.2%		41.6%		38.1%		36.4%		29.5%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

The banking industry in Ghana experienced an overall decline in profit before tax margin from an average of 41.6% in 2019 to an average of 40.2% in 2020. The decline in PBT margin can be attributed to the economic impact of COVID-19.

GTB, SCB and ZBL recorded the highest profit before tax margins.

GTB's profit before tax margin increased by 7.5% to 68.8% in 2020. The improvement in GTB's PBT margin is attributable to an 18% growth in operating income which was driven by increased interest income on investment securities and fees and commission income, and cost reductions.

SCB recorded a GH₵251 million increase in profit before tax resulting in a profit before tax margin of 65.6%. The increase in PBT from GH₵ 424 million in 2019 to GH₵ 675 million in 2020 was driven by increases in fee and commission income and net trading income.

Fee and commission income increased by 47.0% as a result of the surge in the use of the bank's digital channels and products by retail banking customers. Income earned from the trade of debt instruments increased by 147.5% as the Bank increased its holdings in government securities. Operational costs for the bank also reduced.

GTB, one of the top three banks with the highest profit before tax margins recorded an increase of 12% in profit before tax between 2020 and 2019. This increase is attributable to a 6% increase in net interest income on the back of interest income earned on its increased loan portfolio and a reduced interest expense from low-cost customer deposits mobilised. A 65% increase in fee and commission income from increased customer use of digital platforms also contributed to the increase in GTB's profit before tax margin.

UBA showed the largest decline in profit before tax margin ratio from 71.5% in 2019 to 54.9% in 2020. The bank increased its operating income by 3.5% to GH₵407.5 million in 2020. However, this was eroded by impairment charges on financial assets which increased from GH₵ 5.5 million in 2019 to GH₵ 61.1 million in 2020.

Net interest margin

	2020	R	2019	R	2018	R	2017	R	2016	R
UMB	11.4%	1	0.0%	-	0.0%	-	9.7%	12	6.8%	26
GCB	10.8%	2	10.1%	1	9.6%	2	12.6%	3	16.6%	2
FBN	9.7%	3	9.3%	3	5.6%	17	10.5%	10	10.5%	8
EBG	9.1%	4	8.7%	7	8.8%	5	9.3%	13	9.6%	12
BOA	8.8%	5	8.8%	5	7.3%	13	5.8%	25	9.8%	11
SG-GH	8.5%	6	9.3%	4	8.9%	4	10.9%	8	8.9%	14
SCB	8.2%	7	8.8%	6	9.1%	3	11.6%	5	11.9%	7
FBL	8.1%	8	7.3%	14	8.1%	10	8.6%	17	8.6%	16
ADB	8.1%	9	7.3%	13	7.4%	12	10.7%	9	7.1%	24
ABSA	7.9%	10	7.6%	11	8.7%	6	11.1%	6	10.4%	9
PBL	7.9%	11	6.6%	18	6.5%	16	8.6%	18	7.8%	20
ZBL	7.9%	12	7.6%	10	8.3%	8	8.7%	16	8.8%	15
GTB	7.8%	13	9.7%	2	7.7%	11	8.9%	15	9.2%	13
NIB	7.4%	14	0.0%	-	0.0%	-	0.0%	-	0.0%	-
UBA	7.4%	15	7.5%	12	10.5%	1	16.8%	1	12.3%	6
RBL	7.4%	16	7.1%	15	7.2%	14	8.5%	19	7.0%	25
ABG	7.1%	17	4.4%	19	6.5%	15	7.6%	21	7.8%	19
CAL	7.0%	18	8.3%	9	8.6%	7	9.1%	14	7.1%	23
FABL	6.4%	19	0.0%	-	4.8%	19	5.9%	24	7.9%	18
CBG	6.1%	20	6.6%	17	0.0%	-	0.0%	-	0.0%	-
FNB	5.7%	21	8.6%	8	4.8%	18	10.3%	11	13.9%	3
SBG	5.6%	22	6.9%	16	8.1%	9	8.3%	20	7.3%	22
OBL	1.7%	23	0.0%	-	0.0%	-	11.9%	4	17.7%	1
*BOB	0.0%	-	0.0%	-	0.0%	-	12.7%	2	12.4%	5
*TRB	0.0%	-	0.0%	-	0.0%	-	11.0%	7	8.3%	17
*PRB	0.0%	-	0.0%	-	0.0%	-	6.9%	22	5.1%	29
*BSIC	0.0%	-	0.0%	-	0.0%	-	6.4%	23	7.7%	21
*ECB	0.0%	-	0.0%	-	0.0%	-	5.6%	26	5.5%	28
*TCB	0.0%	-	0.0%	-	0.0%	-	3.6%	27	0.0%	-
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	13.3%	4
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	10.4%	10
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	6.3%	27
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	7.9%		7.9%		8.0%		9.4%		9.2%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

The industry's net interest income margin has remained fairly stable over the past three years and UMB, GCB and FBN recorded the highest NIM in 2020. The uncertain economic climate due to the COVID-19 pandemic saw banks invest more in less risky instruments such as Government securities rather than loans and advances which have higher average returns.

UMB leads the industry with NIM of 11.4% in 2020. Its net interest income increased by 14.9% from prior year with the main driver being interest expense which decreased from GH₵ 177 million in 2019 to GH₵ 167 million in 2020 which was achieved through the mobilisation of current account deposits.

ABG showed the biggest increase in NIM which increased from 4.4% in 2019 to 7.1% in 2020. This was attributable to the Bank's increased volume of investments in government securities which contributed GH₵ 285 million to the 105% increase in net interest income.

Net interest income for OBL grew significantly from GHS12,000 in 2019 to GH₵ 19 million in 2020. Its interest earning assets increased by over GH₵ 545 million between the comparative periods with the growth in assets largely occurring during the final quarter of the year.

Cost income ratio

	2020	R	2019	R	2018	R	2017	R	2016	R
SCB	0.28	1	0.39	4	0.40	4	0.38	4	0.31	3
GTB	0.30	2	0.37	3	0.38	2	0.45	7	0.44	7
UBA	0.30	3	0.27	1	0.28	1	0.33	2	0.31	2
ZBL	0.34	4	0.42	5	0.41	5	0.39	5	0.40	5
ABG	0.36	5	0.49	10	0.52	8	0.63	12	0.54	10
ABSA	0.41	6	0.37	2	0.38	3	0.36	3	0.40	4
BOA	0.46	7	0.49	9	0.64	13	0.66	13	0.68	17
CAL	0.46	8	0.45	6	0.43	6	0.41	6	0.41	6
EBG	0.47	9	0.45	7	0.52	7	0.52	9	0.47	8
FBL	0.51	10	0.52	11	0.56	10	0.60	11	0.59	12
SBG	0.53	11	0.52	12	0.53	9	0.46	8	0.51	9
SG-GH	0.54	12	0.55	13	0.59	11	0.57	10	0.60	13
FBN	0.55	13	0.49	8	0.80	17	0.72	17	0.64	15
FABL	0.56	14	0.00	-	0.74	15	0.76	19	0.62	14
GCB	0.58	15	0.59	14	0.61	12	0.68	15	0.55	11
PBL	0.61	16	0.75	16	0.80	16	0.77	21	0.81	21
RBL	0.62	17	0.60	15	0.66	14	0.73	18	0.93	24
CBG	0.77	18	0.81	17	0.00	-	0.00	-	0.00	-
ADB	0.78	19	0.92	19	0.89	18	0.76	20	1.01	25
UMB	0.80	20	0.00	-	0.00	-	0.66	14	0.80	20
FNB	0.88	21	0.88	18	1.67	19	1.82	26	1.26	27
NIB	1.02	22	0.00	-	0.00	-	0.00	-	0.00	-
OBL	2.11	23	0.00	-	0.00	-	1.01	24	1.26	28
*BOB	0.00	-	0.00	-	0.00	-	0.14	1	0.13	1
*TRB	0.00	-	0.00	-	0.00	-	0.70	16	0.88	23
*BSIC	0.00	-	0.00	-	0.00	-	0.79	22	0.71	18
*ECB	0.00	-	0.00	-	0.00	-	0.81	23	0.75	19
*PRB	0.00	-	0.00	-	0.00	-	1.05	25	0.86	22
*TCB	0.00	-	0.00	-	0.00	-	6.09	27	0.00	-
*UGL	0.00	-	0.00	-	0.00	-	0.00	-	0.64	16
*GNB	0.00	-	0.00	-	0.00	-	0.00	-	1.08	26
*SBL	0.00	-	0.00	-	0.00	-	0.00	-	1.31	29
*UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	**0.51**		**0.51**		**0.53**		**0.54**		**0.54**	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

Despite the challenges of the pandemic, there was no change to the industry's cost to income ratio of 51% between 2019 and 2020. The industry has maintained a relatively stable cost to income ratio over the past five years as cost management remains key in the determination of overall performance. Most banks experienced an improvement in their cost to income ratios with SCB and GTB recording the lowest ratios with improvements of 11% and 7% respectively.

SCB had the most improved cost to income ratio of 39% in 2019 and 28% in 2020. SCB saw a 2.8% increase in depreciation and amortisation from GH₵ 31 million in 2019 and GH₵ 32.8 million in 2020 and personal expenses increased by 18% in 2020. Despite the increases, there was a reduction in total operating expenses with 2020 recording GH₵ 288 million as compared to GH₵ 328 million in 2019 and a significant increase in total operating income in 2020 of GH₵ 1.022 billion compared to GH₵ 853 million in 2019.

GTB recorded an improved cost to income ratio from 37% in 2019 to 30% in 2020 as a result of improved performance in its interest income during the period despite having increased salaries and wages, administrative expenses and the increase in depreciation and amortisation expense in line with increase in property and equipment, intangible assets and right-of-use assets. GTB's personnel expenses increased from GH₵ 55.9 million in 2019 to GH₵ 56.28 million due to the minimal increase of 4.4% in other staff related expenses reported in 2020. Administrative expenses also decreased from GH₵ 83 million in 2019 to GH₵ 65 million in 2020.

FBN's cost to income ratio increased from 49% to 55%. The bank's depreciation and amortisation expenses increased by 13.2% to GH₵ 14.5 million in 2020 from GH₵ 12.8 million in 2019 which is mainly attributable to a 40.7% increase in property, plant and equipment from GH₵ 11.3 million to GH₵ 15.9 million and 4.1% increase in right of use assets from GH₵ 36.9 million in 2019 to GH₵ 38.4 million in 2020. Additionally, FBN increased personnel expenses by 32.6% from GH₵ 27.3 million in 2019 to GH₵ 36.2 million in 2020. Even though the bank's loans and advances increased from GH₵ 262 million to GH₵ 533 million and thus better interest income was recorded, the cost to income ratio suffered.

7

Return on Shareholders’ Funds

Return on Shareholders' Funds

Return on Assets (ROA)

	2020	R	2019	R	2018	R	2017	R	2016	R
GTB	6.6%	1	6.4%	1	6.6%	1	4.7%	5	4.8%	5
SCB	6.0%	2	3.7%	4	3.5%	5	5.9%	4	5.1%	3
ZBL	4.2%	3	3.7%	6	3.3%	6	3.7%	7	4.1%	6
ABG	4.1%	4	3.7%	5	1.4%	13	0.9%	19	1.6%	13
UBA	4.1%	5	4.2%	2	4.3%	3	7.4%	1	3.8%	8
ABSA	3.8%	6	4.0%	3	4.3%	2	6.5%	3	5.8%	2
EBG	3.4%	7	3.3%	8	3.2%	7	2.8%	10	4.1%	7
BOA	3.2%	8	3.2%	9	2.0%	11	1.8%	13	2.1%	11
SG-GH	3.0%	9	2.9%	11	1.8%	12	3.2%	9	2.6%	10
GCB	2.9%	10	3.4%	7	3.0%	8	2.2%	11	4.9%	4
FBL	2.7%	11	2.5%	13	2.3%	10	1.7%	15	0.4%	19
CAL	2.6%	12	2.5%	14	3.0%	9	3.4%	8	0.2%	21
SBG	2.6%	13	3.0%	10	3.6%	4	4.1%	6	2.8%	9
FABL	2.6%	14	0.0%	-	1.0%	15	1.2%	18	1.1%	14
FBN	2.1%	15	2.8%	12	0.9%	16	2.1%	12	0.6%	17
RBL	1.4%	16	1.9%	15	1.3%	14	1.8%	14	-2.1%	24
ADB	1.1%	17	0.3%	18	0.2%	18	0.7%	20	-2.3%	26
PBL	0.8%	18	0.8%	17	0.5%	17	-1.2%	23	0.5%	18
UMB	0.7%	19	0.0%	-	0.0%	-	1.6%	16	0.7%	15
CBG	0.5%	20	1.0%	16	0.0%	-	0.0%	-	0.0%	-
FNB	0.0%	21	0.3%	19	-5.4%	19	-10.2%	27	-2.9%	27
NIB	-0.2%	22	0.0%	-	0.0%	-	0.0%	-	0.0%	-
OBL	-3.7%	23	0.0%	-	0.0%	-	-2.2%	24	-5.8%	29
*BOB	0.0%	-	0.0%	-	0.0%	-	6.6%	2	7.9%	1
*BSIC	0.0%	-	0.0%	-	0.0%	-	1.2%	17	1.8%	12
*ECB	0.0%	-	0.0%	-	0.0%	-	0.2%	21	0.2%	22
*PRB	0.0%	-	0.0%	-	0.0%	-	-0.9%	22	0.2%	20
*TRB	0.0%	-	0.0%	-	0.0%	-	-4.0%	25	-3.5%	28
*TCB	0.0%	-	0.0%	-	0.0%	-	-9.2%	26	0.0%	-
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-1.0%	23
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-2.2%	25
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.7%	16
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	**2.8%**		**3.0%**		**2.9%**		**2.8%**		**2.3%**	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

The industry's ROA saw a steady improvement averaging 0.7% between 2016 and 2019. However 2020 recorded a 0.2% decline in ROA from 3.0% in 2019 to 2.8%. Although total assets in the industry increased by 22.8% from 2019, the marginal decline in industry's average ROA resulted from a 1.4% decrease in profit before tax margin.

UBA's total assets reduced from GH₵ 4.5 billion in 2019 to GH₵ 4.0 billion in 2020 mainly as a result of a GH₵ 1.2 billion reduction in its investment securities portfolio. An impairment charge to gross loans and advance ratio of 4.2% in 2020 compared to 0.5% recorded in 2019 eroded the bank's profit before tax margin and resulted in a significant decline of 16.6% from 71.5% in 2019 to 54.9% in 2020.

ABSA's profit before tax margin saw a 9.3% decline from 58.1% in 2019 to 48.8% in 2020. This contributed to a decreased ROA from 4.0% in 2019 to 3.8% in 2020.

GTB and SCB on the other hand experienced growth in ROA with GTB maintaining its lead in the industry with ROA of 6.6% in 2020. The improvement in the ROA of GTB was mainly as a result of an impressive profit before tax margin of 68.8%, against the industry average of 40.2%, arising mainly from interest income from loans and advances due to a GH₵488.2 million increase in its loan portfolio size.

Also, SCB's ROA increased significantly to 6.0% from 3.7% in 2019. This can be attributed to a 70% increase in profitability driven by interest income, fee and commission income and trading income relative to a 5.4% increase in total assets.

ZBL continued to show improvement in how efficient its assets are utilised as ROA has steadily risen from 3.7% in 2018 to 4.2% in 2020. Total assets increased significantly from GH₵ 6.7 billion in 2019 to GH₵ 8.0 billion in 2020 driven largely by a growth in investment securities and loans and advances of GH₵ 740.1 million and GH₵ 409 million respectively on the back of a 30% growth in customer deposits. The Bank's profit before tax increased by 32.3% to GH₵ 466.9 million in 2020 due to improvements in operating income for the year.

SBG's ROA dropped to 2.6% in 2020 compared to 3.0% in 2019. Despite a GH₵ 3.4 billion increase in total assets from 2019 which represented a 37.1% increase, there was no proportional increase in profit before taxes from 2019. These assets only contributed to 10.4% increase in profit before tax from 2019. This can be attributed to an increase in interest expense from GH₵ 148.9 million in 2019 to 192.4 million in 2020 as well as an increase by GH₵ 61.5 million in operating expenses in 2020. However, the bank is positioned to improve on ROA as its investments made in information technology infrastructure to improve client service delivery is likely to yield results in this era of increased electronic banking.

Overall, 43% of the banks recorded ROA above the industry average of 2.8%. Of the 57% of the banks which recorded ROA below the industry average, two banks recorded negative ROAs.

Return on Equity

	2020	R	2019	R	2018	R	2017	R	2016	R
SCB	32.6%	1	24.2%	6	20.1%	10	30.8%	3	29.3%	5
GTB	26.7%	2	26.4%	3	25.9%	2	26.3%	4	26.0%	6
FBL	25.2%	3	29.8%	1	23.7%	5	16.9%	12	3.0%	18
ABSA	24.2%	4	28.8%	2	29.1%	1	36.7%	2	38.4%	2
ZBL	23.2%	5	22.0%	8	21.3%	7	23.1%	7	24.4%	7
ABG	22.9%	6	21.6%	9	7.9%	13	6.3%	18	9.8%	13
EBG	22.4%	7	25.0%	5	25.7%	3	24.9%	5	34.2%	3
GCB	21.4%	8	25.5%	4	24.4%	4	19.1%	10	29.5%	4
SBG	19.4%	9	20.7%	10	21.0%	9	23.5%	6	21.7%	8
CAL	18.6%	10	18.1%	11	21.3%	8	22.4%	9	1.4%	21
SG-GH	16.7%	11	16.0%	12	8.8%	12	17.4%	11	19.2%	9
UBA	16.4%	12	22.7%	7	23.7%	6	40.0%	1	43.7%	1
FABL	14.3%	13	0.0%	-	5.5%	15	8.6%	17	7.7%	16
BOA	10.2%	14	10.9%	15	11.8%	11	12.7%	15	14.7%	11
RBL	8.5%	15	11.2%	14	7.5%	14	16.3%	13	-27.4%	28
CBG	8.2%	16	14.0%	13	0.0%	-	0.0%	-	0.0%	-
ADB	7.7%	17	1.9%	18	0.9%	18	5.5%	20	-15.4%	26
FBN	7.2%	18	7.4%	16	2.1%	17	9.2%	16	2.8%	19
PBL	5.1%	19	4.2%	17	3.3%	16	-11.1%	24	5.7%	17
UMB	4.9%	20	0.0%	-	0.0%	-	22.4%	8	12.4%	12
NIB	1.2%	21	0.0%	-	0.0%	-	0.0%	-	0.0%	-
FNB	0.1%	22	0.6%	19	-8.0%	19	-19.4%	26	-6.0%	23
OBL	-49.2%	23	0.0%	-	0.0%	-	-14.3%	25	-24.4%	27
*BOB	0.0%	-	0.0%	-	0.0%	-	15.3%	14	16.3%	10
*BSIC	0.0%	-	0.0%	-	0.0%	-	6.3%	19	8.8%	14
*ECB	0.0%	-	0.0%	-	0.0%	-	1.2%	21	0.9%	22
*TCB	0.0%	-	0.0%	-	0.0%	-	-10.0%	22	0.0%	-
*PRB	0.0%	-	0.0%	-	0.0%	-	-10.1%	23	1.7%	20
*TRB	0.0%	-	0.0%	-	0.0%	-	-70.0%	27	-58.7%	29
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-6.2%	24
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-6.7%	25
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	8.8%	15
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	19.1%		20.0%		17.9%		19.7%		17.3%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

SCB recorded the highest ROE of 32.6% in 2020, an increase from 24.2% posted in 2019. This can be attributed to an increase in interest, trading and fees and commission incomes. Trading income saw the most improved growth from a GH₵ 168.0 million recorded in 2019 to GH₵ 246.6 million in 2020. Fee and commission and interest incomes increased by 26.4% and 6.1% respectively from 2019. Fee and commission income increased from GH₵ 121 million in 2019 to GH₵ 153 million in 2020 from increased use of the bank's electronic platforms. Profit numbers were further boosted by significant reductions in impairment losses and other operating expenses. The bank reduced its impairment on financial assets by GH₵ 40.6 million from 2019 and other operating expenses to GH₵ 45 million in 2020 from GH₵ 119 million recorded in 2019.

ADB's ROE also improved significantly by 5.8% to 7.7% in 2020. This was mainly due to a significant increase in net interest income from GH₵ 300.1 million in 2019 to GH₵ 415.4 million in 2020 which contributed to the GH₵ 79.8 million rise in profit before tax in 2020.

OBL recorded a negative ROE due to continued loss-making although its performance improved from a loss of GH₵ 263.2 million in 2019 to a loss GH₵ 50.6 million in 2020. Improvements in interest income and an impairment release on financial assets positively contributed to its overall performance in 2020. The bank's shareholders also injected a further GH₵ 40 million capital during the year.

Of the 23 banks, 14 banks recorded ROE below industry average representing 60.8% while 9 banks recorded ROE above the industry average of 19.1%.

8

Liquidity

Liquidity

Liquidity in the banking sector remained relatively unchanged in 2020 despite a marginal decline in liquid funds to total deposits ratio from 89.0% in 2019 to 88% in 2020 as increases in funds from deposit mobilisation activities and shareholder capital injections were primarily deployed into interest bearing assets.

Liquid funds to deposit ratio

	2020	R	2019	R	2018	R	2017	R	2016	R
FNB	1.16	1	1.65	1	2.81	1	1.89	3	1.86	1
ZBL	1.12	2	1.26	4	1.34	3	0.96	7	0.82	14
CAL	1.07	3	0.89	12	0.77	13	0.79	18	0.52	27
CBG	1.04	4	1.10	6	0.00	-	0.00	-	0.00	-
ABG	1.02	5	0.94	10	0.93	9	0.87	11	0.57	25
ABSA	1.02	6	1.25	5	1.13	6	0.69	22	0.70	21
FBN	0.98	7	1.32	3	1.78	2	1.10	5	1.01	6
FBL	0.98	8	1.46	2	1.17	5	1.03	6	0.81	15
SCB	0.95	9	0.93	11	0.98	8	0.86	14	0.87	11
BOA	0.95	10	1.05	7	0.74	14	0.79	19	0.82	13
UBA	0.93	11	0.97	9	1.33	4	0.87	12	0.62	23
GTB	0.90	12	1.03	8	1.05	7	0.96	8	0.78	18
GCB	0.87	13	0.79	14	0.80	12	0.85	15	0.99	7
ADB	0.79	14	0.83	13	0.89	10	0.84	16	0.83	12
PBL	0.79	15	0.59	17	0.57	19	0.70	21	0.45	29
FABL	0.77	16	0.00	1	0.88	11	0.89	9	0.89	10
EBG	0.74	17	0.59	16	0.71	16	0.76	20	0.63	22
SBG	0.74	18	0.58	18	0.66	17	0.83	17	0.81	16
OBL	0.73	19	0.00	-	0.00	-	0.88	10	0.99	8
RBL	0.70	20	0.69	15	0.72	15	0.66	23	0.49	28
SG-GH	0.62	21	0.45	19	0.65	18	0.53	26	0.77	19
NIB	0.59	22	0.00	-	0.00	-	0.00	-	0.00	-
UMB	0.54	23	0.00	-	0.00	-	0.86	13	1.09	5
*TCB	0.00	-	0.00	-	0.00	-	20.29	1	0.00	-
*PRB	0.00	-	0.00	-	0.00	-	2.43	2	1.63	2
*BOB	0.00	-	0.00	-	0.00	-	1.34	4	1.45	3
*ECB	0.00	-	0.00	-	0.00	-	0.65	24	0.79	17
*BSIC	0.00	-	0.00	-	0.00	-	0.60	25	0.60	24
*TRB	0.00	-	0.00	-	0.00	-	0.41	27	0.55	26
*SBL	0.00	-	0.00	-	0.00	-	0.00	-	1.39	4
*UGL	0.00	-	0.00	-	0.00	-	0.00	-	0.94	9
*GNB	0.00	-	0.00	-	0.00	-	0.00	-	0.72	20
*Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.88		0.89		0.91		0.84		0.77	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

FNB has consistently maintained the lead position for liquidity coverage over deposits in the industry and had a liquid assets coverage over deposits of 28.0% above the industry average ratio of 88%. The bank's ratio of liquid funds to total deposits, however, dropped from 165.0% in 2019 to 116.1% in 2020. Although both liquid assets and deposits increased; the more significant increase in deposits accounted for the dip in FNB's ratio from 2019 to 2020. Overall, the bank's total liquid assets increased by 59% from GH₵ 520 million in 2019 to GH₵ 830 million in 2020 mainly from a 355.1% increase in bonds. Total deposits also witnessed a 145.0% increase from GH₵ 489.3 million in 2019 to 1.2 billion in 2020. Significant occurrences that contributed to this high increase in deposits included the acquisition of GHL Bank which saw FNB acquiring GH₵ 85 million in deposits from the acquisition of GHL Bank as well as a drive to increase deposits targeted at institutional depositors which brought in GH₵ 500 million in 2020. The funds from increased deposits were deployed into loans and advances which increased from GH₵105 million in 2019 to GH₵ 753 million.

ZBL's ratio of liquid funds to total deposit declined to 112.0% at the end of 2020 from 126.0% in 2019. Deposits from customers grew by 30.0%, mostly from demand deposits and term deposits whereas liquid assets grew by GH₵ 377 million from GH₵ 4.67 billion in 2019 to GH₵ 5 billion in 2020, an 8.0% growth centered mainly on government bonds. The bank increased its investments in long-term bonds to take advantage of the relatively higher interest rates on such long-term bills.

CAL bank's liquid assets to total deposits rose by 20.0% in 2020 from 89.0% in 2019 to 107.1% in 2020. The increase in the bank's total liquid assets which is attributed to the increased investment in Government bonds funded by a 15.3% increase in deposits from prior year's GH₵ 3.9 billion to GH₵ 4.4 billion in 2020.

CBG's liquid coverage over deposits reduced from 110.0% in 2019 to 104.2% in 2020. Contributing to this was a 43.0% increase in deposits driven by repayment of deposits of customers of erstwhile banks, MFIs and Savings and Loans institutions through CBG by the BoG appointed receiver. Total liquid assets of the bank increased by 32.0% from GH₵ 5.9 billion in 2019 to GH₵ 7.9 billion in 2020.This was as a result of large inflows from Government for the payment of outstanding deposits to customers of the defunct MFIs in the form of a zero coupon bond that was issued in the last quarter of 2020.

ABG held a liquidity position of 102.0% as at the end of 2020, an increase from 94.0% in 2019. The total liquid funds held by ABG at year end was GH₵ 3.3 billion compared to the 2019 amount of GH₵ 1.9 billion which was a significant increase of 66.7% focused mainly on non-pledged trading assets. The 28.0% increase in deposits funded the increase in liquid assets as well as other long term investments.

FBL's liquid funds cover over deposits declined by 33.0% from 146.0% in 2019 to 98.0% in 2020. Total liquid assets for FBL increased by 27.0% which was mainly due to increased investment in Government bonds. Deposits witnessed an increase of 24.8% from GH₵ 5.2 billion in 2019 to GH₵ 6.5 billion in 2020. The increase in deposits was greater than that of liquid assets accounting for the decrease in FBL's liquid funds to deposit ratio.

BOA, UBA and GTB experienced declines of 9%, 4% and 13% respectively in their liquid funds to deposits position as at the end of 2020. For all three banks, the percentage change in deposits exceeded the change in liquid assets resulting in a net decline in liquid fund to deposit ratios. The rest of the funds realised from deposit mobilisation efforts of these banks were deployed to loans and advances and to pay off borrowings.

EBG has often reported the largest holding in customer deposits year on year except for 2018 where they recorded the second largest holding. In 2020, deposits shot up by 18% to GH₵ 12.9 billion compared to GH₵ 10.9 billion in 2019. Liquid assets however grew by 54% from GH₵ 3.7 billion in 2019 to GH₵ 5.7 billion in 2020 with the resulting impact on the liquid funds to deposit cover of 74% as at year end.

UMB reported the least liquidity to deposit position for 2020. The bank experienced a rise of GH₵ 443 million in total deposits from GH₵ 1.8 billion reported in 2019 to GH₵ 2.3 billion in 2020.

Liquid funds/total assets

	2020	R	2019	R	2018	R	2017	R	2016	R
CBG	0.87	1	0.91	1	0.00	-	0.00	-	0.00	-
ZBL	0.81	2	0.85	2	0.83	2	0.72	8	0.64	9
ABG	0.73	3	0.65	9	0.67	8	0.63	9	0.43	24
SCB	0.69	4	0.69	8	0.71	7	0.63	10	0.64	10
FBL	0.69	5	0.73	7	0.75	6	0.76	4	0.63	11
UBA	0.68	6	0.77	4	0.79	4	0.61	14	0.49	20
GCB	0.68	7	0.62	10	0.63	11	0.62	13	0.70	6
FBN	0.66	8	0.74	6	0.89	1	0.82	3	0.78	4
GTB	0.66	9	0.75	5	0.76	5	0.75	7	0.56	18
NIB	0.65	10	0.00	-	0.00	-	0.00	-	0.00	-
OBL	0.63	11	0.00	-	0.00	-	0.62	12	0.69	7
FABL	0.62	12	0.00	-	0.65	9	0.76	5	0.73	5
EBG	0.60	13	0.49	15	0.53	14	0.60	16	0.47	23
CAL	0.60	14	0.49	16	0.45	17	0.47	24	0.34	28
ADB	0.59	15	0.62	11	0.64	10	0.60	15	0.59	14
FNB	0.59	16	0.82	3	0.81	3	0.75	6	0.89	2
SBG	0.59	17	0.45	17	0.48	15	0.56	18	0.61	13
ABSA	0.56	18	0.59	12	0.62	12	0.53	20	0.57	16
BOA	0.55	19	0.57	13	0.47	16	0.52	22	0.49	21
RBL	0.53	20	0.53	14	0.55	13	0.54	19	0.41	26
PBL	0.49	21	0.39	18	0.42	18	0.47	25	0.36	27
SG-GH	0.42	22	0.32	19	0.41	19	0.38	26	0.57	17
UMB	0.38	23	0.00	-	0.00	-	0.56	17	0.55	19
*PRB	0.00	-	0.00	-	0.00	-	0.89	1	0.87	3
*TCB	0.00	-	0.00	-	0.00	-	0.86	2	0.00	-
*BOB	0.00	-	0.00	-	0.00	-	0.63	11	0.65	8
*ECB	0.00	-	0.00	-	0.00	-	0.52	21	0.62	12
*BSIC	0.00	-	0.00	-	0.00	-	0.48	23	0.47	22
*TRB	0.00	-	0.00	-	0.00	-	0.24	27	0.30	29
*SBL	0.00	-	0.00	-	0.00	-	0.00	-	0.91	1
*GNB	0.00	-	0.00	-	0.00	-	0.00	-	0.59	15
*UGL	0.00	-	0.00	-	0.00	-	0.00	-	0.43	25
*Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.64		0.62		0.62		0.60		0.55	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

The banking industry's percentage of liquid funds to total assets remained stable with a marginal 2% increase from 62% in 2019 to 64% in 2020. Growth in liquid assets outpaced other assets especially due to the tendency for banks to invest in Government securities which are regarded as less risky given COVID-19. Liquid assets rose significantly from GH₵ 49.1 billion in 2019 to GH₵ 66.5 billion in 2020 with net loans and advances increasing from GH₵ 36.5 billion in 2019 to GH₵ 42.3 billion in 2020.

CBG continued to lead the industry with the highest liquid assets to total assets ratio from prior year. However, there was a 4% reduction from 91% in 2019 to 87% in 2020. This was occasioned by an increase in loans in the current year from GH₵ 233 million in 2019 to GH₵ 879 million as the bank settled to provide credit since coming onto the scene in 2018.

After 4 years of continuous improvement in its liquid funds to total assets ratio; ZBL's ratio decreased from 85% in 2019 to 81% in 2020. This is due to an increase in its gross loans from GH₵ 681 million in 2019 to GH₵ 1 billion in 2020. A substantial portion of these loans disbursed included the bank's portion of a Government of Ghana syndicated facility and other Government project related facilities.

EBG and CAL reported 0.6 each in 2020 representing a 22.4% increase from 0.49 for both banks in 2019. Both banks recorded increases in their total assets which were invested in Government of Ghana bonds seen as relatively safer investment opportunities especially with the COVID - 19 pandemic. This trend seemed to be the path most banks took in 2020.

An exception to the above trend was FNB; which had liquid funds to total assets ratio of 0.59 in 2020 down from 0.82 in 2019. Total assets grew by 138.7% from GH₵ 986 million in 2019 to GH₵ 2.3 billion in 2020 as a result of the bank's acquisition of GHL in May 2020. A total of GH₵ 735 million of assets were brought on the books as a result of the acquisition with loans and advances being the largest chunk; 69.7% of the total assets acquired.

PBL, SG-GH and UMB had the lowest ratios recording 49%, 42% and 38% respectively in 2020. Although the lowest among the participating banks, all three banks increased their ratios from 2019 averaging a growth of 91.2%. These banks grew their asset base and took the conservative route of investing in mainly Government of Ghana bills and bonds as they weathered the COVID - 19 storm.

Liquid funds/total interest-bearing liabilities

	2020	R	2019	R	2018	R	2017	R	2016	R
ZBL	1.05	1	1.08	3	1.04	4	0.88	9	0.78	11
CBG	1.01	2	1.08	4	0.00	-	0.00	-	0.00	-
FBN	0.96	3	1.28	2	1.78	2	1.10	4	1.01	5
UBA	0.93	4	0.97	6	1.00	5	0.77	12	0.56	23
ABG	0.92	5	0.79	10	0.83	9	0.76	13	0.52	24
SCB	0.91	6	0.86	7	0.92	6	0.84	10	0.85	9
GTB	0.88	7	1.03	5	1.04	3	0.94	6	0.71	16
BOA	0.82	8	0.81	8	0.59	16	0.63	22	0.60	22
GCB	0.81	9	0.75	12	0.77	11	0.75	15	0.88	8
FNB	0.81	10	1.56	1	2.81	1	1.89	2	1.86	1
FBL	0.80	11	0.81	9	0.85	8	0.88	8	0.73	13
FABL	0.77	12	0.00	-	0.88	7	0.89	7	0.88	7
EBG	0.74	13	0.58	15	0.70	13	0.74	16	0.61	20
SBG	0.73	14	0.57	17	0.65	15	0.80	11	0.78	12
ABSA	0.73	15	0.73	13	0.76	12	0.69	18	0.70	18
CAL	0.71	16	0.57	16	0.54	18	0.58	24	0.42	27
ADB	0.71	17	0.76	11	0.80	10	0.71	17	0.71	17
OBL	0.69	18	0.00	-	0.00	-	0.75	14	0.92	6
RBL	0.67	19	0.65	14	0.67	14	0.64	21	0.46	26
PBL	0.60	20	0.49	18	0.52	19	0.55	25	0.41	28
NIB	0.57	21	0.00	-	0.00	-	0.00	-	0.00	-
SG-GH	0.56	22	0.43	19	0.56	17	0.51	26	0.70	19
UMB	0.47	23	0.00	-	0.00	-	0.66	19	0.71	15
*TCB	0.00	-	0.00	-	0.00	-	20.29	1	0.00	-
*BOB	0.00	-	0.00	-	0.00	-	1.12	3	1.29	3
*PRB	0.00	-	0.00	-	0.00	-	0.97	5	1.02	4
*ECB	0.00	-	0.00	-	0.00	-	0.65	20	0.79	10
*BSIC	0.00	-	0.00	-	0.00	-	0.60	23	0.60	21
*TRB	0.00	-	0.00	-	0.00	-	0.26	27	0.32	29
*SBL	0.00	-	0.00	-	0.00	-	0.00	-	1.39	2
*GNB	0.00	-	0.00	-	0.00	-	0.00	-	0.72	14
*UGL	0.00	-	0.00	-	0.00	-	0.00	-	0.49	25
*Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.00	
*UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*BL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*IBG	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
Industry	0.79		0.76		0.79		0.75		0.68	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

Interest bearing liabilities of banks include deposits, borrowings and lease liabilities. Deposits constitute the largest component of interest-bearing liabilities for the Banks. Generally, banks are inclined to meet the liquidity demands of their customers and repayments to their lenders promptly in order to avoid the reputational and increased credit risks associated with not being able to do so. Due to this, banks may want to keep enough liquid assets to meet the liabilities to customers and lenders when they fall due.

The industry's liquid funds to total interest bearing liabilities ratio strengthened by 3% to 79% in 2020. Industry's liquid assets grew by 32% from GH₵ 50.3 billion in 2019 to GH₵ 66.5 billion in 2020 while interest-bearing liabilities increased by 22% from GH₵ 98.8 billion in 2019 to GH₵ 120.6 billion in 2020.

ZBL and CBG maintained their overly conservative approach to liquidity management with the highest cover of over 100%. The ratios for both banks decreased, albeit by small margins. Both banks increased their investment in longer term Government of Ghana bonds and bills as against more short-term options.

As is characteristic of business combinations, we see significant changes in the ratio pattern for FNB in 2020 recording 81% from 156% in 2019. The increase in interest bearing liabilities were deployed into loans and advances rather than liquid assets we have seen in the past 4 years. FNB is seen to be following through with the GHL retail housing agenda; with mortgage loans accounting for 61.3% of its gross loans in 2020 compared to 3.5% in 2019.

The lower this ratio, the higher the risk of not being able to meet liability demands if they are not properly matched with available liquid assets and perhaps the other approach to deploying the banks' resources via loans and advances for higher returns. COVID-19 pandemic related credit reliefs and moratoriums may have had a negative impact on this strategy since the better and higher interest income returns expected from banks with lower liquidity ratios was not necessarily the case.

Liquid funds to interest-bearing liabilities are expected to decline as the economy begins to adjust to the COVID-19 pandemic and the regulatory reliefs begin to normalise. Also, as the industry adjusts to the lingering effects of the pandemic, it is expected that the demand and supply for credit facilities will gradually improve as the economy fully returns to the "new normal".

9

Asset Quality

Asset Quality

BoG's interventions in the industry seem to have been particularly opportune as its positive impact on the industry placed banks in a strong position to absorb increased credit risk resulting from the economic impact of the coronavirus pandemic. There was a 25.8% year-on-year growth on total operating assets, with loans and advances contributing 20.2% of the growth although the growth rate of the industry's gross loans experienced a 50% decline from 32.4% in 2019. Impairment charges on loans and advances for the year trended upwards, from GH₵ 1.17 billion in 2019 to GH₵ 1.28 billion in 2020.

Gross loans and advances grew by 16.3% from GH₵ 40.3 million in 2019 to GH₵ 46.9 million in 2020 as banks were generally reluctant to extend credit due to the economic uncertainty and heightened credit risk as a result of the pandemic.

Measures taken by the Central Bank and universal banks such as the reduction of lending rates, moratoriums on loan repayments and other debt restructuring alternatives did well to mitigate the impact of the pandemic on the loan portfolios of banks. Banks reported significant uptake of these COVID-19-related borrower reliefs and as a result, the industry experienced an increase of 4% in its Non-Performing Loans (NPL) ratio from 11% in 2019 to 15% in 2020. The increase in NPL ratio in 2020 has reversed the trend of improvements over the past five years from the banking sector clean-up and settlement of Bulk Distribution Company (BDC) legacy debts.

Impairment charge to gross loans and advances continued its pattern of modest improvements from 2.9% in 2019 to 2.7% in 2020 further signifying the progress being made in the industry in respect of credit management notwithstanding the impact of the pandemic.

OBL's loan recoveries and other efforts to improve the overall quality of their loan portfolio resulted in an improvement of its NPL ratio from 85% in 2019 to 73% in 2020. This improvement in the non-performing portfolio relative to the modest increase in gross loans of GH₵16.8 million resulted in an impairment release of GH₵ 23.3 million and an impairment release (rather than a charge) to gross loans ratio of 5.4%.

FABL also reported a 2.6% impairment release to gross loans ratio. This was driven by net recoveries and write-back of GH₵ 46.6 million relative to a GH₵ 123.5 million increase in gross loans funded by capital injections from shareholders and deposits mobilised from customers.

Twelve banks had impairment charge to gross loans ratios above the industry average of 2.1% with NIB, GBC and PBL having the highest impairment charge to gross loans ratios of 4.7%, 5.1% and 6.3% respectively.

Impairment charge/gross loans and advances

	2020	R	2019	R	2018	R	2017	R	2016	R
OBL	-5.4%	1	0.0%	-	0.0%	-	8.1%	25	12.6%	27
FABL	-2.6%	2	0.0%	-	2.9%	10	1.9%	11	13.2%	28
ADB	0.4%	3	0.0%	2	0.7%	2	3.3%	19	8.0%	23
ZBL	0.5%	4	1.5%	9	6.9%	17	0.9%	8	1.2%	7
GTB	0.7%	5	1.5%	10	-4.5%	1	-0.4%	1	1.4%	9
SBG	1.2%	6	1.3%	7	1.4%	5	2.7%	17	3.8%	16
SG-GH	1.2%	7	0.0%	2	2.9%	11	2.4%	13	3.4%	15
SCB	1.5%	8	5.2%	17	6.7%	16	0.0%	3	5.0%	20
ABG	1.7%	9	-1.8%	1	9.3%	18	4.3%	20	4.2%	17
CBG	2.0%	10	2.1%	14	0.0%	-	0.0%	-	0.0%	-
UMB	2.1%	11	0.0%	-	0.0%	-	2.6%	15	1.0%	6
FNB	2.2%	12	6.4%	19	4.9%	15	0.8%	7	0.8%	4
FBN	2.3%	13	5.5%	18	1.1%	4	2.4%	14	19.5%	29
ABSA	2.7%	14	1.4%	8	1.0%	3	0.7%	5	0.4%	3
RBL	2.9%	15	2.1%	13	3.3%	13	0.0%	2	6.6%	21
CAL	3.2%	16	0.0%	2	2.6%	8	2.7%	18	9.6%	25
EBG	3.6%	17	3.8%	15	3.0%	12	6.0%	23	5.0%	19
UBA	4.2%	18	0.5%	6	10.6%	19	2.7%	16	4.4%	18
FBL	4.4%	19	4.4%	16	3.7%	14	5.8%	22	11.8%	26
BOA	4.5%	20	0.0%	2	2.6%	9	1.7%	10	2.5%	12
NIB	4.7%	21	0.0%	-	0.0%	-	0.0%	-	0.0%	-
GCB	5.1%	22	1.8%	11	1.8%	6	1.9%	12	1.6%	10
PBL	6.3%	23	2.0%	12	2.4%	7	6.3%	24	1.7%	11
*TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	3	0.0%	-
*BOB	0.0%	-	0.0%	-	0.0%	-	0.7%	6	0.0%	1
*BSIC	0.0%	-	0.0%	-	0.0%	-	1.5%	9	2.5%	13
*ECB	0.0%	-	0.0%	-	0.0%	-	4.7%	21	7.2%	22
*PRB	0.0%	-	0.0%	-	0.0%	-	8.7%	26	1.2%	8
*TRB	0.0%	-	0.0%	-	0.0%	-	10.8%	27	8.2%	24
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.3%	2
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.0%	5
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	2.7%	14
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	2.7%		2.9%		3.0%		3.0%		4.5%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

Non Performing Loans (NPL) ratio										
	2020	R	2019	R	2018	R	2017	R	2016	R
CBG	0.00	1	0.00	1	0.00	1	0.00	1	0.00	1
FNB	0.01	2	0.01	8	0.12	11	0.00	1	0.00	1
GTB	0.01	3	0.03	10	0.05	8	0.01	4	0.06	7
SBG	0.03	4	0.08	14	0.20	18	0.23	19	0.00	1
ABSA	0.04	5	0.06	12	0.06	9	0.05	5	0.09	10
ZBL	0.06	6	0.16	17	0.13	13	0.07	6	0.10	11
EBG	0.07	7	0.07	13	0.17	16	0.15	12	0.16	15
SG-GH	0.07	8	0.00	1	0.00	1	0.14	11	0.20	18
FBN	0.08	9	0.18	18	0.16	15	0.10	9	0.05	6
FBL	0.10	10	0.08	15	0.08	10	0.28	20	0.26	19
GCB	0.12	11	0.05	11	0.04	7	0.09	8	0.00	1
FABL	0.14	12	0.26	21	0.14	14	0.18	15	0.41	23
SCB	0.15	13	0.03	9	0.29	20	0.22	18	0.37	22
BOA	0.16	14	0.00	1	0.13	12	0.19	17	0.17	16
CAL	0.16	15	0.00	1	0.00	1	0.11	10	0.09	9
PBL	0.16	16	0.08	16	0.17	17	0.18	14	0.14	13
RBL	0.19	17	0.18	19	0.21	19	0.18	16	0.15	14
ABG	0.20	18	0.22	20	0.32	21	0.32	22	0.13	12
ADB	0.29	19	0.00	1	0.34	22	0.32	21	0.35	21
UMB	0.37	20	0.00	1	0.00	1	0.09	7	0.07	8
UBA	0.44	21	0.55	22	0.75	23	0.44	23	0.32	20
OBL	0.73	22	0.85	23	0.00	1	0.17	13	0.20	17
NIB	0.84	23	0.00	1	0.00	1	0.00	1	0.00	1
*BOB	0.00	-	0.00	-	0.00	-	0.02	1	0.00	1
*TRB	0.00	-	0.00	-	0.00	-	0.51	16	0.11	23
*BSIC	0.00	-	0.00	-	0.00	-	0.17	22	0.12	18
*ECB	0.00	-	0.00	-	0.00	-	0.20	23	0.21	19
*PRB	0.00	-	0.00	-	0.00	-	0.50	25	0.00	22
*TCB	0.00	-	0.00	-	0.00	-	0.00	27	0.00	-
*UGL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	16
*GNB	0.00	-	0.00	-	0.00	-	0.00	-	0.03	26
*SBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	29
*UTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Capital	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*HBL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Beige	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*GHL	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*Apex	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
*TTB	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-
***IBG**	**0.00**	**-**	**0.00**	**-**	**0.00**	**-**	**0.00**	**-**	**0.00**	**-**
Industry	0.15		0.11		0.18		0.18		0.18	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

Despite relative economic uncertainty, GTB continued with the expansion of its loan portfolio for the second successive year with its gross loans portfolio increasing by GH₵ 488.2 million to GH₵ 1.06 billion in 2020. Although the gross loans portfolio grew by 85% from 2019, impairment charge increased by only 2.4% with its non-performing loans declining from GH₵ 15.3 million in 2019 to GH₵10.4 million in 2020. This resulted in an impairment charge to gross loans ratio of 0.7% for GTB and an industry topping impairment allowance to gross loans ratio of 0.4%.

FBL on the other hand had a more conservative approach to lending and recorded a 2.4% reduction in the size of its gross loans portfolio. Despite a 4.9% increase in its impairment allowance between the comparative years, the bank had an impairment allowance to gross loans ratio of 2.4% compared to the industry average of 10.9%.

UBA, OBL and NIB had more than twice the industry average impairment allowance to gross loans ratio at 23.7%, 27.6% and 59.0% respectively.

Impairment allowance/gross loans and advances

	2020	R	2019	R	2018	R	2017	R	2016	R
GTB	0.4%	1	0.7%	5	1.6%	2	4.8%	6	4.0%	8
FBL	2.4%	2	2.3%	7	12.2%	14	16.3%	22	9.1%	18
CBG	2.5%	3	2.1%	6	0.0%	-	0.0%	-	0.0%	-
FNB	2.6%	4	4.3%	11	8.7%	10	1.1%	2	1.8%	4
ZBL	3.3%	5	4.8%	12	10.7%	12	6.1%	8	9.7%	20
BOA	3.8%	6	0.0%	1	1.0%	1	1.3%	3	1.6%	3
FBN	3.8%	7	7.3%	14	7.9%	9	7.9%	13	4.4%	10
SBG	4.2%	8	4.1%	10	5.4%	5	5.4%	7	6.8%	14
ABSA	4.4%	9	3.3%	9	3.3%	3	3.3%	5	6.8%	13
FABL	4.8%	10	0.0%	-	7.8%	8	8.4%	14	18.2%	27
EBG	6.2%	11	5.7%	13	3.9%	4	7.4%	10	2.4%	5
CAL	9.1%	12	0.0%	1	6.7%	6	7.7%	11	4.9%	12
UMB	9.1%	13	0.0%	-	0.0%	-	6.9%	9	4.6%	11
SG-GH	9.3%	14	0.0%	1	15.3%	16	13.6%	18	17.8%	26
RBL	9.7%	15	8.6%	16	9.8%	11	14.8%	21	13.3%	22
SCB	9.8%	16	7.3%	15	12.9%	15	20.5%	25	21.9%	28
PBL	10.3%	17	2.4%	8	7.6%	7	13.7%	19	8.1%	16
ABG	11.5%	18	9.9%	17	17.9%	17	7.7%	12	3.9%	7
GCB	14.9%	19	10.6%	18	10.9%	13	10.2%	15	14.5%	24
ADB	17.5%	20	0.0%	1	28.5%	18	23.6%	27	23.1%	29
UBA	23.7%	21	23.0%	19	31.1%	19	13.8%	20	7.2%	15
OBL	27.6%	22	0.0%	-	0.0%	-	12.6%	17	14.3%	23
NIB	59.0%	23	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TCB	0.0%	-	0.0%	-	0.0%	-	0.0%	1	0.0%	-
*BOB	0.0%	-	0.0%	-	0.0%	-	1.4%	4	1.0%	2
*BSIC	0.0%	-	0.0%	-	0.0%	-	11.6%	16	9.6%	19
*TRB	0.0%	-	0.0%	-	0.0%	-	17.7%	23	8.6%	17
*ECB	0.0%	-	0.0%	-	0.0%	-	18.4%	24	15.0%	25
*PRB	0.0%	-	0.0%	-	0.0%	-	21.9%	26	10.4%	21
*SBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.3%	1
*GNB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	2.9%	6
*UGL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	4.1%	9
*Capital	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*UTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*HBL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Beige	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*GHL	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*Apex	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*TTB	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
*IBG	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Industry	9.9%		9.5%		9.8%		10.7%		8.6%	

*These represent banks whose licences have been relinquished or redrawn, or which have been acquired.

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Appendices

Appendices

Banks in Ghana

The banks operating or issued with universal banking license as at June 2021 are presented in the table below.

No.	Bank	Year bank commenced business	Majority ownership	Number of branches/locations
1	Absa Bank Ghana Limited	1917	Foreign	95
2	Access Bank (Ghana) Plc	2009	Foreign	53
3	ADB Bank Limited	1965	Local	82
4	Bank of Africa Ghana Limited	1997	Foreign	26
5	CALBank Limited	1990	Local	32
5	Consolidated Bank Ghana Limited	2018	Local	113
6	Ecobank Ghana Limited	1990	Foreign	67
7	FBNBank Ghana Limited	1996	Foreign	21
8	First National Bank Ghana Limited	2015	Foreign	11
9	Fidelity Bank Ghana Limited	2006	Local	73
10	First Atlantic Bank Limited	1994	Foreign	35
11	GCB Bank Limited	1953	Local	196
12	Guaranty Trust Bank (Ghana) Limited	2004	Foreign	34
13	National Investment Bank Limited	1963	Local	51
14	OmniBSIC Bank Ghana Limited	2019	Local	42
15	Prudential Bank Limited	1993	Local	44
16	Republic Bank Ghana Limited	1990	Foreign	42
17	Société Générale Ghana Limited	1975	Foreign	49
18	Stanbic Bank Ghana Limited	1999	Foreign	40
19	Standard Chartered Bank Ghana Limited	1896	Foreign	23
20	United Bank for Africa (Ghana) Limited	2005	Foreign	30
21	Universal Merchant Bank Ghana Limited	1972	Local	37
22	Zenith Bank Ghana Limited	2005	Foreign	40

Glossary of key financial, terms, equations and ratios

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

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

Cash tax rate
Actual tax paid/ Net operating income

Cost income ratio
Non-interest operating expenses/ Operating income

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

Dividend pay-out ratio
Proposed dividends/ Net profit

Dividend per share
Proposed dividends/ Number of ordinary shares outstanding

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

Financial leverage ratio
Total assets/ common equity

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

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

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

Loan loss rate
Bad debt provisions/ Average operating assets

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

Net interest income
Total interest income - Total interest expense

Net interest margin
Net interest income/ Average operating assets

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

Glossary of key financial, terms, equations and ratios

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

Net profit
Profit before tax - Income tax expense

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

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

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

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

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

Profit after tax margin
Profit after tax/ Total operating income

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

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

Return on assets
Profit after tax/ Average total assets

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

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

Total assets
Total operating assets + Total non-operating assets

Total debt ratio
Total liabilities/Total assets

Abbreviations

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

Abbreviations

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

Our Business School

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

The focus of PwC's Business School is to:

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

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

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

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

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