

Banking

# Is the industry on the ball?\*

Ghana Banking Survey 2007

IFRS



# Disclaimer

This report - Ghana Banking Survey 2007 – is a joint collaboration of PricewaterhouseCoopers (PwC) and the Ghana Association of Bankers. It aims to provide general information on Ghana's formal banking sector and the performance of banks operating in the country for the period between 2002 and 2006. The survey does not purport to provide answers to all possible questions and issues pertaining to the country's banking industry. Neither does it constitute an invitation to trade in the securities of the banks covered in the survey.

The banks' annual reports and audited financial statements for the years 2002 to 2006 were our principal sources of information. While we acknowledge that our sources of information are reliable, we provide no guarantees with respect to the accuracy and completeness of the information contained therein.

We will therefore not accept any responsibility or liability for any errors, omissions, or mis-statements that this report may contain. Neither will we accept any responsibility or liability for any loss or damage, howsoever occasioned, to any person, body corporate or organisation of any form relying on any statement or omission in this report.

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### List of abbreviations

ABL	Amalgamated Bank Limited	ICT	Information and Communication Technology
ADB	Agricultural Development Bank Limited	IFRS	International Financial Reporting Standards
BBG	Barclays Bank of Ghana Limited	M&A/BPI	Metropolitan & Allied Bank (Ghana) Limited/ BPI Bank
BOG	Bank of Ghana	MBG	Merchant Bank (Ghana) Limited
CAL	CAL Bank Limited	NIB	National Investment Bank Limited
DPS	Dividend Per Share	PAT	Profit After Tax
EBG	Ecobank Ghana Limited	PBL	Prudential Bank Limited
EPS	Earning Per Share	PBT	Profit Before Tax
EU	European Union	Pw C	PricewaterhouseCoopers Ghana Ltd
FAMBL	First Atlantic Merchant Bank Limited	ROA	Return of assets
GAAP	Generally Accepted Accounting Principles	ROCE	Return on Capital Employed
GAS	Ghana Accounting Standards	ROE	Return of equity
GCB	Ghana Commercial Bank Limited	SCB	Standard Chartered Bank Ghana Limited
GDP	Gross Domestic Product	SG-SSB	SG-SSB Bank Limited
GTB	Guaranty Trust Bank Limited	SME	Small and Medium Scale Enterprise
HFC	HFC Bank (Ghana) Limited	Stanbic	Stanbic Bank Ghana Limited
IASB	International Accounting Standards Board	TTB	The Trust Bank Limited
ICAG	Institute of Chartered Accountants Ghana	UGL	Unibank Ghana Limited
ICB	International Commercial Bank Limited	ZBL	Zenith Bank Limited

## Participating banks

20 out of the 22 banks currently operating in the country participated in this year's survey as listed in the table below. Metropolitan and Allied Bank (Ghana) Limited (M&AB) has undergone a name change. In this report, therefore, we have referred to M&AB as BPI Bank or BPI.

Name of Bank	Abbreviation	Current banking licence	Number of branches	Chief Executive Officer (as at May 2007)
Amalgamated Bank Limited	ABL	Universal	5	Oluwole Ajomale
Agricultural Development Bank Limited	ADB	Development	48	Edward Boakye-Agyeman
Barclays Bank of Ghana Limited	BBG	Universal	32	Margaret Mwanakatwe (Mrs.)
CAL Bank Limited *	CAL	Universal	8	Frank Adu Jnr.
Ecobank Ghana Limited *	EBG	Universal	21	Samuel Ashitey Adjei
First Atlantic Merchant Bank Limited	FAMBL	Universal	2	Jude Arthur
Ghana Commercial Bank Limited *	GCB	Universal	133	Lawrence Newton Adu-Mante
Guaranty Trust Bank Limited	GTB	Universal	1	Dolapo Ogundimu
HFC Bank (Ghana) Limited *	HFC	Universal	8	Asare Akuffo
International Commercial Bank Limited	ICB	Universal	9	L K Ganapathiraman
Merchant Bank (Ghana) Limited	MBG	Universal	11	Blaise Mankwa
Metropolitan & Allied Bank (Ghana) Limited	M&AB	Universal	5	Haji Mohammed Nurudeen
National Investment Bank Limited	NIB	Universal	24	Daniel Charles Gyimah
Prudential Bank Limited	PBL	Universal	10	Stephen Sekyere-Abankwa
Stanbic Bank Ghana Limited	Stanbic	Universal	5	Alhassan Andani
Standard Chartered Bank Ghana Limited *	SCB	Universal	18	Ebenezer Essoka
SG-SSB Bank Limited *	SG-SSB	Universal	36	Alain Houcared
The Trust Bank Limited	TTB	Universal	11	Isaac Owusu-Hemeng
Unibank Ghana Limited	UGL	Universal	6	Joseph Tetteh
Zenith Bank Limited	ZBGL	Universal	4	Andy Ojei

\* These banks have their shares listed on the Ghana Stock Exchange (GSE)

Introduction

## Dear reader

We are pleased to share with you the results of our 2007 annual survey of Ghana's banking industry.

As in the past, the survey seeks to present a wide range of decision makers with a candid picture of how banks operating in Ghana fared relative to their peers and within the entire industry. The survey covers the last five years beginning 2002 and includes 20 banks.

This report also highlights some of the key issues associated with the adoption of IFRS by banks to prepare their 2007 financial statements in compliance with the directives of the Institute of Chartered Accountants, Ghana (ICAG), and Bank of Ghana (BOG).

The banking sector in Ghana remains one of the sectors with the brightest opportunities despite increasing competition.

Net interest income for the industry has more than doubled within the last five years under review by 140%. Net profit for the industry also increased about 100% over that period.

Industry net profit after tax margin fell from 26.3% (2002) to 24.6% (2006). Alongside, industry return on equity (ROE) decreased from 36.8% (2002) to 29.0% (2006), and return on assets (ROA) dropped from 4.3% (2002) to 3.5% (2006) giving an indication of the increasing competitive nature of the banking industry.

Going forward, banks' ability to effectively control costs, and introduce real differentiation in products and services would be key to their growth and profitability.

The first part of the survey report focuses on the adoption of IFRS by banks by the end of 2007. We discuss aspects of related requirements, implications and the benefits to the various users of the banks' financial statements. Also presented under this first part is a brief description of the country's general economic performance.

The second part highlights and discusses key performance indicators and trends in the banking industry for the period from 2002 to 2006.

We hope this publication will, as it always does, continue to engender useful discussions amongst policy makers, regulators, banks and the business community at large. We hope also that it informs the banks as they set about the business of formulating strategies to "go to market" in a manner that benefits their various stakeholders.

We thank you for your continued support and patronage of the survey. We particularly note our appreciation for the roles of the participating banks, Ghana Association of Bankers, and Bank of Ghana. We trust that we can continue to rely on you in our subsequent surveys of the industry.

PricewaterhouseCoopers is proud of its achievements in helping to shape the footprints of the banking industry on the Ghanaian economy.

We wish you more success in your businesses.

*PricewaterhouseCoopers*

IFRS:  
is the industry on the  
ball?



# ICAG and BOG have directed that financial statements of banks comply with IFRS

This directive takes effect this year, from 31 December 2007. The new set of standards requires banks to make changes to their corporate governance and accounting systems, management expertise, financial accounting and reporting requirements, and many more. It would appear that many stakeholders of the banking industry, including banks themselves, are quite concerned about the readiness of the industry to adopt IFRS.

IFRS include all the International Financial Reporting Standards (eight issued to date), International Accounting Standards and Interpretations adopted by the International Accounting Standards Board (IASB). As a new accounting framework with a limited history of interpretation, its practicability and relevance are still being debated.

## **What is IFRS? How does it contrast with GAS?**

IFRS is basically a principle based approach to accounting and financial reporting as opposed to the rule based approach evidenced in the local accounting framework, the Ghana Accounting Standards (GAS). The adoption of IFRS means the practice of accounting and financial reporting will have to be done in accordance with the measurement and disclosure requirements of these “new” standards.

To many, adopting IFRS simply means fair valuing the assets and liabilities that qualify for recognition under IFRS. In most instances, for them, this means marking assets and liabilities to their market values.

The recognition, both initial and subsequent measurements, and the de-recognition criteria set under IFRS buttress the

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principle based approach of the new framework. There is no opportunity given for manipulation based on rules and industry practice. Consequently, senior management and their boards need to understand IFRS and be involved in the implementation right from the start to ensure that there are no surprises either in the year of adoption or afterwards.

In addition, implementing IFRS requires considerable disclosures in the financial statements than GAS. Recent corporate failures (e.g. Enron, WorldCom, Xerox and Tyco) and the resultant outcry by the investing public largely contributed to the stringency of these disclosure requirements. Thus, apart from “fair valuing” its qualifying assets and liabilities, the entity needs to virtually strip itself naked to the investing public and other stakeholders.

The rationale is to make information readily available to all stakeholders for informed decisions to be made. Another objective is to help avert the sudden, least expected turnaround of company fortunes as was experienced in the corporate failures cited above.

## **Why the need to adopt IFRS? Key drivers of change.**

Increased globalization of capital markets coupled with the need for a common base for reporting companies' financial and operating performances for the consideration of investors has made the adoption of a global set of accounting standards and rules imperative. Hence, IFRS.

IFRS has been identified by the Financial Stability Forum as one of the integration pillars. In fact, many accounting bodies in different countries, and belonging to divergent economies, have in the past few years expressed plans to harmonize their local GAAP with this new accounting and financial reporting framework.

Furthermore, the recent corporate failures that negatively impacted investor confidence and security were mostly the result of earnings manipulations. The principle based measurement requirements and the detailed disclosure requirements of IFRS are to a large extent intended to reduce opportunities for companies to influence reported earnings and make as much information as exists on companies' operations and financial health and risks available to their stakeholders.

Again, companies spend significant portions of their revenues to reconcile financial statements prepared for a part of their business under one local GAAP (i.e. Generally Accepted Accounting Principles) to those prepared under another local GAAP. These expenditures, which could cost companies fortunes could be avoided if there exists a global and common accounting and financial reporting framework. According to some estimates, some 250 European companies listed on stock exchanges in the United States each spend between US\$5million and US\$10million a year to comply with requirements relating to reconciliation under US GAAP.

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Finally, some key factors driving the need to adopt IFRS include facilitating consolidation of local subsidiaries and associates to their parent companies, and generally improving financial reporting standards. Others are the need to improve the information value of companies operating in Ghana leading to enhanced foreign investment inflows and growth of the Ghanaian capital market.

## **The experience of adoption in pioneering economies**

Europe adopted IFRS in 2005. This was only one year after the effective date of the first IFRS. Europe's success at early adoption was largely the result of the already well-managed and integrated European Union. Socio-cultural, legal, regulatory and perhaps political agendas that could have impeded early adoption of the standards had been adequately addressed during the formation and growth stages of the Union.

It could be safely postulated that the complete integration being sought by the Union would be even more challenging if member countries were not using a common accounting and financial reporting framework.

In spite of some initial reservations, the key players on the European market have now embraced IFRS (albeit with adaptations suited to the geo-political, regulatory, economic, commercial, and financial settings of the EU) and positioned themselves as early beneficiaries of the advantages or gains the new standards avail.

Korea, in a similar approach, has also rolled out a route map for adopting IFRS in which it has clearly communicated the intention of adapting the new standards to suit its peculiar settings.

In contrast, the United Kingdom, which ironically is the domicile of the IASB, issuers of the IFRS, still reports corporate financial information using UK GAAP, instead of IFRS as is done by the rest of Europe. This is a reminder of the "snub" that the United Kingdom has given to the Euro as it has continued to use the British pound sterling.

## **Some challenges of pioneering economies**

Certainly, the experience of adoption in the European economies has not been without challenges. Disagreements with regard to some of the requirements have not been settled and for some, the debate still rages on.

For instance, the HBOS Banking Group, in a recent publication carried in *Accountancy Age*, noted its intention to publish two sets of financial statements as it disagrees with the IFRS valuation of contracts with future expected revenue. They expressed the view that they consider the approach espoused by IFRS to be misleading.

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In a similar fashion, Lloyds TS Bank announced its decision to publish its financials under both EV methods as well as IFRS. Lloyds argued that this decision is to aid clarity, transparency, and comparability, the very benefits IFRS claims to provide.

Furthermore, concerns have been raised by analyst over the increase in companies' balance sheet totals following their adoption of IFRS. The securitization industry was of particular interest for instance. As an example, non transfer of risks and rewards associated with in-house special purpose vehicles transactions have to be recognized on the balance sheet instead of off balance sheet. Analysts believe this to be an overstatement of retained risks and thus have a negative impact on the balance sheet.

On the other side of the Pacific, even though the United States has shown interest in getting the US GAAP to converge to the IFRS, there are still some legal, socio-cultural, regulatory and political issues being considered.

In a recent study conducted by KPMG's International Financial Reporting Group, it was noted that banks and other financial institutions are the organisations leading in the preparation of financial statements under IFRS. The study covered 199 companies from 16 different countries.

Country of domicile and previous national accounting standards were the major factors influencing the manner in which organisations were applying IFRS.

The study also found that except for the banks and other financial institutions, the industry in which a firm operates did not have significant influence on the financial reporting standards. This, perhaps, could be a result of the low level of implementation or IFRS engagement in these other industries. Time is expected to confirm or invalidate this observation as the realities of industry practice and so-called business rules and norms confront the principle based requirements of IFRS.

For us in Ghana however, areas for controversy and disagreements so far have come from the advanced nature of the European economies and the complexity associated with those capital markets. As capital markets truly globalize, these complexities will sooner than later catch up with us in Ghana.

It is in light of these potential areas of disagreements and controversy that the regulators and the custodian of the accounting framework in Ghana have sought to engage industry and subject matter experts in debates. The debates have focused on teasing out for understanding the political, legal, and socio-cultural ramifications of IFRS, and research opportunities for adopting a tailored IFRS framework, where possible.

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## The Ghanaian experience with a focus on banks. Are they IFRS-ready?

As part of this year's banking survey, we explored this issue. We felt that we could leverage the professional services presence that we have in the banking industry, and the leading role that we have played so far in shaping local professional thinking on IFRS to facilitate a useful discussion among industry stakeholders.

We interviewed the heads of the finance function in 12 banks and asked them to share with us insights regarding their banks' readiness to adopt IFRS. These interviews were conducted in May 2007 ahead of BOG's target date for the switch-over to the new currency. Hence, the situation might be different at the time that this report is published.

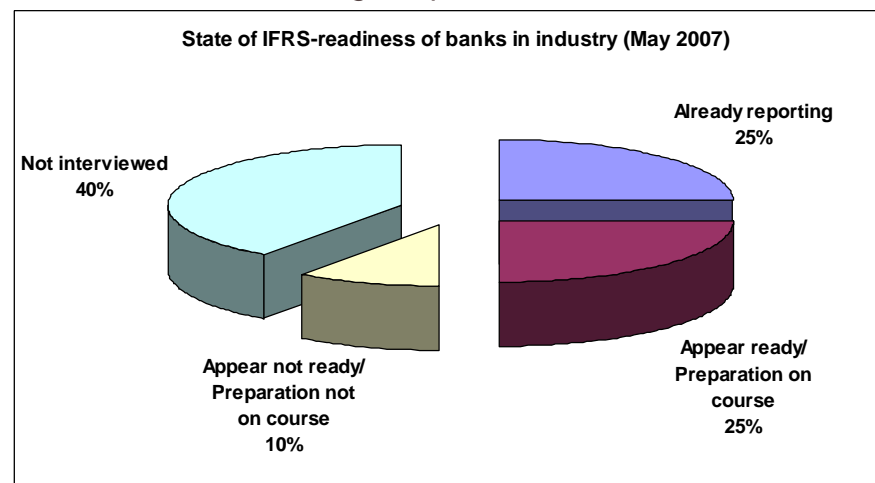
The heads of finance we spoke with told us of, among others:

- + The existence of plans (including training plans) for the adoption of IFRS
- + Plans (both projected and executed) to ensure the inclusion of critical non-finance resource in the IFRS conversion process
- + The understanding, within the bank, of the implications for and impact on operations of adopting IFRS
- + The adequacy of institutional capacity for fair valuing collateral

- + Their access to adequate skills within their banks to ensure successful conversion according to the timetable set by ICAG
- + Their expectations of the Institute and of BOG.

## Our findings

Putting all the information we got from our interviews with these bank executives, we formed a view of which bank is at what stage of IFRS-readiness. We have sought to illustrate what we found out using the pie chart below:



It would be interesting to know what changes have occurred in the distribution since May 2007, particularly considering the fact that banks have by now adjusted fully to the challenges of having to transact banking business in the two legal tenders the country uses.

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For the 25% that are already reporting, we found out that many of the banks were do so, i.e. already preparing financial statements that were somewhat IFRS compliant (in a way) in order to meet group reporting/ consolidation requirements. A fair number of this group were not submitting their statutorily required financial statements using IFRS. For this group, our interviews sought to obtain feedback on the challenges entailed in adoption.

For the 25% that appear to be ready or on course with their preparations, bank executives told us of the existence of committees established purposely to handle the IFRS-compliance move. They also mentioned training plans that were afoot or being delivered to provide both finance and non-finance staff with the knowledge and understanding required for a successful transformation.

A key challenge generally noted by the banks was the absence of a clear framework from the regulator to provide specific guidance on what to do when confronted with specific situations. Furthermore, there appears to be strong sentiments among banks on certain positions that BOG has expressed.

In particular, BOG's requirement for banks to use alternative approaches to make more conservative and prudent provisions for loan impairment have come under criticism. Similarly, banks have argued that the requirement of IFRS to amortize fees over the life a facility is unnecessary considering issues of materiality.

For the 10% that do not appear ready, it was clear they lacked appropriate understanding of the challenges and lacked resources internally to execute or manage the conversion or adoption process.

### **An observation**

For these banks that were surveyed to be able to publish their financial statements using IFRS at the end of this financial year, i.e. 31 December 2007, it would mean that banks would need for the previous year's (i.e. 2006) closing balances to be re-stated using IFRS.

At the time of interviews, the situations at banks were generally very much in a flux. However, there was so much confidence among banks that they would meet the end of 2007 target date for compliance. This included even those that had not adequately pushed ahead the agenda for complying with IFRS as at May 2007.

Clearly, adopting IFRS would pose considerable challenge to banks. However, there are benefits too. We have discussed next some specific impacts to be considered by industry stakeholders, and noted some benefits as well as challenges that could be peculiar to the banks operating in Ghana.

### **Lessons for sharing – implications of first-time adoption**

PricewaterhouseCoopers have significant experience of providing training to and coaching banks operating in Ghana in their transitioning to IFRS reporting.

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To adopt IFRS for reporting, a bank must come up with a clear and adequately resourced transition plan with timelines.

Implementing IFRS often takes time, and requires a significant investment of bank leadership, including boardroom time. Banks might also require information systems changes.

Training is one area that is imperative during transition. Often, transition further affects many other areas of the bank's operations. These include product viability, capital instruments, derivatives and hedging, employee benefits, and deferred taxation.

Revenue recognition, fair valuation, capital allocation, leasing, segment reporting, impairment reviews, cash flows and disclosures, borrowing arrangements, and banking covenants are additional areas a transitioning bank is expected – even required – to thoroughly review its current or existing practices with a view to ensure that their recording and treatment comply with IFRS.

Minimum actions a transitioning bank would be expected to take include the following:

- + Adapting annual reports and accounting manuals
- + Changing or adapting management information systems

- + Reviewing systems and assessing their limitations
- + Revising systems to obtain requisite data
- + Integrating and embedding internal and external reporting requirements

Additionally, banks would be expected to introduce new accounting treatment for certain items. For instance, the accounting for certain items, such as hedges (which for now are not too commonplace in the Ghana market), would require decisions at or before the transition date. Transitioning banks must ensure that this has been properly catered for in their transition plan

Similarly, there must be a thorough understanding within the bank of the effects of adopting IFRS on the financial statements. Often, the financial statements change drastically upon the change-over to IFRS reporting.

Understanding these changes in the financial statements is really important since banks will be expected to provide a reconciliation of their financial positions, financial performances, and cash flows as reported under GAS and IFRS upon first-time adoption of IFRS.

A further understanding is needed of the effects of the new standards on contracts and agreements, such as remuneration agreements and covenants in finance agreements.

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This is because such agreements and covenants may have liability implications or qualify as embedded derivatives, thus needing to be recognized as per the requirements of IFRS.

As we noted earlier, banks will experience greater interest and involvement of senior management and their boards in aspects of their affairs that hitherto did not receive that level of attention. For instance, key decisions involving asset and liability classifications and measurements criteria would have to be made by boards.

IFRS is not an issue for finance departments only. It is of concern to the whole organization of banks.

## **Lessons for sharing – impact on top and bottom lines**

Interest income and expense remain the key business drivers for most banks. Whether under GAS or IFRS, the two remain largely unchanged except for the effective interest rate adjustment, which usually leads to a lower interest income under IFRS compared to GAS.

For some banks, fees and commission income are quite significant. The requirement under IFRS for banks to defer recognition of this type of income over the life of the facility rather than full recognition as is allowed under GAS results in lower income under IFRS.

Another key area of difference fuelling intense debate in the industry is the impairment charge for loan losses. In fairness to the BOG, the regulator's concern is to ensure and preserve prudence in banking. As a result, BOG's provisioning requirements usually lead to a higher charge compared to that under IFRS. The result is therefore a higher profit under IFRS.

It must be noted, however, that the excess profit thus reported is not available for distribution since a regulatory credit risk reserve is credited to hold the excess charge required under BOG regulations.

Furthermore, deferred tax under IFRS tends to be higher compared to that under GAS since the IFRS adjustments usually lead to other temporary differences, which are also considered in the deferred tax computation.

Finally, as discussed, contractual agreements such as the remuneration agreements and covenants in finance agreements may have liability implications under IFRS. These liability implications, when accounted for, may lead to lower profit.

## **Lessons for sharing – impact on reported shareholder and other stakeholder values**

Return on capital employed (ROCE) dips with the adoption of IFRS for the following reasons: after tax profits fall in light of the scenarios described above; and IFRS offers some complex rules on what constitute shareholders equity.



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All things being equal, the higher the shareholders equity based on the interpretation of these rules, the lower the ROCE and vice versa.

Earnings per share (EPS) is also computed as the after tax profit and dividend to non-equity holders divided by the number of equity shares in issue. Again the difference between IFRS and GAS is as a result of the impact that certain standards have on both the top and bottom lines. Generally, EPS is lower under IFRS compared to GAS.

Finally, dividend per share (DPS) is computed as dividend declared for equity shareholders divided by the number of equity shares in issue. Under GAS, declared dividend (*whether paid or accrued*) is considered in computing DPS. However, under IFRS *only paid* dividend is recognized for DPS computation. This causes DPS to be usually lower under IFRS than under GAS.

## **Lessons for sharing – impact on historical period reports**

For banks that we have assisted to make the transition to IFRS, our experience is that the adoption of IFRS will impact historical trends of financial information prepared under GAS. In the first year of adoption therefore, we coach banks in their preparation of a detailed reconciliation of their financial positions, financial performances, and cash flows under the two sets of accounting standards to enable users of the financials to be able to track the account changes.

## **Key challenges expected in implementing IFRS in Ghana**

We have summarized below some of the key challenges that are ordinarily to be encountered in the implementation of IFRS. A few of these challenges were also articulated by some of the banks we engaged in interviews in the course of the banking survey.

- + Availability of adequate data to banks to support the measurement and disclosure requirements of IFRS.
- + Professional support especially in technical expertise for the interpretation of the IFRS. Banks and the regulator had noted the important role expected of firms like PricewaterhouseCoopers.
- + Commitment of bank leadership and stakeholders to take the right decisions, which would impact banks' classification, initial recognition, subsequent measurement, and disclosures of assets and liabilities.
- + Capacity needs especially for the right accounting systems to support the requirements of IFRS.
- + The regulator factor – how unambiguous, precise, timely and assertive they are in their pronouncements and interpretations.
- + Pecuniary costs of adoption.
- + The need to tailor IFRS to suit the country's peculiar context, conditions, and settings.
- + The newness of the framework, the fact that it has a limited history of interpretation and application.
- + Concerns over whether the new framework would necessarily lead to changes in reported financial performance.

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- + Incomparability of even two financial statements, both of which are prepared under IFRS following differences in implementation approach and in interpretation.
- + Cultural differences and values vis-à-vis the principle based approach of the IFRS.
- + Training needs of bank personnel.

## **Benefits expected from adopting IFRS**

By banks adopting IFRS, the following benefits are expected:

- + Improvements in banks' risk management and corporate governance systems
- + High quality, understandable and enforceable global accounting standards enabling investors to make more informed investment decisions
- + A booster to the country's capital market
- + Higher investor confidence in the capital market and in financial reporting, increasing investment both locally and internationally
- + Easier process as well as better information quality associated with consolidation of local subsidiaries and associates
- + Reduce compliance costs for multinationals operating in Ghana.

## **Conclusion**

Our survey results show clearly that some banks might be unable to comply with ICAG's directive come the target date.

Whether these banks do or not, it is unlikely that the Institute and the regulator will back-track on the decision to commence reporting using IFRS. Worst case scenario would be a postponement of the target date set for compliance by the industry. The benefits for the industry and for the country are considered to be immense and unlikely to be forfeited because a few banks might consider the transitioning exercise a bit of a challenge.

The afore acknowledged, our view is that it is important that banks in their transitioning efforts consider seeking professional guidance.

With the experience that we have in this area, which we have put at the disposal of the Institute and the industry through our organization and participation in seminars and workshops organized to further distill the way forward regarding adoption and implementation of IFRS in Ghana, we are aware that grey areas remain.

An experienced professional coach to help navigate these grey areas is therefore a key resource for banks, as the coach will also help them to build internal capacity, which is crucial if banks are to get prepared in a timely manner, and sustain the practice thereafter.



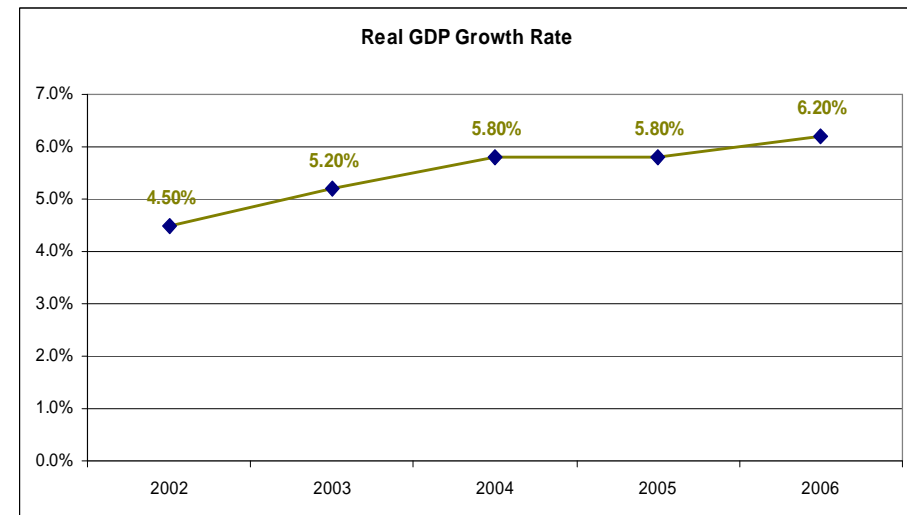
Overviews –  
the economy and  
industry

## Banks rode a generally buoyant economy over the survey period

Real GDP finally lifted itself from within the approximately 4.0% trough it had remained for the best part of the period from 1998 to 2001; it took off from 4.5% in 2002 and climbed steadily to 6.2% by end of 2006.

On average, agriculture led growth at 6.1%, industry (5.6%), and services (5.24%).

The agricultural-led growth is attributable to the strong performance of cocoa and gold exports. Generally, it is considered that economic growth would have been better had it not been for the drag from high international crude prices and – later on towards the last months of 2006 – the energy crisis.

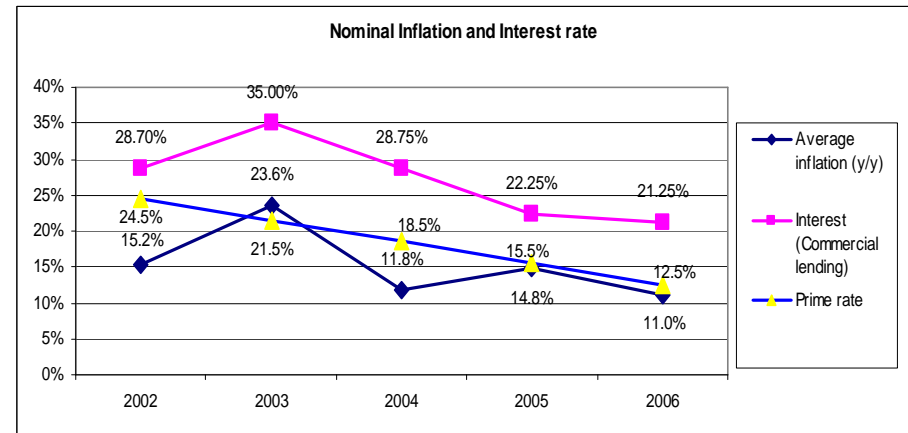


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Year-on-year inflation generally trended-downward over the five-year period, beginning at 15.2% in 2002 to end at 10.96% in 2006 – almost 2% off the single-digit target.

Fiscal prudence – even in the face of a burgeoning fuel expense and pressure on the public sector wage bill assisted to create the macro-economic stability being felt. Overall fiscal deficit declined from 11.2% (2002) to 4.9% (2006), while the domestic debt-to-GDP ratio was also reduced from 29% (2002) to 10.1% (2006). This prudence paid off as the reduction in domestic borrowing by Government meant that there was more liquidity available to lend to the private sector.

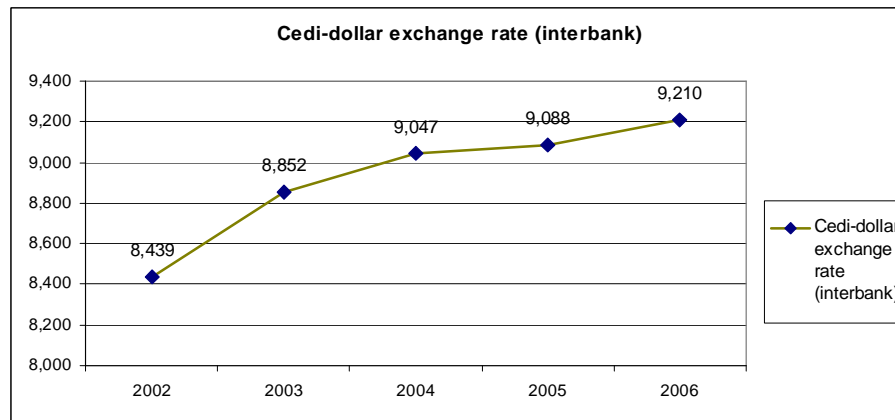
On the monetary sector, the Bank of Ghana (BOG) sought to create a monetary environment that is favourable for business expansion: the BOG Prime Rate reduced from 24.5% (2002) to 12.5% (2006); and abolished the 15% secondary reserve requirements in August 2006. The abolition of the secondary reserve requirement freed up significant liquidity for lending to business as foreign currency trading was no longer attractive for banks.



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The cedi remained fairly stable against the currencies of the country's major trading partners. In 2004, the cedi traded at an average of ¢9,047 to the United States dollar on the Inter-bank market. At the end of 2006, the cedi traded at ¢9,210.23 to the dollar. Over the two-year period, the cedi thus depreciated by less than 2% against the US dollar.

From all indicators, the macro-economy during the five-year period covered by the survey presented the banking industry with a very good environment for conducting profitable business. The stable environment was good for business to invest in growth strategies, and they needed credit to do this.



## How did banks respond to the positive economic environment?

Banks introduced new products and services in the course of the survey period, especially last year. Most of these were targeted at mopping up more deposits and making services more attractive through convenience.

- + Telephone Banking: Text Me Cash (TTB); Cal Bank SMS Banking (CAL)
- + Zero Balance Account (Zenith Bank)
- + School solutions (CAL School Cheque)
- + Child savings: My Dream Account (SCB); Bonus Savings Account (BBG)
- + Visa Platinum Debit Card (SCB)

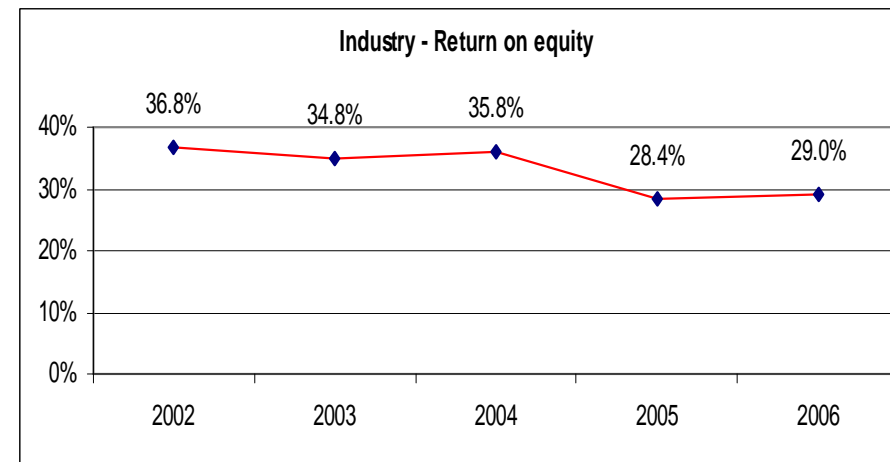
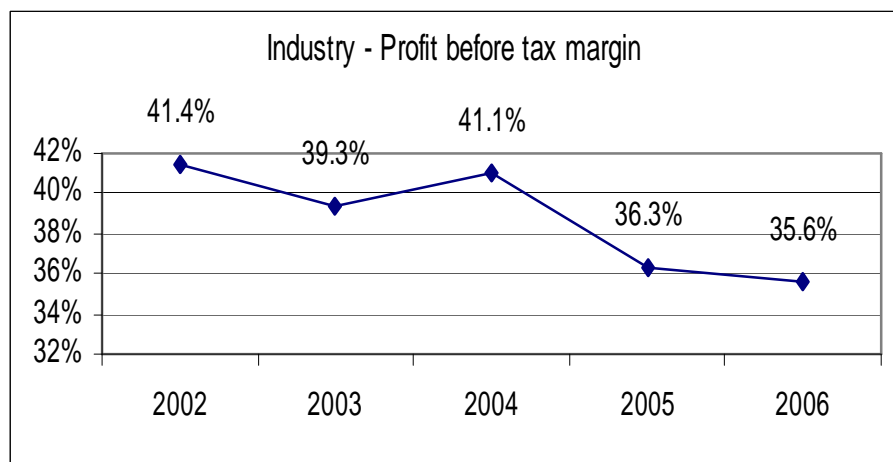
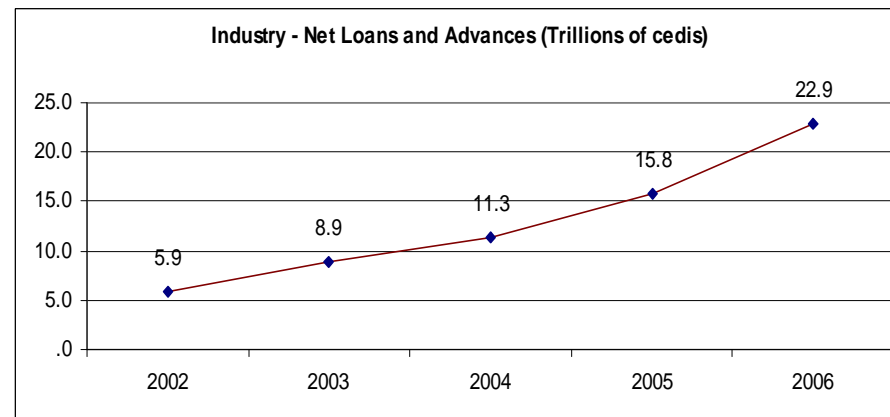
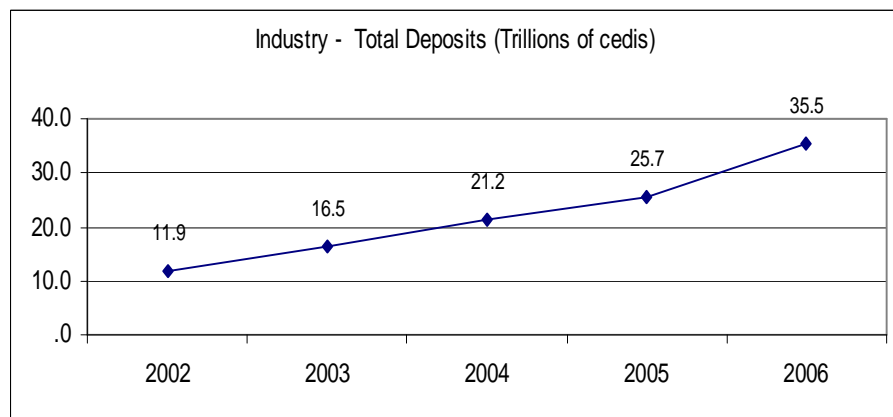
## Competition grew keener, industry more enabled, and regulation improved

- + Since 2002, five banks have entered the Ghana market. The first four are of Nigerian origin, and noted for their very aggressive and predatory approaches to business:
  - Zenith Bank Limited
  - United Bank of Africa (UBA), which acquired Standard Trust Bank Limited
  - Guaranty Bank Limited
  - Intercontinental Bank Limited
  - Fidelity Bank Limited.
- + In August 2006, BOG abolished the 15% of deposits secondary reserve requirement.
- + In 2006, BOG increased the minimum stated capital requirements from c200million to c70 billion. This compares to the Central Bank of Nigeria's requirement of an equivalent of over c195 billion.
- + The National Reconstruction Levy, which ranged between 2.5% and 5% of profit before tax was abolished at the end of 2006.
- + More banks “re-engineered” part of their business to give some focus to SMEs, hitherto shunned for their high risk.
- + At the beginning of 2007, the Institute of Chartered Accountants, Ghana (ICAG) issued a directive instructing that businesses (including banks) ensure that their statutory financial reporting for the financial year ending 2007 are IFRS compliant.

On the next few pages, we have shown in graphical presentation the general behaviour of the banking industry over the five-year period covered in the survey.

## Ghana Banking Survey 2007

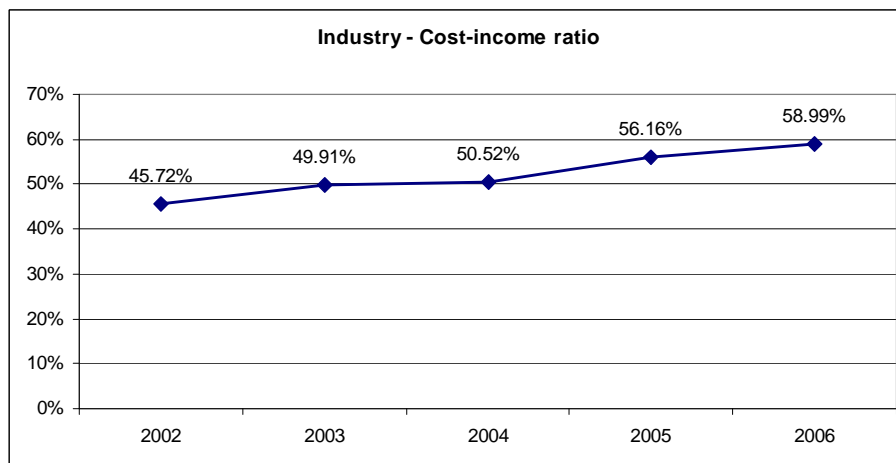
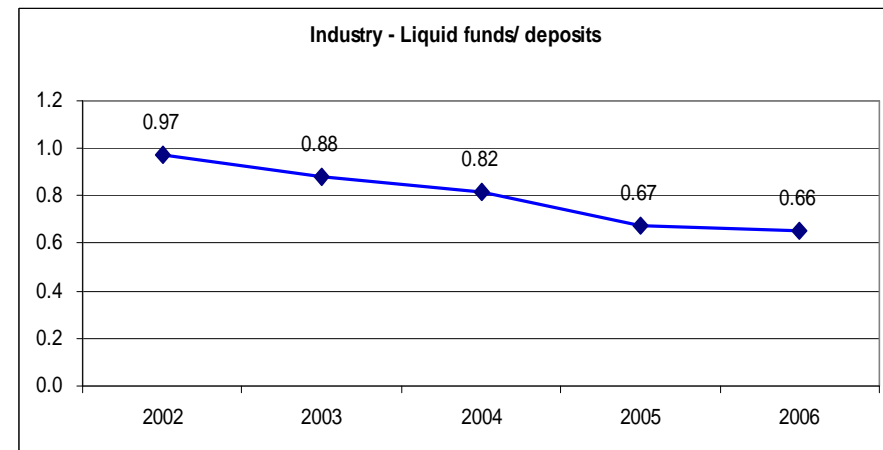
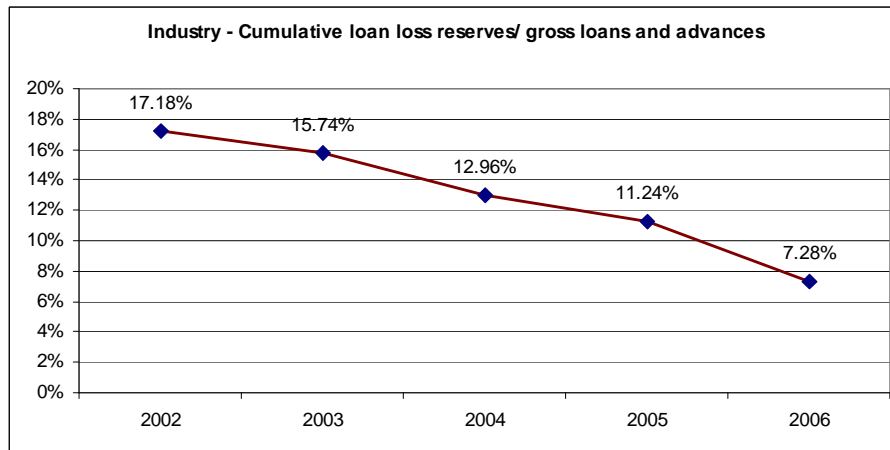
Competition still told on industry aggregates and averages over the period; it drove up deposits and advances – at quite steep rates in 2006, and drove down margins and returns.





# Ghana Banking Survey 2007

The industry made significant strides in credit risk management. Liquidity trended down, while costs kept up the steam on the way up.



Quartile analysis



## Stanbic shinned up the Quartile League Table; TTB tumbled down several places

For reasonableness of analysis, we group the banks that participate in our annual banking surveys into quartiles using operating assets as the basis for grouping.

We consider banks' operating assets comprising cash and other liquid assets, net loans and advances, etc. as their arsenal for doing business and creating value for their stakeholders.

Over the five-year period covered in this survey, the compositions of the quartile groupings and the performances of individual banks within the context of industry rankings underwent a few notable changes.

The table on the next page presents a snapshot of the overall changes that took place within the banking industry in terms of quartile group compositions as well as banks' industry rankings for operating assets.

The banking industry as a whole experienced a remarkable growth of 164% in its total operating assets over the five-year period. This equates to a ₵29,069 billion increase in the industry's operating assets over that period.

- + The First Quartile group (Q1) grew their operating assets by 117% (i.e. ₵15,152 billion) over the five years.
- + The Second Quartile group (Q2) also experienced a 296% growth in operating assets over the same period. This equates to ₵8,505 billion.
- + The Third Quartile group (Q3) had operating assets increasing by 317%. This equated to ₵4,150 billion
- + The Fourth Quartile (Q4) grew by 215% (₵1,1261 billion).

# Ghana Banking Survey 2007

Bank	Operating assets (millions of cedis)				Quartile group			Industry ranking		
	2002	2006	Change (c'000)	Change (%)	2002	2006	Cross-over	2002	2006	Change
GCB	4,319,894	7,420,496	3,100,602	72	1	1	None	1	1	0
SCB	2,681,559	6,586,196	3,904,637	146	1	1	None	2	2	0
BBG	2,519,882	6,146,066	3,626,184	144	1	1	None	3	3	0
ADB	1,798,200	4,032,225	2,234,025	124	1	1	None	4	4	0
EBG	1,229,640	3,889,036	2,659,396	216	2	1	Up	6	5	1
SG-SSB	1,602,515	3,424,257	1,821,742	114	1	2	Down	5	6	(1)
MBG	685,897	3,123,112	2,437,215	355	2	2	None	7	7	0
NIB	517,069	1,866,019	1,348,950	261	2	2	None	8	8	0
CAL	392,285	1,483,816	1,091,531	278	3	2	Up	10	9	1
PBL	329,428	1,477,452	1,148,024	348	3	2	Up	11	10	1
TTB	437,046	1,173,618	736,572	169	2	3	Down	9	13	(4)
FAMBL	268,386	1,304,126	1,035,740	386	3	3	None	13	12	1
HFC	321,027	1,024,364	703,337	219	3	3	None	12	14	(2)
Stanbic	215,515	1,319,836	1,104,321	512	4	3	Up	14	11	3
ICB	114,717	639,481	524,764	457	4	3	Up	16	15	1
ABL	93,734	579,337	485,603	518	4	4	None	17	16	1
UGL	43,053	304,446	261,393	607	4	4	None	18	18	0
M&AB	119,897	243,017	123,120	103	4	4	None	15	19	(4)
ZBL	n/a	565,889	565,889	n/a	n/a	4	n/a	n/a	17	n/a
GTB	n/a	155,621	155,621	n/a	n/a	4	n/a	n/a	20	n/a

# Ghana Banking Survey 2007

## Changes in quartile grouping compositions since 2002

### Quartile 1

- + Same number of banks (i.e. five), but the composition changed.
- + EBG displaced SG-SSB in 2005; SG-SSB exited to Q2.
- + Number of banks increased by one to five, and composition changed.
- + Group entrants: SG-SSB entered from Q1; CAL and PBL entered from Q3.
- + Group leavers: EBG exited to Q1; TTB exited to Q3.

### Quartile 3

- + Number of banks increased by one to five, and composition changed.
- + Group entrants: TTB entered from Q2; Stanbic and ICB entered from Q4.
- + Group leavers: CAL and PBL exited to Q2.

### Quartile 4

- + Number of banks remained unchanged, but composition changed.
- + Group entrants: two new market entrants – Zenith and Guaranty Trust.
- + Group leavers: Stanbic and ICB exited to Q3.

Stanbic grew its net loans and advances at the industry's highest rate during the five-year period. As shown in the table on the previous page, Stanbic's percentage increase in its total operating assets over the five-year period was the third highest, behind only Amalbank's and Unibank's. However, the associated impact of Stanbic's increase in respect of positioning within the industry was higher because of the relatively smaller 2002 operating assets of Amalbank and Unibank.

With this increase, Stanbic powered itself from the top of the Q4 group to close 2006 at the top of the Q3 group. In the process, the bank climbed past FAMBL and HFC (2002 Q3 banks) and TTB (2002 Q2 bank).

## Ghana Banking Survey 2007

In contrast, TTB tumbled down a few rungs on the operating assets league table. Over the period covered by the survey, TTB increased its 2002 net loans and advances less than six-fold. The bank's 169% increase in its total operating assets over the five-year period was 12th best, and came ahead of only Q1 banks, which had significantly larger 2002 operating assets.

The only "small" bank that grew its operating assets at a pace slower than TTB's is BPI, which had difficulties with its loan book over the course of the survey period, leading to losses.

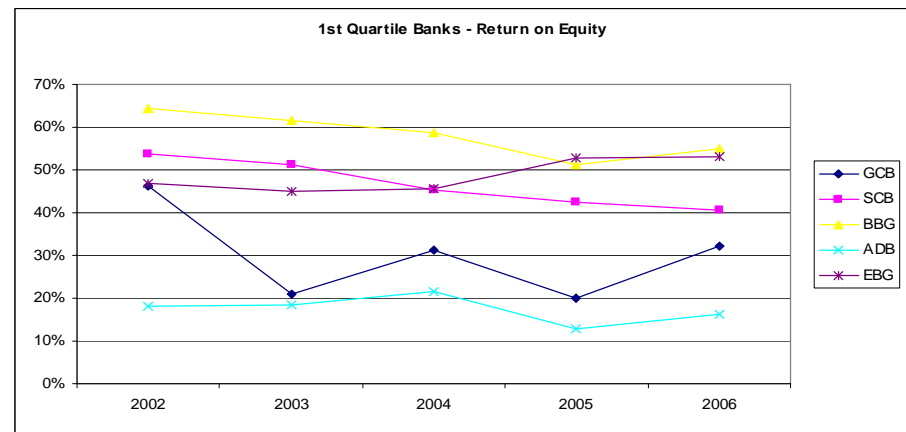
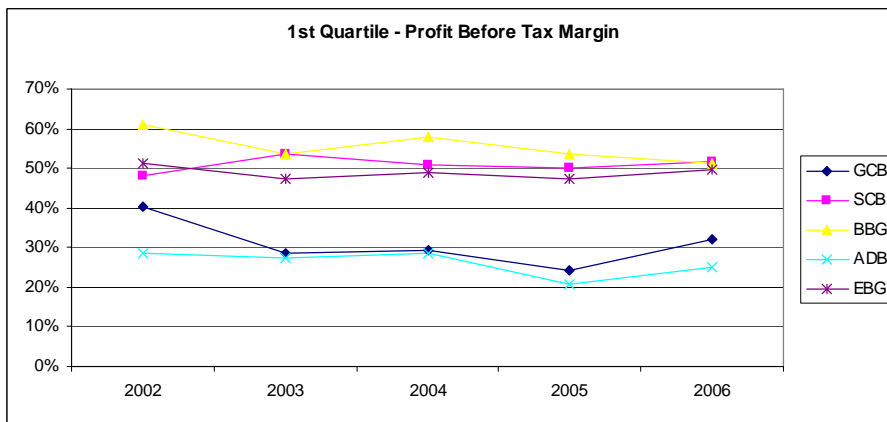
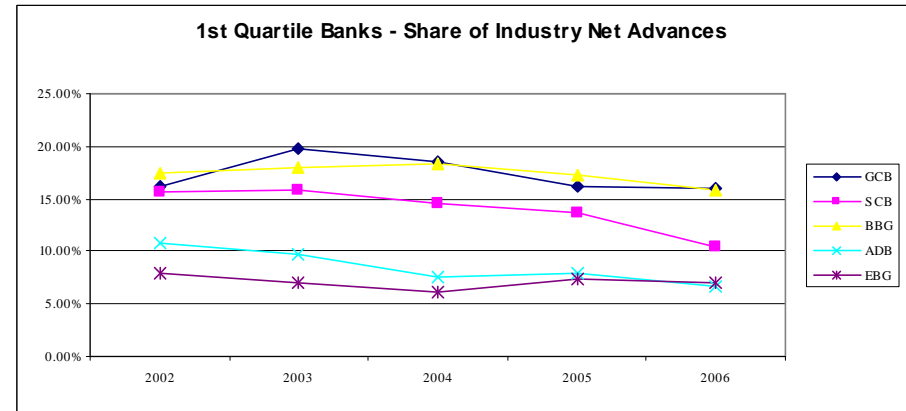
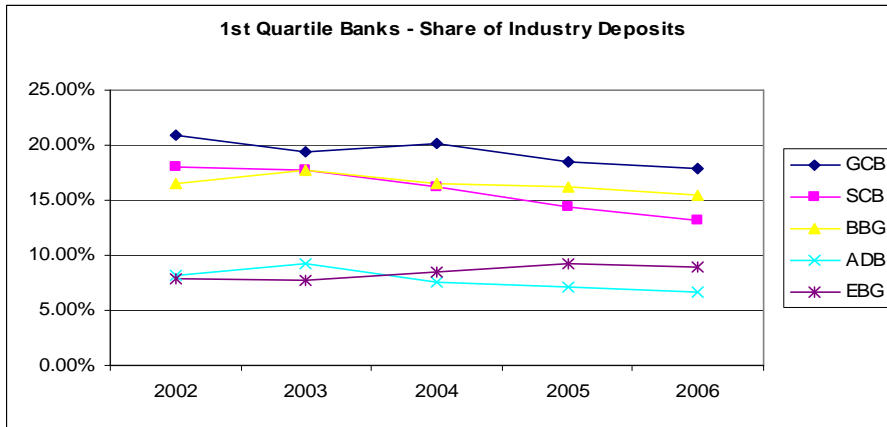
BPI also slid down four places on the industry's operating assets league tables – from number 15 (2002) to number 19 (2006).

There were other place gainers (e.g. EBG, CAL, and PBL) and losers (HFC and SG-SSB) as shown on the previous page.

On the next few pages, we have presented some graphs to portray the behaviours observed within the various quartiles. Generally, there seems a lot more "convergence" within the Q1. The other groups experienced a lot of "agitation".

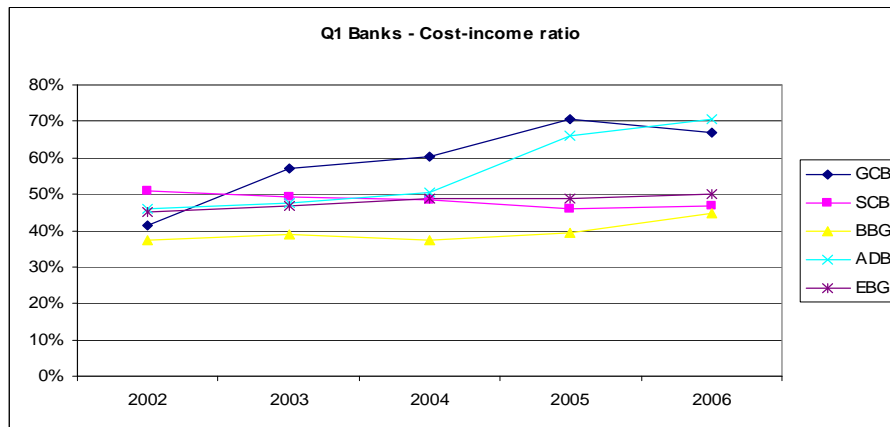
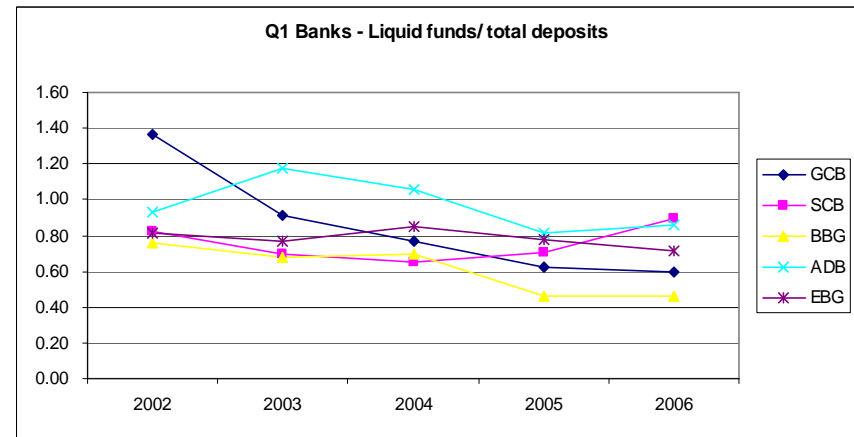
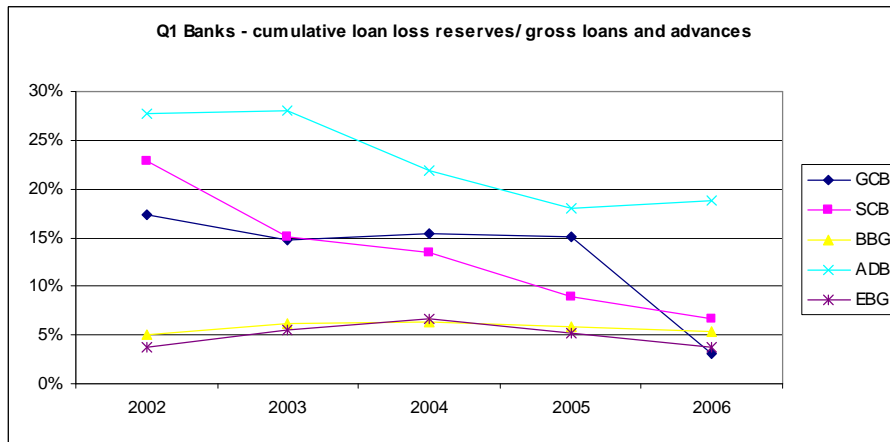
# Ghana Banking Survey 2007

Q1 banks generally showed convergence in most of the indicators over the period.



# Ghana Banking Survey 2007

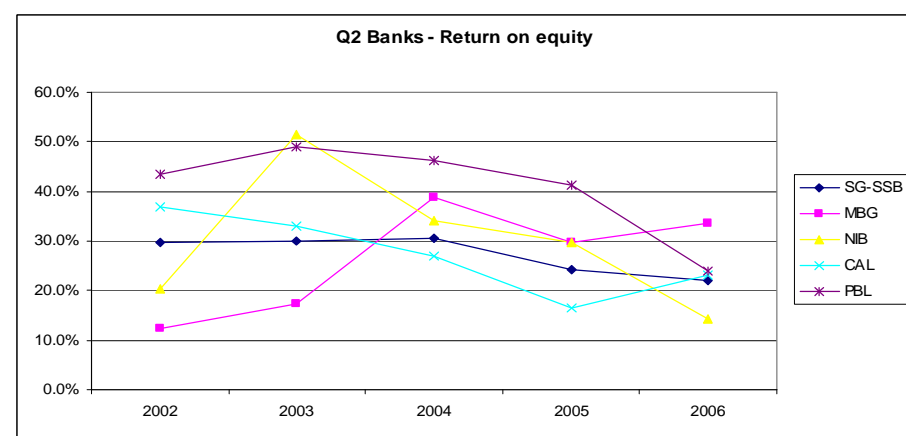
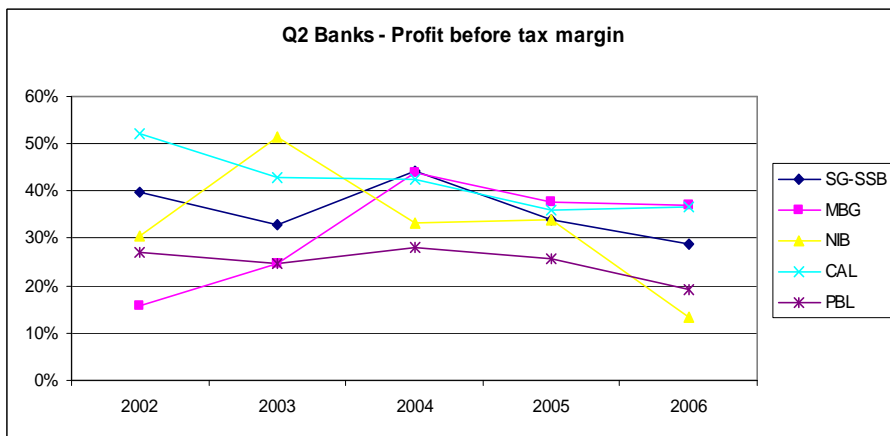
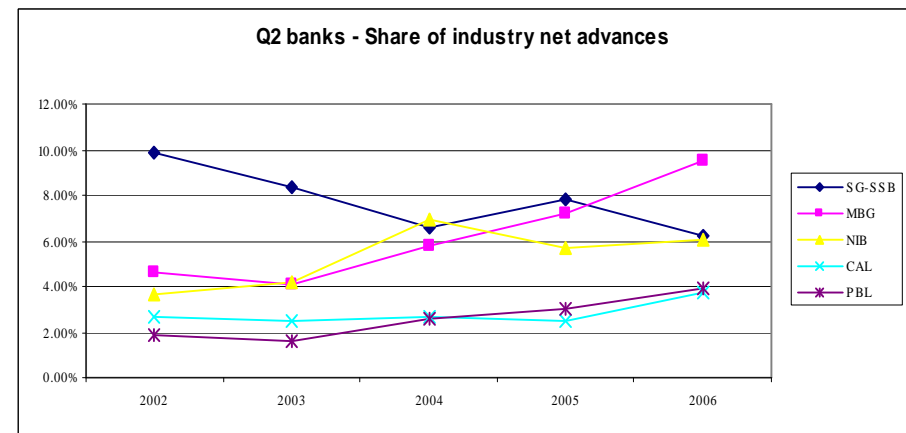
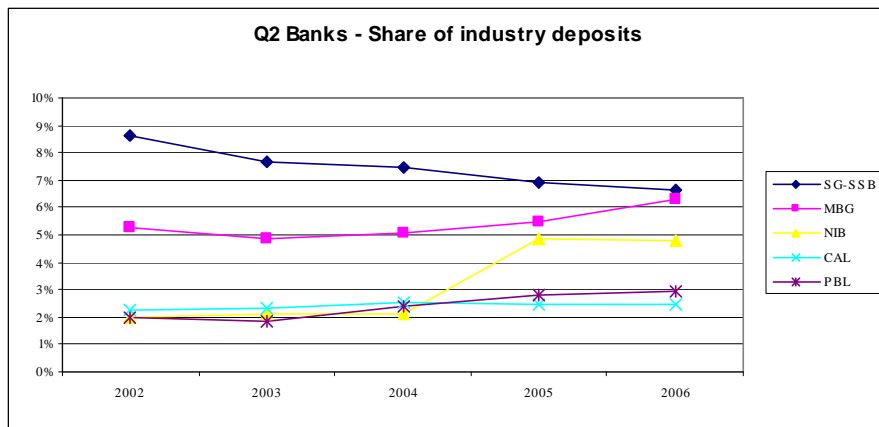
Q1 banks generally improved asset quality significantly and squeezed liquidity. Cost to income soared, very significantly for ADB and GCB.





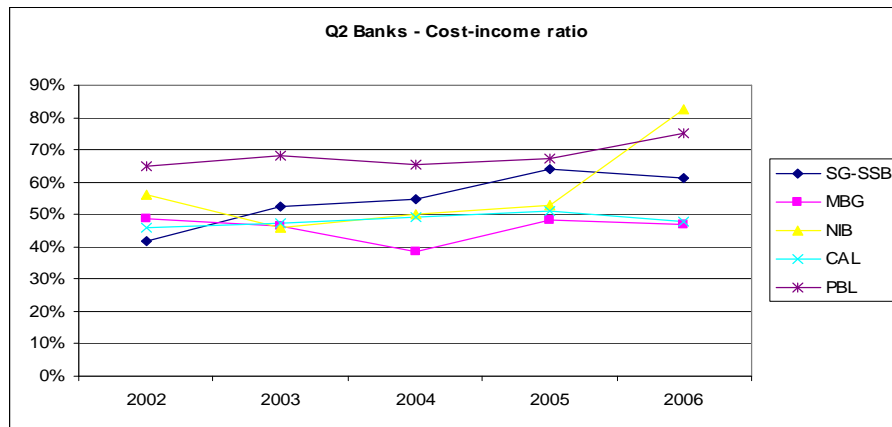
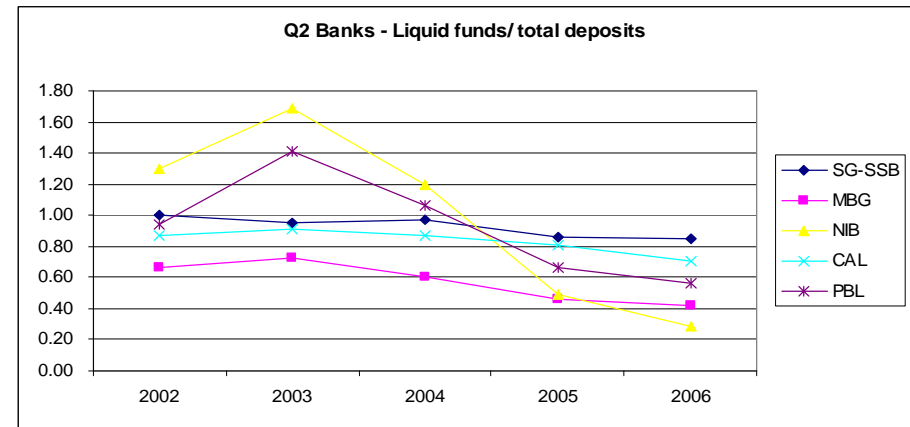
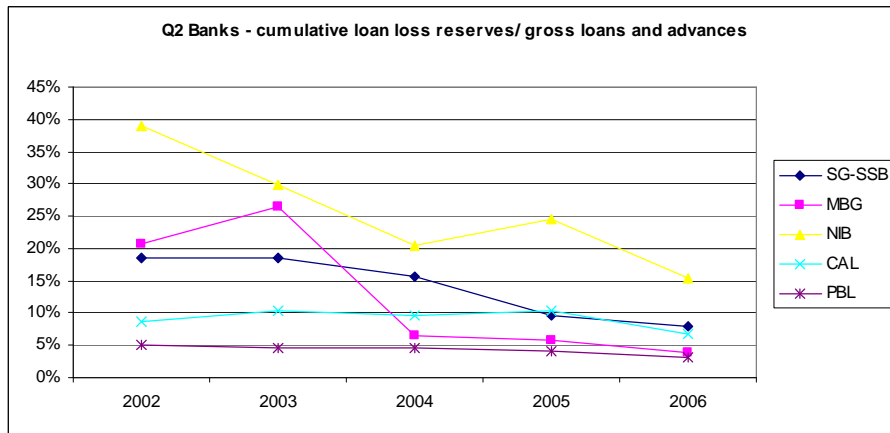
# Ghana Banking Survey 2007

Q2 banks showed a general lift in share of industry deposits and net advances. Also, a converging improvement in pre-tax margins and ROEs.



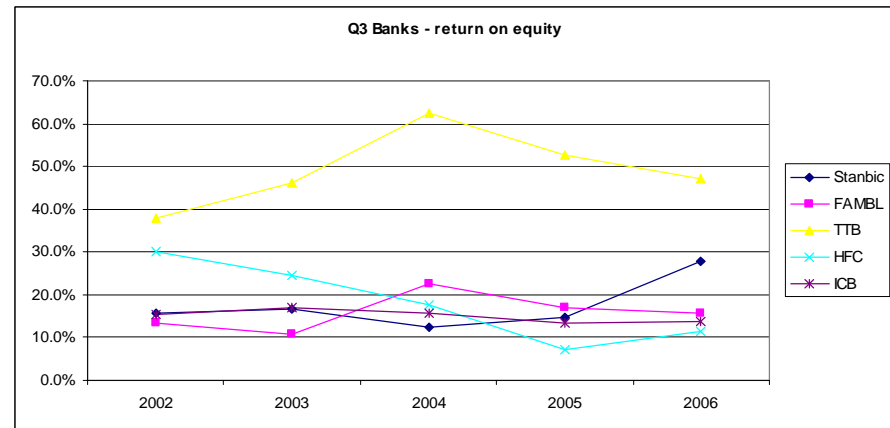
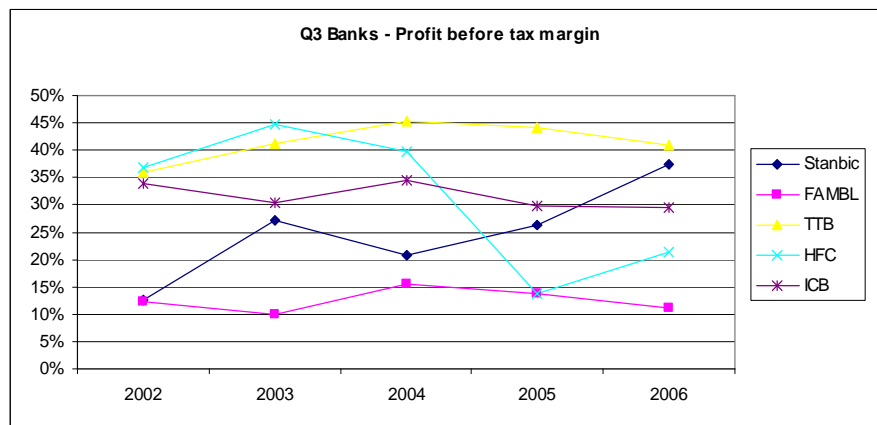
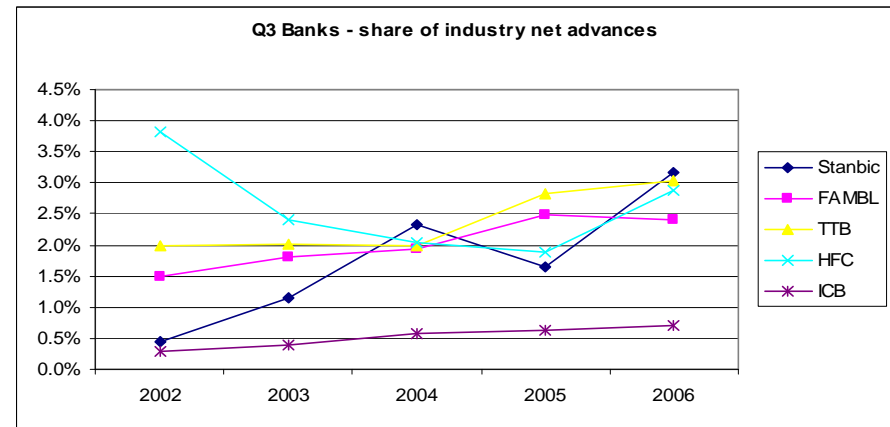
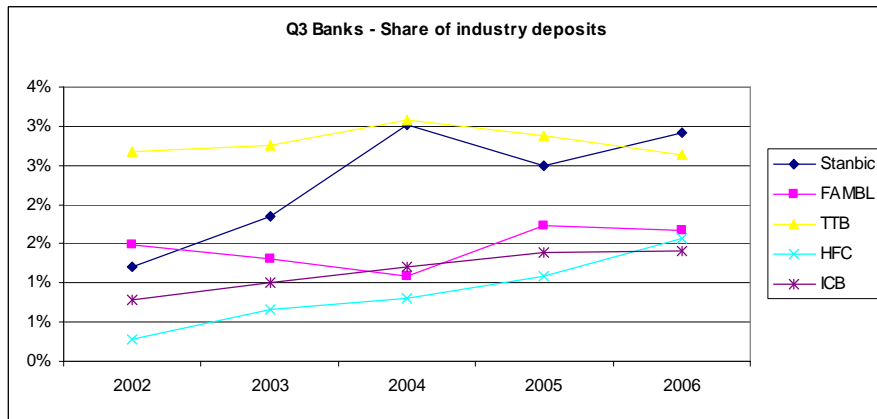
# Ghana Banking Survey 2007

Q2 banks also made a general improvement in asset quality, but liquidity was squeezed. Operating costs generally rose; for some, it was by some rather high rates.



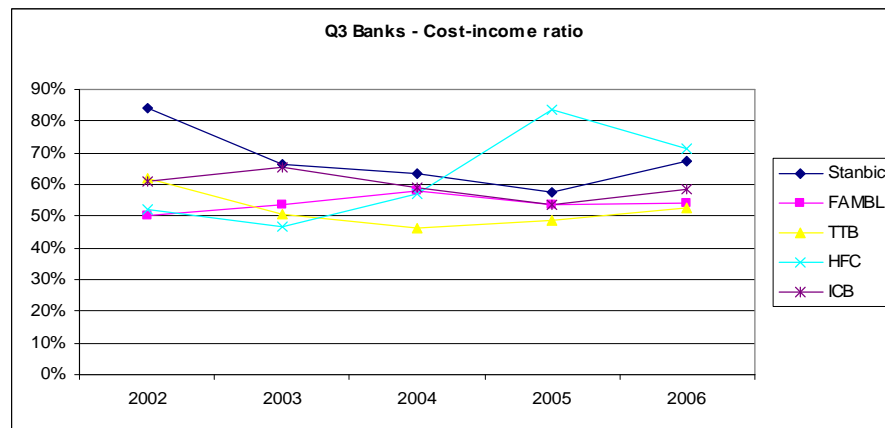
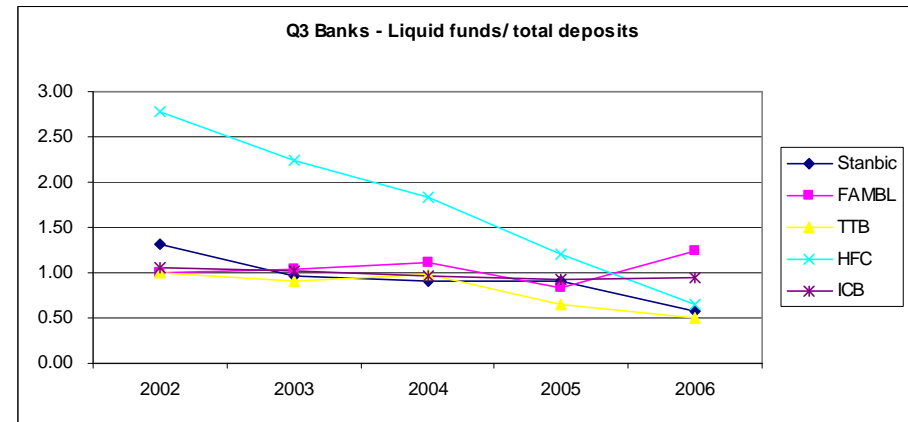
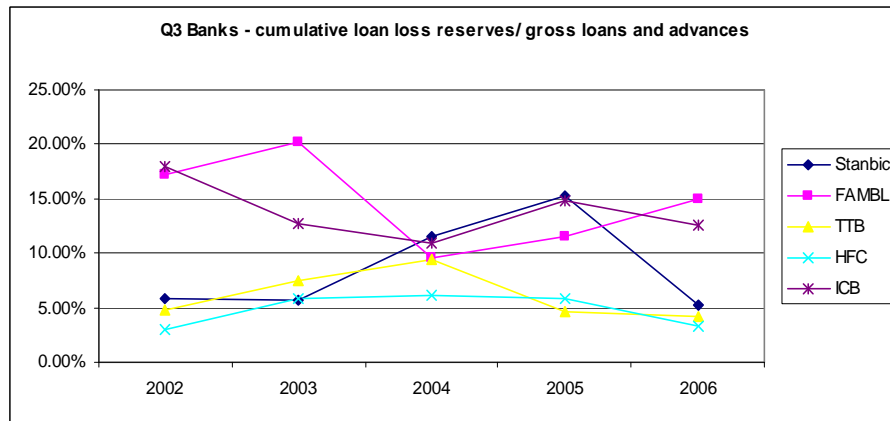
# Ghana Banking Survey 2007

Q3 banks showed a general rise in share of industry deposits and net advances. ICB's conservative posture towards risk shows clearly among its peers. Margins and returns have been in a swirl; returns might however converge yet.



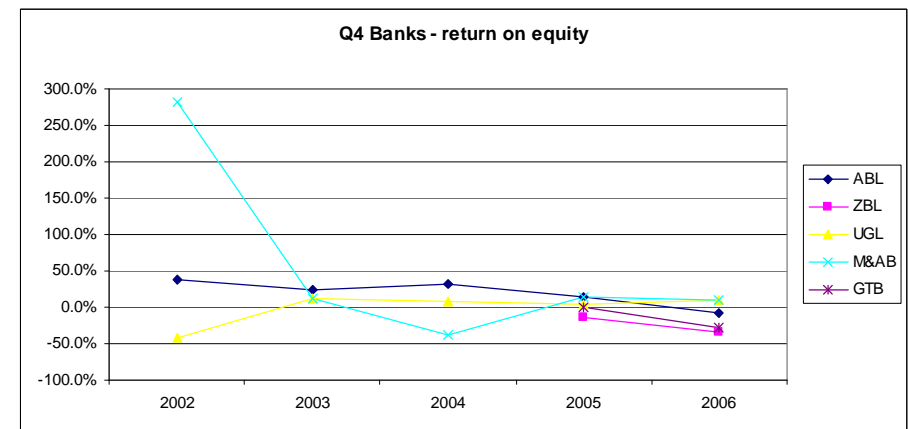
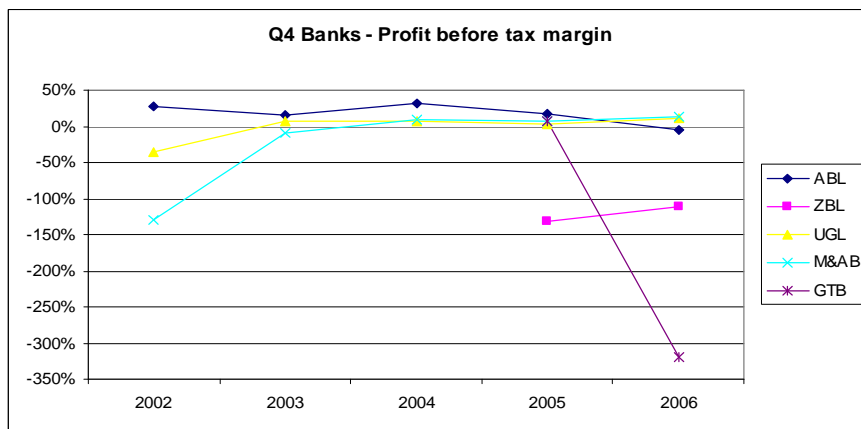
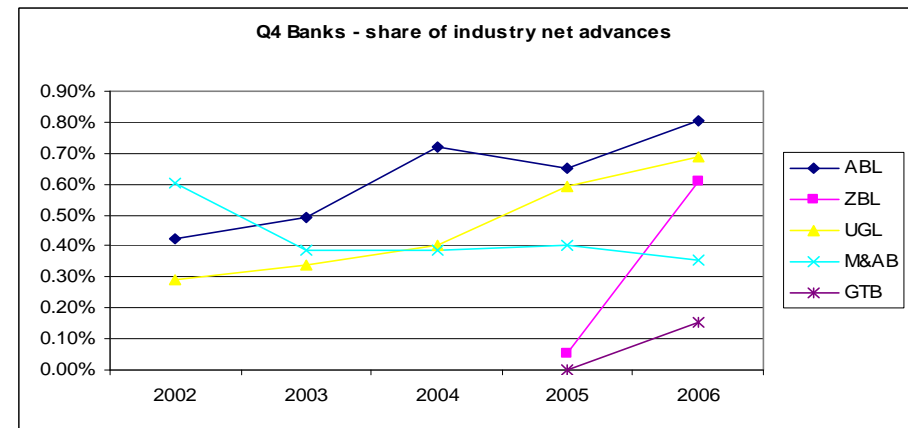
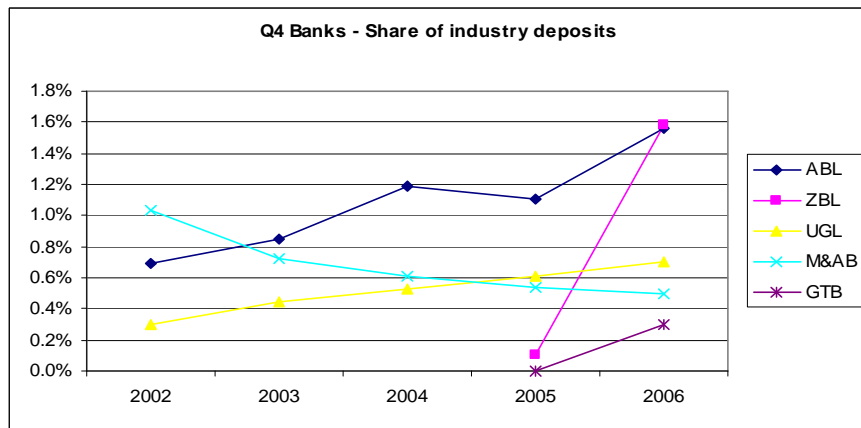
# Ghana Banking Survey 2007

Q3 banks' journey towards improved asset portfolios have been bumpy; FAMBL and ICB still have some way to go to reach group mean. As other quartile groups, liquidity was squeezed; for HFC very steeply. Very slight improvement in costs on average for group.



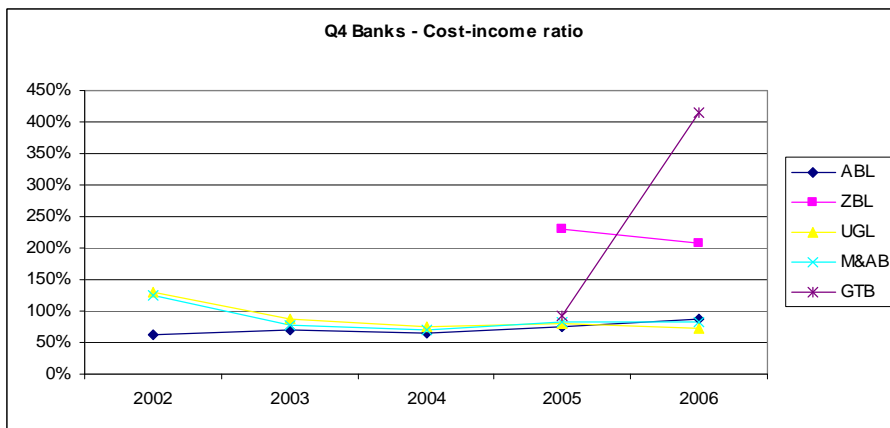
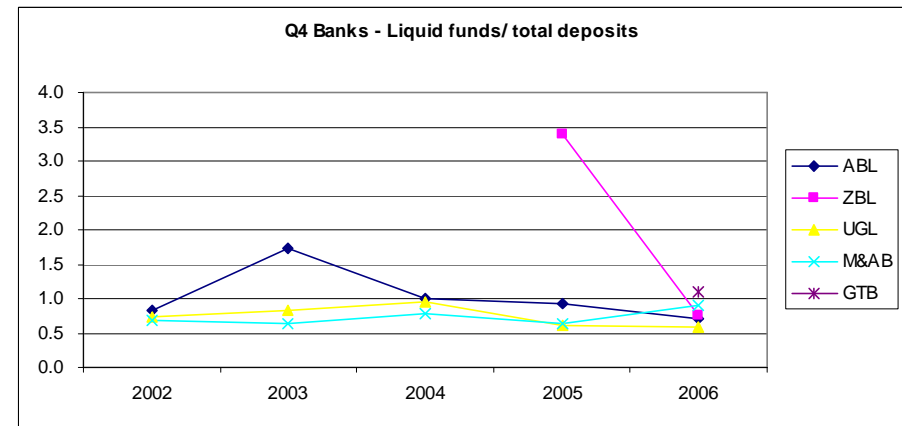
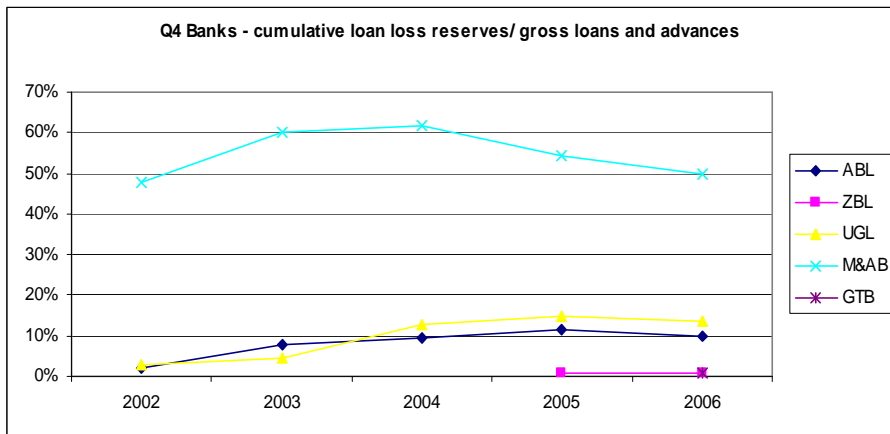
# Ghana Banking Survey 2007

Q4 banks showed marginal lifts in their share of industry deposits and net advances. Pre-tax margins rose except for ABL. ROEs dwindled with BPI and ABL leading the fall.



# Ghana Banking Survey 2007

Q4 banks' still have some way to go to improve asset quality to keep pace with general developments within the industry – BPI still appears to be on a limb. Liquidity seems to have held within a range, but costs have gone up generally – not for UGL, however.



Market shares

## MBG, Stanbic, NIB saw fastest growth; GCB, SG-SSB, SCB lost the most ground

Over the survey period, the banking industry grew handsomely, pushing loans and advances ahead at the fastest pace. 2006 figures compared to 2002 figures showed the following growth: net advances (2.9 times); deposits (2.0 times); operating and total assets (1.6 times); operating income (1.2 times), and pre-tax profits (0.9 times).

In the course of the growth, the bigger banks generally lost market share to the smaller ones. Some of the smaller banks embarked on exceptionally aggressive growth strategies.

MBG, NIB (both second quartile banks), and Stanbic (a third quartile bank) are among the banks that seemed to have been successful at achieving significant growth in various aspects of their business. Generally, all banks employed strategies that emphasised, in various ways, new and innovative products and services, (re-)branding, and branch network expansion.

MBG achieved the industry's fastest growth over the five years for net advances (4.9%), total and operating assets (approximately 2.8% each), and pre-tax profits (4.5%). NIB's growth rates for deposits and shareholders' funds were the industry's highest at 2.8% and 6.7%, respectively. Stanbic also came second in the industry in four growth areas: deposits (1.7%), net advances (2.7%), operating assets (1.6%), and pre-tax profits (2.1%).

### Deposits market share

NIB's deposits growth was driven by the implementation of an aggressive branch network expansion strategy over the period. The bank grew its branch network by more than 100%. At the end of 2006, the bank reported 24 branches and agencies, from a starting network of 11 (2002). This made it the bank with the fifth largest network in the industry at the end of 2006.



## Ghana Banking Survey 2007

NIB's deposits grew from c233.45 billion (almost 2% of market) to c1,697.54 billion (4.8%). Its deposits per branch also more than tripled from c21.22 billion to c70.73 billion. This higher per branch deposit improved NIB's industry standing from being the 16th bank in a league of 18 banks to 13th place out of 20 banks. This new industry ranking put the bank ahead of two first quartile banks (SG-SSB and GCB) as well as HFC, ICB, ADB, UBL, and BPI. A look at NIB's balance sheets from 2002 suggests that the bank targeted both volume and relatively "higher value" depositors during its deposits growth strategy.

Another bank that implemented a similarly aggressive branch network expansion strategy is EBG. Within the five-year timeframe, EBG expanded its network by 17 branches. This resulted in the bank more than tripling its deposits, which placed it as number 4 in the industry from number 6 (2002). EBG held 7.8% of the deposits market in 2002 and almost 9% in 2006. However, the network expansion reduced deposit per branch significantly from c231.78 billion in 2002 (number 1) to c151.1 billion in 2006 (number 6).

Stanbic multiplied its 2002 deposits of c142.5 billion (1.2% of market; number 13 in industry) by more than seven-fold over the five-year period. By the end of 2006, the bank held c1,032.3 billion, which was 2.9% of the deposits market and placed the bank as number 10.

During the period, Stanbic added two more branches to its network bringing the total number to five at the end of 2006.

Its deposits per branch also grew from c47.5 billion (number 9 in the industry) to c206.5 billion (number 3).

Over the same period, SCB and SG-SSB closed down some branches. SCB reduced its network by five branches, while SG-SSB closed down two branches. At the end of 2006, SCB's deposits were c4,663 billion. This was more than twice the value of its 2002 deposits, and represented 13% of the market, compared to the 18% market share it held in 2002. Alongside, its deposits per branch rose 2.5 times from c93.2 billion to c259.1 billion.

SG-SSB increased its deposits from c1,021.6 billion, (i.e. 8.6% of the deposit market) to c2,367.7 billion (6.7%). This was at a slower pace than the industry – 2006 industry deposits were 200% higher than 2002 deposits. SG-SSB's deposits per branch grew by less than 1.5 times over the five year period.

### Advances market share

As noted earlier, MBG, Stanbic, and NIB grew their industry share of advances at the most aggressive paces – 4.9%, 2.7%, and 2.4%, respectively. PBL also grew its market share of net advances by just over 2%. The biggest market share losers over the five-year period were SCB (5.2%), ADB (4.2%), and SG-SSB (3.6%).

## Ghana Banking Survey 2007

Industry net advances grew by 289% in the five-year period – net advances grew from ₵5,880 billion (2002) to ₵22,880.9 billion (2006). Growth in the gross loan book was at a slower rate of 248%, suggesting a step-up of credit management within the industry leading to improved asset quality.

MBG grew its 2002 net advances by seven-fold over the five-year period. Its 2006 net loan book was ₵2,184.8 billion (9.6% of market). The sectors that contributed most to this growth were manufacturing, and commerce and finance.

Gross advances to the manufacturing sector over the five year-period increased by as much as ₵640 billion, with the last year of the survey period (2005 to 2006) accounting for the largest increment. The increase in gross loans and advances to the manufacturing sector in 2006 alone was almost ₵428 billion over the previous year's. The commerce and finance sector also received ₵446 billion over the five-year duration covered by the survey, with almost 40% of this increase in the bank's exposure to this sector being recorded in the last year covered by the survey.

Stanbic's 2006 net advances (₵721.4 billion) were almost 28 times higher than its 2002's (₵25.5 billion). The bank's share of the industry's net advances grew from 0.43% (2002) to 3.2% (2006), and its industry ranking improved from 15 out of 18 banks to 11 out of 20.

In growing the size of its loan book, Stanbic showed a preference for the services sector, followed by the commerce and finance sector. Gross advances to the services sector was increased by ₵285 billion over the five years of the survey, with 92% of this increase recorded in 2006 over 2005. As at the end of 2006, Stanbic held almost 8% of the industry's exposure to the services sector making it the bank with the 5th highest exposure to that sector.

With regard to the bank's exposure to the commerce and finance sector, 58% of the ₵220.3 billion increase in exposure occurred in the last year of the survey.

Stanbic also reduced its exposure to the manufacturing and construction sectors by about ₵24.6 billion in 2006. The bank's total credit to these two sectors at the end of 2006 stood at approximately ₵106.9 billion, which was some ₵100 billion higher than the 2002 level.

SCB suffered the largest loss in market share of advances over the five-year period. While the bank increased its gross loan book by ₵1,367.4 billion (net advances increased by ₵1,470 billion to show improved credit management), its market share of the industry gross loan book dropped from 15.7% to 10.5%. Interestingly, the bank held its place as the number 2 bank in the industry even in the face of its advances market share loss.

## Ghana Banking Survey 2007

The sectors that contributed most to the bank's advances growth were utilities, manufacturing, and commerce and finance. Together, these three sectors accounted for almost 50% of the bank's total increase in advances over the five-year period.

ADB also recorded a 4.2% loss of advances market share over the five years from 2002 to 2006. During that period, the bank grew its loan book at a slower-than-industry pace. Its market share of advances fell from 10.8% (2002) to under 8% (2006), causing it to fall two places down the industry's advances league from number 4 to number 6.

A look at ADB's balance sheet showed that the bank reduced its lending to the agricultural sector by some c23.6billion over the five-year period. In contrast, lending to all other sectors was increased over the same timeframe, most significantly to the services sector (by c577billion) and the commerce and finance sector (c215billion). These two sectors together accounted for about 81% of ADB's increase in the size of its loan book during the survey period.

The other advances market loser over the five years surveyed is SG-SSB. As a result of the loss, the bank's ranking in the advances league dropped two places to number 7.

# Ghana Banking Survey 2007

Category:	Market Share																				
	Share of industry deposits							Share of industry net advances													
Measure:	2006	R	2005	R	2004	R	2003	R	2002	R	2006	R	2005	R	2004	R	2003	R	2002	R	
Bank																					
GCB	17.89%	1	18.43%	1	20.13%	1	19.35%	1	20.84%	1	15.93%	1	16.19%	2	18.59%	1	19.73%	1	16.25%	2	
SCB	13.13%	3	14.46%	3	16.22%	3	17.70%	2	18.08%	2	10.45%	3	13.65%	3	14.52%	3	15.87%	3	15.68%	3	
BBG	15.44%	2	16.25%	2	16.53%	2	17.70%	2	16.51%	3	15.80%	2	17.35%	1	18.32%	2	17.93%	2	17.45%	1	
ADB	6.60%	6	7.06%	5	7.55%	5	9.23%	4	8.17%	5	6.60%	6	7.98%	4	7.50%	4	9.73%	4	10.80%	4	
EBG	8.94%	4	9.29%	4	8.50%	4	7.65%	6	7.82%	6	7.01%	5	7.31%	6	6.13%	7	7.02%	6	7.87%	6	
SG-SSB	6.67%	5	6.95%	6	7.44%	6	7.68%	5	8.62%	4	6.19%	7	7.84%	5	6.61%	6	8.39%	5	9.83%	5	
MBG	6.28%	7	5.49%	7	5.08%	7	4.85%	7	5.27%	7	9.55%	4	7.22%	7	5.77%	8	4.13%	8	4.64%	7	
NIB	4.78%	8	4.88%	8	2.10%	12	2.10%	10	1.97%	11	6.02%	8	5.70%	8	6.91%	5	4.20%	7	3.63%	9	
CAL	2.48%	12	2.44%	12	2.55%	10	2.34%	9	2.27%	9	3.74%	10	2.51%	11	2.67%	9	2.45%	9	2.64%	10	
PBL	2.94%	9	2.81%	10	2.37%	11	1.86%	11	1.97%	10	3.90%	9	3.06%	9	2.61%	10	1.56%	13	1.87%	12	
Stanbic	2.91%	10	2.50%	11	3.02%	9	1.84%	12	1.20%	13	3.15%	11	1.65%	14	2.32%	11	1.16%	14	0.43%	15	
FAMBL	1.68%	13	1.72%	13	1.08%	15	1.31%	13	1.49%	12	2.41%	14	2.49%	12	1.93%	14	1.81%	12	1.49%	13	
TTB	2.64%	11	2.87%	9	3.07%	8	2.75%	8	2.68%	8	3.04%	12	2.84%	10	1.98%	13	2.01%	11	1.99%	11	
HFC	1.56%	16	1.09%	16	0.81%	16	0.66%	17	0.29%	18	2.88%	13	1.88%	13	2.05%	12	2.40%	10	3.81%	8	
ICB	1.41%	17	1.39%	14	1.21%	13	1.01%	14	0.78%	15	0.71%	16	0.62%	16	0.59%	16	0.39%	16	0.30%	17	
ABL	1.57%	15	1.10%	15	1.19%	14	0.85%	15	0.70%	16	0.80%	15	0.65%	15	0.72%	15	0.49%	15	0.42%	16	
ZBL	1.58%	14	0.10%	19							0.61%	18	0.05%	19							
UGL	0.71%	18	0.61%	17	0.53%	18	0.45%	18	0.30%	17	0.69%	17	0.59%	17	0.40%	17	0.34%	18	0.29%	18	
M&AB	0.50%	19	0.54%	18	0.62%	17	0.72%	16	1.03%	14	0.36%	19	0.40%	18	0.39%	18	0.39%	17	0.60%	14	
GTB	0.30%	20	0.00%	20							0.15%	20	0.00%	20							
Industry																					
<b>R: rank</b>																					

# Ghana Banking Survey 2007

Category:	Market Share																				
	Share of industry total assets							Share of industry operating assets													
Measure:	2006	R	2005	R	2004	R	2003	R	2002	R	2006	R	2005	R	2004	R	2003	R	2002	R	
Bank																					
GCB	15.52%	1	16.26%	1	17.93%	1	19.98%	1	24.32%	1	15.87%	1	16.29%	1	18.37%	1	19.66%	1	24.42%	1	
SCB	13.99%	2	14.25%	2	14.14%	3	15.08%	2	15.84%	2	14.09%	2	14.10%	2	13.23%	3	14.44%	3	15.16%	2	
BBG	13.01%	3	13.66%	3	15.40%	2	14.90%	3	14.26%	3	13.14%	3	13.81%	3	15.44%	2	15.03%	2	14.24%	3	
ADB	8.21%	5	9.51%	4	9.95%	4	11.79%	4	9.72%	4	8.62%	4	10.00%	4	10.42%	4	12.42%	4	10.17%	4	
EBG	8.33%	4	8.74%	5	7.49%	6	6.63%	6	6.97%	6	8.32%	5	8.96%	5	7.64%	6	6.73%	6	6.95%	6	
SG-SSB	7.31%	6	8.08%	6	7.84%	5	8.23%	5	9.01%	5	7.32%	6	8.19%	6	7.82%	5	8.20%	5	9.06%	5	
MBG	6.71%	7	5.31%	7	4.48%	8	3.91%	8	3.95%	7	6.68%	7	5.28%	7	4.45%	8	3.98%	8	3.88%	7	
NIB	4.92%	8	5.12%	8	4.74%	7	4.11%	7	2.83%	8	3.99%	8	4.49%	8	4.49%	7	4.03%	7	2.92%	8	
CAL	3.14%	9	2.69%	11	2.65%	12	2.31%	11	2.14%	10	3.17%	9	2.70%	11	2.64%	12	2.40%	11	2.22%	10	
PBL	3.09%	10	2.83%	9	2.81%	11	2.42%	10	1.85%	11	3.16%	10	2.85%	9	2.85%	11	2.40%	10	1.86%	11	
Stanbic	2.70%	12	2.44%	12	2.84%	10	1.65%	13	1.21%	14	2.82%	11	2.53%	12	2.92%	10	1.69%	13	1.22%	14	
FAMBL	2.75%	11	2.32%	13	1.62%	14	1.63%	14	1.51%	13	2.79%	12	2.29%	13	1.64%	14	1.63%	14	1.52%	13	
TTB	2.46%	13	2.72%	10	2.89%	9	2.46%	9	2.47%	9	2.51%	13	2.77%	10	2.96%	9	2.50%	9	2.47%	9	
HFC	2.14%	14	1.95%	14	1.91%	13	2.02%	12	1.81%	12	2.19%	14	1.90%	14	1.91%	13	1.99%	12	1.81%	12	
ICB	1.39%	15	1.26%	15	1.08%	16	0.86%	16	0.63%	16	1.37%	15	1.26%	15	1.08%	16	0.86%	16	0.65%	16	
ABL	1.33%	16	1.11%	16	1.18%	15	1.19%	15	0.55%	17	1.24%	16	1.08%	16	1.14%	15	1.21%	15	0.53%	17	
ZBL	1.29%	17	0.39%	19							1.21%	17	0.32%	19							
UGL	0.74%	18	0.61%	17	0.55%	17	0.38%	18	0.26%	18	0.65%	18	0.56%	17	0.52%	17	0.39%	18	0.24%	18	
M&AB	0.52%	19	0.49%	18	0.52%	18	0.48%	17	0.67%	15	0.52%	19	0.46%	18	0.50%	18	0.46%	17	0.68%	15	
GTB	0.42%	20	0.26%	20							0.33%	20	0.18%	20							
Industry																					
<b>R: rank</b>																					

# Ghana Banking Survey 2007

Category:	Market Share																				
	Share of industry total operating income					Share of industry profit before taxes															
Measure:	2006	R	2005	R	2004	R	2003	R	2002	R	2006	R	2005	R	2004	R	2003	R	2002	R	
Bank																					
GCB	19.90%	1	19.27%	1	18.47%	1	21.61%	1	25.28%	1	17.92%	3	12.83%	3	13.20%	3	15.94%	3	24.69%	1	
SCB	13.94%	3	14.54%	3	14.07%	3	15.75%	3	16.32%	2	20.16%	2	19.85%	2	17.37%	2	21.97%	2	19.01%	3	
BBG	14.47%	2	15.62%	2	17.38%	2	17.49%	2	15.99%	3	20.64%	1	22.91%	1	24.53%	1	24.34%	1	23.51%	2	
ADB	7.61%	6	7.92%	5	10.04%	4	9.18%	5	9.34%	5	5.39%	7	4.52%	7	7.00%	6	6.48%	6	6.40%	6	
EBG	7.81%	5	7.74%	6	6.53%	6	6.49%	6	5.66%	6	5.97%	5	5.15%	5	7.75%	5	7.97%	5	7.03%	5	
SG-SSB	8.24%	4	8.94%	4	8.91%	5	9.90%	4	10.74%	4	6.75%	4	8.30%	4	9.61%	4	8.48%	4	10.33%	4	
MBG	5.94%	7	4.97%	7	4.70%	8	3.55%	8	3.86%	7	5.97%	5	5.15%	5	5.03%	7	2.28%	10	1.46%	10	
NIB	4.15%	8	4.54%	8	4.99%	7	3.94%	7	2.98%	8	1.57%	11	4.20%	8	4.03%	8	3.14%	7	2.21%	8	
CAL	2.98%	10	2.60%	10	2.28%	10	2.18%	10	2.04%	9	3.08%	9	2.56%	10	2.36%	10	2.43%	9	2.57%	7	
PBL	2.48%	11	2.40%	11	2.11%	11	1.65%	11	1.20%	12	1.33%	12	1.70%	11	1.44%	11	1.06%	12	0.79%	12	
Stanbic	2.22%	12	2.21%	12	1.86%	12	1.30%	12	0.88%	14	2.33%	10	1.60%	12	0.94%	13	0.92%	13	0.27%	15	
FAMBL	2.19%	13	2.02%	13	1.70%	13	1.08%	14	1.22%	11	0.68%	15	0.76%	13	0.64%	15	0.28%	15	0.37%	14	
TTB	3.14%	9	3.16%	9	3.07%	9	2.49%	9	1.94%	10	3.61%	8	3.81%	9	3.39%	9	2.66%	8	1.69%	9	
HFC	1.34%	14	1.20%	14	1.33%	14	1.20%	13	0.95%	13	0.80%	13	0.46%	15	1.29%	12	1.39%	11	0.85%	11	
ICB	0.90%	15	0.90%	15	0.77%	15	0.61%	16	0.51%	16	0.75%	14	0.74%	14	0.65%	14	0.48%	14	0.42%	13	
ABL	0.80%	17	0.75%	16	0.76%	16	0.65%	15	0.36%	17	-0.14%	18	0.38%	16	0.57%	16	0.26%	16	0.24%	16	
ZBL	0.43%	19	0.00%	19							-1.36%	20	0.00%	19							
UGL	0.84%	16	0.61%	17	0.45%	18	0.36%	18	0.20%	18	0.28%	16	0.06%	18	0.08%	18	0.06%	17	-0.17%	17	
M&AB	0.51%	18	0.58%	18	0.59%	17	0.58%	17	0.53%	15	0.19%	17	0.11%	17	0.13%	17	-0.14%	18	-1.66%	18	
GTB	0.12%	20	0.00%	19							-1.04%	19	0.00%	19							
Industry																					
<b>R: rank</b>																					

# Ghana Banking Survey 2007

Category:										
Measure:	Share of industry shareholder funds									
Bank	2006	R	2005	R	2004	R	2003	R	2002	R
GCB	15.59%	1	15.35%	1	15.76%	1	16.75%	1	23.08%	2
SCB	12.47%	2	14.20%	2	12.15%	4	14.43%	3	8.28%	5
BBG	10.44%	4	11.74%	4	14.04%	3	13.80%	4	18.55%	3
ADB	12.17%	3	13.57%	3	15.37%	2	16.43%	2	26.68%	1
EBG	6.60%	7	5.09%	6	5.53%	6	5.35%	6	3.37%	6
SG-SSB	8.90%	5	8.70%	5	10.11%	5	11.56%	5	14.63%	4
MBG	5.62%	8	5.04%	7	4.45%	8	3.58%	8	2.02%	8
NIB	6.87%	6	5.02%	8	4.66%	7	4.66%	7	0.14%	14
CAL	3.73%	9	3.93%	9	4.37%	9	2.52%	11	2.24%	7
PBL	1.42%	15	1.40%	17	1.32%	14	1.07%	14	0.19%	13
Stanbic	2.68%	10	2.48%	10	3.11%	10	2.90%	10	-0.13%	16
FAMBL	1.43%	14	1.49%	16	0.95%	15	0.97%	15	0.68%	11
TTB	2.40%	11	2.21%	13	1.96%	12	1.68%	12	1.07%	9
HFC	1.89%	12	2.31%	11	2.66%	11	3.15%	9	0.92%	10
ICB	1.64%	13	1.63%	15	1.79%	13	1.11%	13	0.43%	12
ABL	1.32%	16	0.73%	18	0.80%	16	0.39%	16	0.07%	15
ZBL	1.26%	17	2.22%	12						
UGL	1.25%	18	0.59%	19	0.69%	17	0.29%	17	-0.54%	17
M&AB	1.12%	20	0.31%	20	0.28%	18	-0.64%	18	-1.67%	18
GTB	1.20%	19	1.99%	14						
Industry										
<b>R: rank</b>										



Profitability and  
Efficiency



## Overall, Barclays was the most profitable bank over the survey period

Barclays topped the profitability league table in many of the five-year average profitability measures: 6.1% (ROA), 55% (PBT), and 36% (PAT).

Over the survey period, MBG, Stanbic and TTB all improved their profitability tremendously, moving up in many of the ratios by between seven and ten places. In contrast, the HFC Bank became relatively less profitable – moved down 12 places in ROA. The BPI Bank was the least profitable over the survey period. Generally, industry profitability trended down over the survey period.

Net interest margin for the industry fell marginally from 10.8% (2002) to 10% (2006), in spite of interest expense falling as a percentage of interest income over the survey period. Return on assets also fell from 4.3% (2002) to 3.5% (2006), and net spread from 18.8% (2002) to 11.9% (2006). Similarly, net operating margin dropped from 14.1% (2002) to 12.5% (2006), and total income fell from 14.4% of total assets (2002) to 12.1% (2006).

The key reasons for the drop in industry profitability include the fact that some events over the survey period have generated competitive activity, which has caused banks to generally reduce their lending rates, however marginal. The BOG prime rate, in its downward path over the survey period, appears to have exerted some downward pressure on banks' lending rates.

The introduction of the universal banking licences means that no bank has "protected turf" any longer. Banks with the universal banking licence can and have gone "prospecting in fields" where they feel they have the capacity to manage attendant risks and obtain a positive return on capital employed.

Similarly, the entry of three foreign banks within a period of two years has put even the big banks in the industry on the alert. The new banks have a reputation of predatory marketing styles, have started a revolution of rapid introduction of new non-traditional products to the market. Now, more banks are beginning to offer variations of zero or minimal opening balance checking accounts, interest-attracting checking accounts, savings accounts with cheque books, telephone banking, etc.

## Ghana Banking Survey 2007

Another key reason for the industry's shrinking profitability is the fact that the erstwhile popular 91-day Treasury Bill has lost its lustre for banks as a short-term investment vehicle as the discount rate dropped from almost 25% (2002) to 10.7% (2006). To replace the income that used to come from treasury bills, banks are lending more; this activity having received a shot in the arm with the abolition of the secondary reserve requirement in August 2006.

The industry's interest income generated from loans and advances increased as a percentage of total interest income from 56% (2005) to 63% (2006). Industry gross loans and advances increased from 36% of total assets (2002) to 50% (2006), with most of the increase happening in 2005, during which the gross loan book as a percentage of the industry's total assets jumped from 37% (end of 2004) to 47%.

Over the survey period, the industry also saw employee-related expenses rising. Salaries and wages, and employee benefits accounting for 26% of interest income (2002) rose to 34% (2006), even with industry interest income rising by 130% over the five-year survey period. The highest single jump – from 29% of total interest income in 2004 to 33% in 2005 – coincided with the year the new banks began operations. This rise in employee cost, by no small means, contributed to the industry's shrunken profitability.

Similarly, banks' desire to project the image of a successful business to their clientele caused them to increase their expenditure on administrative items. The industry recorded a hefty 295% growth in administrative expenses over the survey period, with such growth resulting in administrative expenses increasing as a percentage of the industry's total interest income from 8% to 14%.

# Ghana Banking Survey 2007

Category:	Profitability and efficiency measures																			
	Profit after tax margin					Profit before tax margin														
Measure:	2006	R	2005	R	2004	R	2003	R	2002	R	2006	R	2005	R	2004	R	2003	R	2002	R
<b>Banks</b>																				
GCB	21.2%	10	13.4%	13	20.7%	12	12.3%	14	25.0%	7	32.1%	8	24.3%	12	29.3%	12	28.4%	10	40.4%	5
SCB	32.7%	3	32.7%	2	32.0%	2	31.9%	4	29.3%	5	51.5%	1	49.9%	2	50.7%	2	53.7%	1	48.2%	4
BBG	35.4%	1	35.3%	1	35.6%	1	34.8%	3	37.5%	1	51.3%	2	53.8%	1	58.0%	1	53.6%	2	60.9%	1
ADB	23.3%	8	19.3%	11	25.8%	8	24.5%	8	25.5%	6	25.2%	11	20.9%	13	28.6%	13	27.2%	12	28.4%	11
EBG	34.3%	2	30.3%	3	28.7%	4	26.3%	6	30.7%	4	49.5%	3	47.2%	3	48.7%	3	47.3%	4	51.4%	3
SG-SSB	19.9%	11	21.3%	8	27.9%	7	25.3%	7	24.3%	9	28.8%	10	33.9%	7	44.3%	5	33.0%	8	39.8%	6
MBG	25.3%	6	23.9%	6	25.3%	9	13.2%	13	10.4%	15	37.0%	6	37.8%	5	43.9%	6	24.7%	13	15.7%	14
NIB	17.6%	12	26.7%	5	24.1%	10	44.4%	1	24.8%	8	13.4%	14	33.8%	8	33.2%	10	51.3%	3	30.6%	10
CAL	25.2%	7	22.1%	7	31.7%	3	27.0%	5	32.6%	3	36.8%	7	36.0%	6	42.5%	7	43.0%	6	52.0%	2
PBL	11.5%	14	19.6%	10	20.0%	13	20.6%	11	20.0%	12	19.2%	13	25.8%	11	28.0%	14	24.7%	14	27.0%	13
Stanbic	27.6%	5	15.3%	12	15.3%	15	18.4%	12	10.8%	14	37.4%	5	26.4%	10	20.8%	15	27.3%	11	12.6%	15
FAMBL	8.8%	17	8.7%	16	9.7%	16	7.6%	16	9.6%	16	11.0%	17	13.7%	16	15.5%	16	10.0%	16	12.4%	16
TTB	29.4%	4	29.4%	4	28.3%	6	22.2%	9	23.7%	10	40.9%	4	44.1%	4	45.3%	4	41.2%	7	36.1%	8
HFC	15.0%	13	12.2%	14	28.7%	5	42.3%	2	32.8%	2	21.3%	12	13.8%	15	39.8%	8	44.6%	5	37.0%	7
ICB	21.2%	9	21.0%	9	23.2%	11	21.1%	10	22.7%	11	29.4%	9	30.0%	9	34.4%	9	30.5%	9	34.1%	9
ABL	-8.6%	18	12.0%	15	19.4%	14	8.7%	15	17.5%	13	-6.1%	18	18.3%	14	31.1%	11	15.5%	15	27.6%	12
ZBL	-113.8%	19	-143.2%	20							-112.0%	19	-131.0%	20						
UGL	9.0%	16	3.0%	19	7.0%	17	6.0%	17	-35.5%	17	11.7%	16	3.5%	19	7.5%	18	6.5%	17	-35.5%	17
M&AB	11.5%	15	6.0%	18	5.7%	18	-9.6%	18	-129.2%	18	13.0%	15	7.0%	17	9.0%	17	-9.6%	18	-129.2%	18
GTB	-319.5%	20	6.5%	17							-319.5%	20	6.5%	18						
Industry	24.6%		23.8%		27.1%		24.9%		26.3%		35.6%		36.3%		41.1%		39.3%		41.4%	

**R: rank**

# Ghana Banking Survey 2007

<b>Category:</b>	Profitability and efficiency measures														
<b>Measure:</b>	Return on assets (RoA)					Net spread									
<b>Banks</b>	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	3.7% 5	2.2% 12	3.1% 10	1.9% 13	4.11% 8	15.0% 4	13.0% 7	14.0% 8	10.7% 14	43.4% 1					
SCB	4.6% 3	4.9% 2	4.7% 4	5.2% 3	4.94% 4	12.8% 7	12.2% 10	12.7% 11	16.2% 6	15.7% 10					
BBG	5.4% 1	5.5% 1	6.2% 1	6.6% 2	6.55% 1	12.5% 9	12.3% 9	13.0% 10	13.2% 10	13.0% 13					
ADB	2.9% 10	2.3% 11	3.6% 9	3.3% 9	3.95% 9	12.6% 8	11.7% 14	15.8% 6	11.0% 13	13.0% 14					
EBG	4.4% 4	4.2% 4	4.0% 8	4.0% 7	4.13% 7	11.1% 11	9.9% 15	15.1% 7	12.7% 11	11.2% 16					
SG-SSB	3.0% 9	3.5% 7	4.7% 3	4.6% 4	4.64% 6	14.2% 5	11.8% 13	18.5% 5	17.2% 3	20.4% 4					
MBG	3.5% 7	3.5% 6	4.3% 6	1.9% 14	1.65% 14	8.1% 15	12.2% 12	11.5% 14	11.6% 12	17.0% 9					
NIB	2.1% 11	3.6% 5	4.1% 7	7.8% 1	4.85% 5	12.1% 10	17.0% 3	11.4% 15	10.6% 15	9.5% 17					
CAL	3.6% 6	3.1% 8	4.4% 5	4.2% 6	5.09% 2	7.8% 16	16.6% 4	12.7% 12	13.5% 9	14.5% 11					
PBL	1.3% 16	2.4% 9	2.4% 13	2.5% 12	2.34% 13	9.0% 13	7.8% 17	8.4% 16	14.5% 7	14.3% 12					
Stanbic	3.3% 8	1.9% 13	1.9% 15	2.6% 11	1.58% 15	8.5% 14	12.2% 11	6.7% 17	7.5% 16	17.1% 8					
FAMBL	1.1% 17	1.3% 14	1.5% 16	0.8% 17	1.36% 16	5.2% 17	8.0% 16	12.1% 13	5.7% 17	22.6% 3					
TTB	5.1% 2	4.8% 3	4.9% 2	3.5% 8	3.19% 11	15.3% 3	14.5% 5	21.3% 3	16.8% 5	17.7% 7					
HFC	1.4% 15	1.1% 16	3.0% 11	4.2% 5	5.0% 3	3.0% 19	-1.4% 19	0.7% 18	-10.1% 18	-2.5% 18					
ICB	2.0% 12	2.4% 10	2.8% 12	2.7% 10	3.22% 10	10.1% 12	12.6% 8	13.0% 9	13.6% 8	12.1% 15					
ABL	-0.8% 18	1.1% 15	1.9% 14	1.0% 16	2.39% 12	13.6% 6	20.7% 2	21.2% 4	17.1% 4	18.7% 6					
ZBL	-7.6% 19	-9.7% 20				4.2% 18	0.6% 18								
UGL	1.6% 14	0.5% 18	1.0% 18	1.0% 15	-5.0% 17	18.5% 1	13.9% 6	25.1% 1	31.1% 1	19.2% 5					
M&AB	1.6% 13	1.0% 17	1.0% 17	-1.6% 18	-15.50% 18	18.1% 2	24.1% 1	21.5% 2	31.0% 2	26.4% 2					
GTB	-14.7% 20	0.4% 19				1.5% 20									
Industry	3.5%	3.5%	4.1%	3.9%	4.30%	11.9%	12.2%	13.6%	12.7%	18.8%					

**R: rank**

# Ghana Banking Survey 2007

<b>Category:</b>	Profitability and efficiency measures									
<b>Measure:</b>	Net operating (or intermediation) margin					Non-interest operating revenue/ total assets				
<b>Banks</b>	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	15.9% 2	16.7% 2	14.0% 6	14.4% 5	14.3% 5	4.3% 8	4.1% 14	3.4% 17	3.6% 16	3.9% 17
SCB	12.4% 7	14.5% 7	15.3% 4	15.7% 4	16.1% 3	4.3% 7	5.2% 6	5.7% 6	5.7% 7	5.3% 11
BBG	14.0% 6	16.1% 3	16.0% 2	16.7% 2	16.6% 2	4.1% 10	4.6% 11	5.2% 9	5.6% 9	6.2% 8
ADB	10.3% 12	9.8% 14	12.6% 8	9.6% 13	12.4% 8	3.7% 13	4.7% 10	7.2% 3	3.9% 14	6.5% 7
EBG	11.7% 8	11.9% 12	12.0% 10	13.5% 6	11.4% 11	4.1% 11	4.5% 12	4.8% 11	5.9% 6	5.9% 9
SG-SSB	14.1% 5	15.1% 6	15.9% 3	16.5% 3	17.4% 1	5.0% 4	5.2% 5	5.6% 7	5.5% 10	7.0% 5
MBG	11.3% 11	12.7% 9	14.8% 5	12.5% 9	14.8% 4	5.4% 3	5.2% 7	7.5% 2	7.5% 2	7.1% 4
NIB	14.7% 4	14.5% 8	11.2% 11	9.6% 12	12.5% 6	3.9% 12	4.2% 13	5.5% 8	6.1% 5	9.5% 1
CAL	11.4% 10	12.7% 10	11.1% 12	11.5% 10	12.1% 10	5.5% 2	4.8% 9	5.9% 5	7.3% 3	7.5% 2
PBL	9.1% 14	10.9% 13	7.5% 16	5.4% 16	7.0% 17	2.9% 16	4.0% 15	3.9% 16	3.8% 15	3.9% 16
Stanbic	9.8% 13	12.0% 11	9.0% 14	10.4% 11	9.3% 15	3.1% 15	5.1% 8	4.0% 15	4.7% 13	6.6% 6
FAMBL	2.3% 20	6.7% 18	6.6% 17	2.4% 17	8.4% 16	3.6% 14	3.9% 16	6.6% 4	5.6% 8	4.8% 14
TTB	15.4% 3	15.3% 5	13.9% 7	13.4% 7	10.7% 12	4.8% 5	5.7% 3	5.0% 10	5.0% 11	4.7% 15
HFC	7.3% 16	8.3% 16	8.7% 15	7.3% 15	6.7% 18	1.5% 19	1.0% 19	1.1% 18	0.4% 18	1.1% 18
ICB	7.2% 17	8.8% 15	9.1% 13	8.6% 14	10.7% 13	2.0% 18	3.0% 17	4.2% 13	4.7% 12	5.2% 13
ABL	8.2% 15	7.6% 17	5.8% 18	-2.9% 18	9.9% 14	2.5% 17	3.0% 18	4.1% 14	3.6% 17	5.2% 12
ZBL	4.6% 18	4.2% 19				16.0% 1	7.7% 1			
UGL	16.5% 1	15.9% 4	12.3% 9	13.2% 8	12.4% 7	4.8% 6	6.0% 2	4.7% 12	6.2% 4	5.9% 10
M&AB	11.5% 9	17.9% 1	16.7% 1	19.8% 1	12.4% 9	4.2% 9	5.5% 4	9.4% 1	12.3% 1	7.2% 3
GTB	3.4% 19					1.2% 20	0.0% 20			
<b>Industry</b>	<b>12.5%</b>	<b>13.8%</b>	<b>13.7%</b>	<b>13.4%</b>	<b>14.1%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.6%</b>

**R: rank**

# Ghana Banking Survey 2007

Category:	Profitability and efficiency measures									
Measure:	Total operating income/ total assets									
Banks	2006	R	2005	R	2004	R	2003	R	2002	R
GCB	15.5%	2	16.1%	1	14.2%	8	14.9%	4	15.0%	4
SCB	12.1%	7	13.8%	7	13.7%	10	14.4%	5	14.8%	5
BBG	13.5%	6	15.5%	4	15.5%	3	16.2%	3	16.1%	2
ADB	11.2%	11	11.3%	16	13.9%	9	10.8%	13	13.8%	7
EBG	11.4%	10	12.0%	12	12.0%	11	13.5%	7	11.7%	11
SG-SSB	13.7%	5	15.0%	5	15.6%	2	16.6%	2	17.2%	1
MBG	10.9%	12	12.7%	10	14.4%	6	12.5%	11	14.1%	6
NIB	10.2%	13	12.0%	13	14.5%	5	13.2%	8	15.2%	3
CAL	11.5%	9	13.1%	9	11.8%	12	13.1%	10	13.7%	8
PBL	9.7%	15	11.5%	15	10.3%	14	9.4%	15	9.4%	17
Stanbic	9.9%	14	12.2%	11	9.0%	17	10.9%	12	10.4%	15
FAMBL	9.7%	16	11.8%	14	14.4%	7	9.2%	16	11.7%	10
TTB	15.5%	3	15.7%	3	14.6%	4	14.0%	6	11.3%	13
HFC	7.6%	18	8.4%	19	9.6%	16	8.2%	17	7.6%	18
ICB	7.9%	17	9.8%	17	9.9%	15	9.8%	14	11.7%	9
ABL	7.3%	19	9.2%	18	8.8%	18	7.6%	18	9.5%	16
ZBL	32.1%	1	15.0%	6						
UGL	13.7%	4	13.7%	8	11.3%	13	13.1%	9	10.9%	14
M&AB	11.7%	8	16.0%	2	15.7%	1	16.9%	1	11.4%	12
GTB	3.3%	20	3.0%	20						
Industry	12.1%		13.6%		13.7%		13.8%		14.4%	

**R: rank**

Asset quality

A dark gray background with a white 2x2 grid. The text 'Asset quality' is positioned in the top-left quadrant. The grid lines are thin and white, intersecting at the center of the page.

## Overall, PBL's loan book was of highest quality; Stanbic managed its loan book best in 2006

Considering the relatively stable economic environment during the survey period, we interpreted asset quality ratios from the perspective of "the smaller the proportion of the provision or reserve, the better the quality of the loan book".

Still, we recognise that where a bank's loan loss reserve forms a smaller proportion of its loan book value compared to its peers, there is potential that the bank is reluctant to recognise the full scale of risk carried within its loan book. Generally, the quality of the industry's loans improved in spite of aggressive growth and competition.

Over the five years from 2002 to 2006, the industry's cumulative loan loss provisions fell from 17% to 7% as a percentage of the gross loan book, as the gross loan book expanded to 2.48 times of its 2002 value.

**Good performers** – over the survey period, these were PBL, HFC, EBG, BBG, and TTB. Comparing their loan books' sectoral exposures to the industry averages, showed they extended smaller credit proportions to agricultural and mining sectors, except TTB.

TTB lent an average of 23% of its gross loan book to agriculture. Broadly, however, lending to the manufacturing, commerce and finance, and the services sectors by these five banks reflected the general industry pattern. EBG's sectoral concentrations were relatively more evenly spread than the others. HFC has improved remarkably its loan book concentration.

**Poor performers** – over the five-year period, the worst five performers were BPI Bank, NIB, ADB, FAMBL, and SG-SSB. A comparison of the general sectoral exposures in this group to that of the best performers showed, on average, marginally higher exposures to the construction, agricultural, mining, and commerce and finance sectors.

We noted HFC, overtime has reduced its exposure to one sector. There is a more equitable spread of credit to a number of sectors.



## Ghana Banking Survey 2007

Over the survey period, BPI Bank had the severest problems with its loan book, materialising in the bank providing for between 62% (2004) and 48% (2002) of its gross loans and advances. From 2002 to 2003, BPI increased its lending to the commerce and finance sector from 29% to 42% of gross loans and advances. At the end of 2003, the bank made a 60% provision.

Since then, it has been reducing its proportionate lending to this sector. To balance, the bank has been increasing lending to the construction and services sectors. BPI steadily increased construction lending from 20% (2002) to 28% (2006), and from 12% to 22% for the services sector over the same duration. The bank might find it necessary to take a good look at the strategy informing its sectoral lending positioning.

GCB's loan book quality for 2006 was a significant improvement over its 2005 performance. It was indeed a remarkable improvement over its general performance during the period from 2002 to 2005. Improved credit management, which also relied on the use of Information and Communications Technology (ICT) led to a much smaller 2006 loan loss expense. We also noted that the bank aggressively increased its lending to the commerce and finance sector. Generally, this sector is considered, historically, to have carried smaller systemic risk.

In contrast, it reduced credit to the mining, manufacturing, construction, and services sectors. GCB reduced its exposure to the mining and construction sectors, both in absolute cedi and proportion of loan book terms; the bank reduced lending to the mining sector from ₵82billion (2002) to ₵27billion (2006), and from ₵151billion to ₵99billion (2006) in the case of the construction sector.

Stanbic showed, in 2006, a similar improvement in its loan book quality compared to its 2005 and 2004 performances, returning the bank to asset quality levels similar to those recorded for 2002 and 2003. In 2006, Stanbic reported additional income resulting from over-recoveries.

A look at Stanbic's lending patterns over the survey period showed that the bank initially increased its exposure to the mining, construction, and commerce and finance sectors, but by the end of 2006, had reduced these exposures to near or below 2002 levels. On the other hand, the bank – over the survey period – increased lending to the services sector. In fact, at the end of 2006, the services sector accounted for the largest proportion of the bank's loan book.

## Ghana Banking Survey 2007

Of note is the deterioration of ABL's and UGL's loan book quality over the survey period. ABL's loan loss reserve as a percentage of gross loans and advances rose from about 2.1% (2002 industry's best) to almost 10% (2006). UGL's ratio also worsened from 2.9% (ranked number 2 in 2002) to 13.4% (ranked number 16 in 2006). For each of the banks, these 2006 ratios were better compared to the 2005 ratios.

A review of lending patterns of the two banks over the survey period showed the following: ABL's loan book was fairly concentrated (52% to the construction sector; 25% to commerce and finance; and less than 10% each to the remaining sectors); UGL's book was dominated by commerce and finance – as was the case for the industry – lending on average 31% of its loan book to this sector. The remaining was relatively more equitably distributed among construction (15%), services (19%), manufacturing (9%), and miscellaneous (18%).

SCB, over the period, also performed poorer than the industry; had a five-year average of 13.4% compared to 12.9%.

In terms of portfolio profitability, the industry recorded 13.6% as the average for the five-year period covered by the survey. UGL and ABL recorded the highest five-year averages for the survey – UGL a little above 21%, and ABL, 20.5%.

However, in keeping with the observation about the trends in the quality of the loan books of these two banks, portfolio profitability lessened during the survey period; UGL fell from almost 32% (2003) to 18% (2006), and ABL's fell from about 24% (2002) to 14% (2006). Obviously, these two banks might have to monitor their respective credit management systems and loan books closely.

In addition to UGL and ABL, TTB, PBL, CAL and GCB all showed that their portfolios returned high profitability. In contrast, the portfolios of Stanbic, MBG, NIB, ADB, and HFC were among the banks that under-performed the industry average.

Tracking the annual performances of some of the banks, we noted that PBL's portfolio profitability dropped significantly in 2004. That same year, the bank for the first time lent a lot more money to the manufacturing sector than to any other sector. Subsequently, it has reduced its exposure to that sector. In 2006, CAL experienced a notable drop in portfolio profitability to under 10%. In that year, the bank provided agricultural, mining, and utilities loans at levels beyond the average it ordinarily provided over the survey period.

BPI Bank improved its loan book from a loss-making position in 2002 (-5.6%) to the most profitable portfolio in 2006 (19.4%).

# Ghana Banking Survey 2007

Category:	Asset Quality														
	Cumulative loan loss reserves/ gross loans and advances					Loan portfolio profitability									
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	3.10% 3	15.13% 15	15.33% 14	14.75% 11	17.42% 11	16.69% 3	13.04% 9	13.11% 12	9.49% 13	33.77% 1					
SCB	6.67% 11	8.93% 8	13.48% 13	15.06% 12	22.90% 15	15.22% 6	14.57% 6	15.94% 9	17.88% 8	15.85% 10					
BBG	5.40% 10	5.86% 7	6.35% 3	6.11% 6	5.06% 7	13.47% 11	11.88% 13	13.09% 13	12.33% 11	15.41% 11					
ADB	18.86% 19	17.98% 17	21.84% 17	28.07% 16	27.65% 16	10.36% 15	10.31% 16	7.56% 16	4.53% 17	4.48% 16					
EBG	3.76% 7	5.21% 4	6.67% 5	5.57% 3	3.65% 4	13.80% 8	11.75% 14	17.07% 7	13.68% 10	14.77% 13					
SG-SSB	7.94% 13	9.65% 9	15.53% 15	18.46% 13	18.53% 13	14.71% 7	12.60% 11	17.33% 6	12.11% 12	15.28% 12					
MBG	3.75% 6	5.78% 6	6.46% 4	26.57% 15	20.62% 14	9.02% 17	12.74% 10	10.01% 15	8.93% 14	9.96% 14					
NIB	15.38% 18	24.57% 18	20.47% 16	29.76% 17	38.96% 17	15.59% 4	10.89% 15	11.76% 14	5.51% 16	6.46% 15					
CAL	6.69% 12	10.34% 10	9.73% 9	10.23% 9	8.70% 9	9.98% 16	18.89% 3	17.69% 5	20.12% 5	21.34% 7					
PBL	3.14% 4	4.08% 2	4.46% 1	4.65% 2	5.00% 6	13.59% 9	13.88% 8	15.58% 11	24.82% 2	24.22% 2					
Stanbic	5.21% 9	15.26% 16	11.52% 11	5.75% 4	5.89% 8	12.18% 13	8.75% 17	4.24% 17	8.35% 15	18.38% 8					
FAMBL	14.90% 17	11.50% 11	9.55% 8	20.28% 14	17.26% 10	12.11% 14	14.88% 5	21.08% 2	14.78% 9	21.36% 6					
TTB	4.22% 8	4.61% 3	9.50% 7	7.53% 7	4.79% 5	15.38% 5	15.32% 4	20.61% 3	19.42% 6	23.46% 4					
HFC	3.29% 5	5.77% 5	6.16% 2	5.76% 5	3.05% 3	6.14% 18	3.19% 18	3.70% 18	0.02% 18	1.35% 17					
ICB	12.59% 15	14.79% 14	10.89% 10	12.66% 10	17.92% 12	12.21% 12	14.41% 7	16.63% 8	21.20% 4	15.98% 9					
ABL	9.94% 14	11.70% 12	9.35% 6	7.85% 8	2.08% 1	13.52% 10	22.96% 2	24.15% 1	18.00% 7	23.86% 3					
ZBL	1.00% 2	0.99% 1					4.59% 20	-0.22% 19							
UGL	13.42% 16	14.77% 13	12.78% 12	4.59% 1	2.89% 2	18.07% 2	12.16% 12	20.34% 4	32.02% 1	22.62% 5					
M&AB	49.76% 20	54.55% 19	61.64% 18	60.08% 18	47.64% 18	19.74% 1	25.68% 1	15.61% 10	23.25% 3	-5.61% 18					
GTB	1.00% 1						5.07% 19								
Industry	7.28%	11.24%	12.96%	15.74%	17.18%	13.39%	12.69%	13.58%	11.94%	16.62%					

**R: rank**

# Ghana Banking Survey 2007

Category:	Asset Quality									
Measure:	New loan loss provision/ gross loans and advances									
Bank	2006	R	2005	R	2004	R	2003	R	2002	R
GCB	0.44%	3	2.44%	8	3.98%	10	5.48%	11	11.50%	16
SCB	0.62%	4	1.23%	4	4.68%	13	-0.85%	1	0.38%	1
BBG	1.41%	11	2.64%	10	2.04%	4	3.08%	9	1.09%	3
ADB	7.17%	20	4.74%	15	9.76%	18	8.38%	18	9.69%	14
EBG	0.19%	2	1.31%	5	0.96%	2	2.01%	3	1.11%	4
SG-SSB	1.42%	12	0.98%	2	3.76%	9	7.20%	15	5.24%	13
MBG	2.79%	14	2.97%	12	5.18%	14	7.25%	16	10.98%	15
NIB	0.70%	5	6.21%	18	3.68%	8	6.25%	12	3.87%	12
CAL	3.02%	15	3.73%	13	2.36%	5	3.07%	8	2.34%	8
PBL	0.94%	7	1.60%	6	1.87%	3	3.02%	7	2.36%	9
Stanbic	-0.82%	1	5.68%	16	5.73%	15	2.71%	6	3.12%	10
FAMBL	6.88%	19	7.23%	19	8.00%	17	6.84%	14	11.78%	17
TTB	2.16%	13	2.47%	9	4.41%	11	3.74%	10	0.85%	2
HFC	0.93%	6	0.51%	1	0.93%	1	1.99%	2	1.35%	5
ICB	3.51%	16	6.20%	17	2.96%	7	2.14%	4	3.28%	11
ABL	5.13%	18	2.76%	11	2.73%	6	6.75%	13	1.70%	6
ZBL	0.94%	8	0.99%	3						
UGL	3.69%	17	4.49%	14	7.62%	16	2.57%	5	1.83%	7
M&AB	1.32%	10	1.95%	7	4.61%	12	7.49%	17	22.42%	18
GTB	1.00%	9								
Industry	1.80%		2.79%		3.42%		4.28%		5.20%	

**R: rank**



Returns to  
shareholders

## BBG had the best ROE; but shareholders of SCB beamed at their bank accounts

BBG's ROE averaged in excess of 58% over the survey period. This was significantly higher than that of the bank with the second best ROE (EBG's ROE averaged 48%) and that of the industry, which averaged 33%.

A closer look at the key contributors to ROE performance (i.e. net spread, cost efficiency, and leverage) suggests that BBG's sterling performance was driven mainly by the bank's good grip on the cost of its operations. Cost-income ratio of BBG was the lowest of the industry throughout the survey period.

Overall, the industry posted progressively smaller returns on shareholders' equity – the industry's average ROE fell from almost 37% (2002) to 28.4% (2005), before it rallied to 29% (2006). Analysis suggests that the weakening industry ROE is caused mainly by increasing cost of operations.

The impacts from profitability and leverage are relatively minimal. It would appear that the BOG requirements for a minimum stated capital of ₵70billion did not make a significant impact on the industry's ROE.

For instance, the drop in profitability was marginal; net interest margin fell from 10.8% to 10%, and profit margin (after tax) also dropped from 26.3% to 24.6%.

The industry equity multiplier also remained fairly stable over the period. Save for 2005, the multiplier stayed within the 8.5 to 9.0 times band.

In contrast, however, the industry cost-income ratio rose steadily from almost 46% (2002) to 59% (2006), driven in significant proportion by employee costs. With the new entrants in particular aggressively pursuing limited talent in the industry, the "older" banks are compelled to implement strategies to retain their experienced hires. Generally, this activity has resulted in a rise in banks' staff-related costs.

For example, industry's value added distributed to employees and directors rose from 26% to 38%, higher than value added re-invested in business. In addition, staff costs as a proportion of interest income rose from 26% (2002) to 34% (2006).

## Ghana Banking Survey 2007

Furthermore, as a percentage of total non-interest operating expenses, staff costs (including salaries and wages, and employee benefits) accounted for 51% in 2006 compared to 49% in 2002. EBG, TTB and SCB came in behind BBG at number 2, number 3, and number 4 in that order in the ROE industry rankings (in 2006 and over the entire survey period). Interestingly, while SCB's ROE generally fell over the survey period like BBG's, EBG's and TTB's rose – EBG's from 47% (2002) to 53% (2006); and TTB's from 38% (2002) to 47%.

An analysis of the numbers of these three banks showed different scenarios. For instance, net interest margin for SCB shrank over the survey period, and grew for EBG and TTB; cost-income ratios for SCB and TTB dipped over the survey period, and rose for EBG; and intermediation margin fell for SCB, remained fairly stable for EBG, and rose for TTB over the survey period.

### Poor ROE performers

The BPI Bank and ABL seemed to have difficulties over the survey period. ABL moved from a relatively fair position, compared to the industry average, in 2002 to a negative ROE position in 2006, finishing ahead of only GTB and ZBL both of which are new entrants to the industry.

A look at ABL's reported financials reveals that the bank over the best part of the survey period paid a significant proportion of its value added to its providers of debt capital.

BPI lost its equity through consecutive years of losses. In 2002 and 2003, BPI Bank's total shareholders' funds was negative - ₵16billion and ₵18billion, respectively.

### Dividend per share

SCB was the best dividend payer in every single year of the survey period. Over the five-year period, the bank paid its shareholders a total of ₵48,455 per share.

This was almost three times higher than BBG's total dividends per share, which was the industry's second largest for the survey period. The other bank that paid a generous dividend for the survey period is ADB – the bank paid a total of ₵12,018 per share.

TTB, EBG, SG-SSB, and GCB also paid dividends in excess of ₵1,000 but less than ₵6,500 per share for the whole survey period. PBL paid progressively smaller dividends per share with each successive year of the survey period. Six of the 20 banks surveyed paid no dividends for the entire survey period. This includes Stanbic and MBG.

### Dividend payout ratio

With respect to average dividend payout ratios over the survey period, "older" banks having foreign entities possessing controlling interests in their capital led the industry: SCB topped the industry (83.2%), followed by BBG (65.1%) and SG-SSB (59.1%). HFC ranked number 4 in the industry with 49.4% payout and EBG was number 5 with 48.8%. The industry average was 51% for the survey period.

A closer look at the trends suggests that TTB and SCB operate constant payout policies. TTB maintained a payout ratio of 45% (2002 – 2003) and dropped it to 35% (2004 – 2006). SCB, on the other hand, paid out approximately 87% of profits (2003 – 2005), dropping it slightly to 86% in 2006.

# Ghana Banking Survey 2007

Category:	Return to shareholders									
Measure:	Return on equity (RoE)					Earnings per share (EPS) - cedis				
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	32.1% 6	19.9% 9	31.2% 9	20.9% 11	46.1% 5	1,547.9 5	767.4 7	989.8 9	566.2 9	1,047.6 8
SCB	40.7% 4	42.6% 4	45.3% 5	51.3% 3	53.8% 3	15,737.4 1	13,198.0 1	10,946.0 2	10,020.4 2	7,437.3 2
BBG	54.9% 1	51.4% 3	58.8% 2	61.5% 1	64.3% 2	6,211.7 3	5,380.6 3	5,295.9 3	4,267.9 3	3,278.4 3
ADB	16.4% 11	12.7% 16	21.6% 13	18.5% 12	18.1% 13	10,765.0 2	7,467.0 2	11,056.7 1	51,152.0 1	42,346.0 1
EBG	53.3% 2	52.8% 1	45.5% 4	45.0% 6	46.9% 4	1,007.2 6	748.9 8	1,146.6 7	3,292.1 4	2,609.7 5
SG-SSB	22.0% 10	24.3% 8	30.6% 10	30.0% 8	29.8% 11	697.8 9	651.6 10	1,489.8 6	1,234.9 6	1,070.9 7
MBG	33.7% 5	29.6% 7	38.7% 6	17.3% 13	12.3% 17	727.4 8	455.6 13	399.6 13	128.5 14	85.9 15
NIB	14.2% 13	29.7% 6	34.1% 7	51.4% 2	20.4% 12	831.4 7	1,110.8 6	966.7 10	1,151.6 7	380.4 10
CAL	23.2% 9	16.6% 11	26.9% 11	33.1% 7	36.9% 9	286.2 14	178.5 16	199.5 15	14.9 16	13.1 16
PBL	23.9% 8	41.2% 5	46.2% 3	49.1% 4	43.4% 6	352.1 13	493.2 12	498.8 11	536.4 10	297.4 11
Stanbic	27.8% 7	14.6% 12	12.5% 16	16.8% 15	15.8% 14	506.3 10	226.3 15	166.0 16	114.9 15	154.3 13
FAMBL	15.6% 12	16.8% 10	22.7% 12	10.7% 18	13.3% 16	355.6 12	288.3 14	356.6 14	252.8 12	283.2 12
TTB	47.1% 3	52.6% 2	62.5% 1	46.1% 5	37.8% 7	5,605.4 4	4,529.6 4	3,713.5 4	1,936.5 5	1,256.6 6
HFC	11.4% 15	7.1% 17	17.5% 14	24.5% 9	30.1% 10	120.1 16	70.5 17	161.0 17	176.7 13	106.8 14
ICB	13.8% 14	13.3% 15	15.9% 15	16.9% 14	15.4% 15	232.1 15	2,317.1 5	1,912.0 5	1,130.7 8	3,196.2 4
ABL	-7.7% 18	14.0% 13	31.3% 8	23.3% 10	37.5% 8	-371.5 20	717.1 9	1,023.2 8	494.0 11	433.6 9
ZBL	-34.4% 20	-13.5% 20				-275.0 19	-63.1 20			
UGL	9.4% 16	3.5% 18	8.0% 17	11.2% 17	-41.3% 18	65.7 17	0.3 18	0.5 18	0.5 17	-1.6 17
M&AB	9.1% 17	14.0% 14	-37.6% 18	11.4% 16	282.4% 1	485.1 11	532.5 11	448.8 12	-2,407.4 18	-23,213.6 18
GTB	-28.1% 19	0.4% 19				-22.4 18	0.2 19			
Industry	29.0%	28.4%	35.8%	34.8%	36.8%	621.9	220.2	293.3	248.0	223.8

**R: rank**



# Ghana Banking Survey 2007

Category:	Return to shareholders									
Measure:	Dividend payout ratio					Dividend per share (DPS) - cedis				
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	35.5% 7	52.1% 6	37.9% 5	44.2% 5	47.7% 3	550.0 6	400.0 7	375.0 6	250.0 7	500.0 6
SCB	86.4% 1	87.2% 2	87.5% 1	87.5% 1	67.3% 1	13,602.2 1	11,503.9 1	9,577.8 1	8,767.9 1	5,002.8 1
BBG	80.5% 2	92.9% 1	51.9% 4	60.1% 2	40.0% 8	5,000.0 2	5,000.0 2	2,750.0 2	2,564.1 3	1,311.3 3
ADB	30.0% 9	20.0% 10	13.1% 10	6.3% 11	6.1% 10	3,229.5 3	1,493.4 4	1,448.3 3	3,248.1 2	2,598.5 2
EBG	66.9% 3	66.2% 4	30.6% 7	40.3% 6	40.2% 7	673.6 5	495.4 5	351.1 7	1,326.9 4	1,048.6 4
SG-SSB	64.5% 4	69.1% 3	60.4% 2	56.7% 3	45.0% 4	450.0 7	450.0 6	900.0 5	700.5 6	481.9 7
MBG	0.0% 13	0.0% 13	0.0% 12	0.0% 13	0.0% 12	0.0 13	0.0 13	0.0 12	0.0 13	0.0 12
NIB	0.0% 13	29.3% 9	0.0% 12	13.0% 10	26.3% 9	0.0 13	325.0 8	0.0 12	150.0 8	100.0 8
CAL	26.1% 10	30.8% 8	25.1% 8	16.9% 9	50.5% 2	74.8 9	55.0 9	50.2 10	2.5 12	6.6 11
PBL	0.7% 12	0.7% 12	1.0% 11	1.5% 12	3.6% 11	2.4 12	3.5 12	4.8 11	7.8 11	10.7 10
Stanbic	0.0% 13	0.0% 13	0.0% 12	0.0% 13	0.0% 12	0.0 13	0.0 13	0.0 12	0.0 13	0.0 12
FAMBL	17.0% 11	11.6% 11	0.0% 12	26.1% 8	0.0% 12	60.6 10	33.3 11	0.0 12	66.0 10	0.0 12
TTB	35.0% 8	35.0% 7	35.0% 6	45.0% 4	45.0% 5	1,961.9 4	1,585.4 3	1,299.7 4	871.4 5	565.5 5
HFC	45.8% 6	63.8% 5	52.8% 3	39.6% 7	44.9% 6	55.0 11	45.0 10	85.0 9	70.0 9	48.0 9
ICB	50.0% 5	0.0% 13	0.0% 12	0.0% 13	0.0% 12	116.0 8	0.0 13	0.0 12	0.0 13	0.0 12
ABL	0.0% 13	0.0% 13	15.9% 9	0.0% 13	0.0% 12	0.0 13	0.0 13	163.2 8	0.0 13	0.0 12
ZBL	0.0% 13	0.0% 13				0.0 13	0.0 13			
UGL	0.0% 13	0.0% 13	0.0% 12	0.0% 13	0.0% 12	0.0 13	0.0 13	0.0 12	0.0 13	0.0 12
M&AB	0.0% 13	0.0% 13	0.0% 12	0.0% 13	0.0% 12	0.0 13	0.0 13	0.0 12	0.0 13	0.0 12
GTB	0.0% 13	0.0% 13				0.0 13	0.0 13			
Industry	55.6%	61.8%	43.3%	49.3%	43.9%	345.9	136.2	127.0	122.3	98.3

**R: rank**

# Ghana Banking Survey 2007

Category:	Return to shareholders									
Measure:	Book value per share - cedis									
Bank	2006	R	2005	R	2004	R	2003	R	2002	R
GCB	5,396.0	8	4,248.1	9	3,480.8	8	2,866.0	8	2,549.8	8
SCB	40,494.1	2	36,858.3	2	25,169.0	2	23,163.1	2	15,871.3	3
BBG	11,932.4	4	10,716.2	4	10,232.1	4	7,789.7	5	6,086.0	5
ADB	69,501.2	1	61,965.7	1	55,992.1	1	301,192.6	1	253,288.6	1
EBG	2,339.8	12	1,519.5	14	2,881.1	11	8,306.3	3	6,341.0	4
SG-SSB	3,566.8	9	2,787.1	10	5,170.9	6	4,584.3	7	3,885.7	6
MBG	2,515.8	10	1,803.1	12	1,270.5	15	792.1	15	696.2	15
NIB	7,369.0	6	4,300.6	8	3,189.8	10	2,473.2	10	2,005.6	10
CAL	1,338.8	16	1,141.9	16	1,026.2	16	51.1	16	38.7	16
PBL	1,647.2	15	1,367.1	15	1,326.5	14	1,357.6	12	829.0	13
Stanbic	2,093.4	13	1,545.8	13	1,545.8	13	1,123.1	13	1,067.5	12
FAMBL	2,480.5	11	2,272.2	11	1,752.3	12	2,415.1	11	2,299.8	9
TTB	13,734.8	3	10,091.2	5	7,146.9	5	4,733.2	6	3,668.1	7
HFC	1,064.0	17	1,036.2	17	957.3	17	881.5	14	708.5	14
ICB	1,875.2	14	18,630.3	3	16,313.3	3	7,801.3	4	22,330.2	2
ABL	6,708.1	7	5,465.5	6	4,750.0	7	2,739.2	9	1,498.2	11
ZBL	0.0	20	0.0	20						
UGL	1,019.9	18	8.8	19	8.5	18	5.9	17	4.4	17
M&AB	8,782.9	5	4,378.8	7	3,240.6	9	-22,234.6	18	-19,827.2	18
GTB	68.5	19	90.9	18						
Industry	2,380.1		862.4		922.7		801.3		682.4	
<b>R: rank</b>										



Liquidity

## ICB, ABL held large slices of liquid assets; MBG and NIB were the most illiquid banks

In relation to assets, ICB maintained its usual high liquidity. ICB's liquidity-to-assets ratios ranked as the industry's number 1 in six of the nine years covered by the annual banking surveys conducted by PricewaterhouseCoopers. In the remaining three years, ICB's liquidity-to-assets ratios ranked as number 2.

For the five-year period from 2002 to 2006, ICB's liquidity-to-assets averaged 0.75 compared to an industry average of 0.54. Initially, it was believed that ICB maintained a high liquidity to cater to its retail clientele base expected to have a high and relatively unpredictable withdrawal frequency rate.

However, this view does not appear substantiated anymore looking at the product distribution of ICB's deposits. Over the survey period, ICB held almost 48% of its deposits in time and fixed deposit accounts. This was the highest for the industry, apart from the new market entrants, i.e. ZBL and GTB. The industry's average was a small 19% in comparison.

Thus, it would appear that the bank simply remains relatively risk-averse compared to its peers (i.e. the fourth quartile grouping) and the industry. ICB, over the survey period, split its operating assets 80/20 in favour of liquid assets. This was relatively high, even for new market entrants ZBL and GTB.

Possibly as a result of the incremental growth in its market share of the industry's deposits from 0.8% (2002) to 1.4% (2006), ICB's liquidity-to-deposits ratios – though still high – were not the industry's highest.

With respect to liquidity as a proportion of assets, ABL shared some similarities with ICB. Its cash and liquidity-to assets ratios seemed to track the behaviours of the comparable ICB ratios.

A look at ABL's distribution of operating assets between liquid and non-liquid assets showed a 76/24 split in favour of liquid assets. A further look at ABL's average composition of its loan book over the survey period showed that the bank has some 55% of its portfolio extended to the construction sector.

It is known that the construction sector has the Government as one of its largest clients. It is further believed that Government has a low risk of payment default; fees might be delayed, but Government invariably honours its bills. It is likely therefore that loans to a sector largely bankrolled by Government contracts will have a lower risk rating.

## Ghana Banking Survey 2007

Similarly, the commerce and finance sector, which accounted for the second largest proportion of ABL's 2002-2006 loan book (24%) has a risk profile considered to be relatively lower than the other borrower sectors – the industry lent the largest proportion of its loan book to this sector over the survey period.

MBG's liquidity-to-assets ratios over the survey period were marginally better than NIB's. A look at their respective numbers over the five-year period showed that MBG have held 45% of its total assets in liquid assets, compared to NIB's 42%.

However, NIB's liquidity-to-deposits ratios were significantly higher than MBG's for most of the survey period – from 2002 to 2004, NIB's ratios were about two times higher than MBG's. However, in 2006, NIB's liquidity-to-deposits was just about two-thirds of MBG's.

For MBG, considering that net spreads did not appear significantly better than the industry average over the survey period, one gets the notion that the illiquid position might not have been entirely at management's discretion.

Another observation is the considerable reductions in the liquidity-to-deposits ratios for the following banks over the survey period: NIB, Stanbic, TTB, GCB, and HFC. Each of these banks had liquidity-to-deposits ratio of at least 1.0 in 2002; HFC's liquidity-to-deposits was 2.78!

By 2006, these banks had liquidity-to-deposit ratios ranging from 22% to 50% of their respective 2002 levels.

A look at the market shares and net interest margins of these banks to find some general themes to explain the liquidity-to-deposits behaviour did not yield anything conclusive or very different from the other banks for which this trend was not present.

For instance, the respective market shares of deposits of the second and third quartile banks in this group inched up over the survey period; notable, however, is the phenomenal jump in NIB's deposits market share from 2005 to 2006. GCB (a first quartile bank) also lost shares just like the other first quartile banks.

With respect to net interest margins, we did not observe at work the belief that rising illiquidity exposes a bank to increasing costs of funds and therefore thinner margins, particularly in an economy that has seen interest rates falling, however slight, over the survey period. Besides HFC, which had its net interest margin falling from 13.8% (2002) to 7.8% (2006) in an industry that held its net interest margin fairly stable – 10.8% (2002); 10% (2006) – all the other banks in this group increased their net interest margins over the survey period.

# Ghana Banking Survey 2007

Category:	Liquidity													
Measure:	Liquid funds/ total deposits					Liquid funds/ total assets								
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R				
GCB	0.59 13	0.62 15	0.77 15	0.91 10	1.36 2	0.49 11	0.50 11	0.59 10	0.57 12	0.73 3				
SCB	0.90 4	0.70 11	0.65 17	0.69 16	0.82 13	0.60 4	0.51 9	0.51 15	0.53 16	0.58 10				
BBG	0.46 18	0.46 18	0.70 16	0.68 17	0.76 15	0.39 15	0.39 18	0.51 14	0.52 17	0.55 14				
ADB	0.86 6	0.81 8	1.06 5	1.17 5	0.93 10	0.49 10	0.43 17	0.55 12	0.59 9	0.49 17				
EBG	0.71 9	0.77 10	0.85 13	0.77 14	0.81 14	0.54 8	0.59 5	0.66 5	0.57 11	0.57 12				
SG-SSB	0.85 7	0.85 6	0.97 8	0.95 9	1.00 6	0.55 6	0.52 7	0.63 6	0.57 13	0.60 9				
MBG	0.42 19	0.46 19	0.60 18	0.72 15	0.66 18	0.28 19	0.34 19	0.47 17	0.58 10	0.55 15				
NIB	0.29 20	0.49 17	1.19 2	1.69 3	1.30 4	0.20 20	0.33 20	0.36 18	0.56 14	0.56 13				
CAL	0.71 11	0.81 9	0.86 12	0.91 12	0.87 11	0.40 13	0.52 8	0.57 11	0.60 8	0.58 11				
PBL	0.56 16	0.66 12	1.07 4	1.41 4	0.94 9	0.38 17	0.47 14	0.62 9	0.70 3	0.62 7				
Stanbic	0.57 15	0.90 5	0.90 11	0.96 8	1.31 3	0.43 12	0.66 3	0.66 4	0.70 4	0.81 2				
FAMBL	1.23 1	0.83 7	1.11 3	1.04 6	1.00 8	0.53 9	0.44 15	0.50 16	0.54 15	0.61 8				
TTB	0.50 17	0.65 13	0.98 7	0.91 11	1.00 7	0.38 16	0.49 12	0.71 2	0.66 5	0.68 4				
HFC	0.64 12	1.21 2	1.84 1	2.24 1	2.78 1	0.33 18	0.48 13	0.54 13	0.47 18	0.28 18				
ICB	0.95 3	0.92 4	0.97 9	1.02 7	1.06 5	0.69 2	0.73 2	0.75 1	0.78 2	0.81 1				
ABL	0.71 10	0.92 3	1.00 6	1.74 2	0.84 12	0.60 5	0.65 4	0.69 3	0.81 1	0.66 5				
ZBL	0.74 8	3.38 1				5.12 1	2.73 1							
UGL	0.59 14	0.60 16	0.95 10	0.83 13	0.72 16	0.40 14	0.43 16	0.62 8	0.64 6	0.53 16				
M&AB	0.90 5	0.64 14	0.77 14	0.62 18	0.69 17	0.61 3	0.50 10	0.63 7	0.61 7	0.66 6				
GTB	1.09 2					0.55 7	0.57 6							
Industry	0.66	0.67	0.82	0.88	0.97	0.47	0.48	0.56	0.57	0.61				
<b>R: rank</b>														

# Ghana Banking Survey 2007

Category:	Liquidity									
Measure:	Cash ratio									
Bank	2006 R		2005 R		2004 R		2003 R		2002 R	
GCB	0.50	11	0.52	11	0.60	11	0.59	13	0.74	3
SCB	0.61	6	0.52	10	0.52	14	0.55	16	0.62	10
BBG	0.40	15	0.40	18	0.52	15	0.53	17	0.56	15
ADB	0.50	10	0.45	17	0.56	13	0.60	10	0.50	17
EBG	0.56	8	0.61	6	0.68	5	0.60	12	0.59	12
SG-SSB	0.58	7	0.55	8	0.66	7	0.60	11	0.63	9
MBG	0.29	19	0.35	19	0.49	17	0.61	9	0.59	13
NIB	0.22	20	0.35	20	0.38	18	0.58	14	0.58	14
CAL	0.42	14	0.55	7	0.60	10	0.61	8	0.60	11
PBL	0.39	17	0.49	14	0.63	9	0.72	3	0.63	8
Stanbic	0.44	12	0.67	5	0.67	6	0.71	4	0.84	1
FAMBL	0.55	9	0.47	16	0.52	16	0.56	15	0.64	7
TTB	0.39	16	0.50	13	0.72	3	0.67	5	0.69	4
HFC	0.34	18	0.51	12	0.56	12	0.50	18	0.29	18
ICB	0.70	3	0.73	3	0.76	1	0.80	2	0.82	2
ABL	0.62	5	0.69	4	0.73	2	0.81	1	0.67	6
ZBL	19.13	1	13.78	1						
UGL	0.44	13	0.48	15	0.69	4	0.66	6	0.56	16
M&AB	0.63	4	0.53	9	0.65	8	0.64	7	0.69	5
GTB	0.72	2	0.85	2						
Industry	0.48		0.50		0.58		0.59		0.63	

**R: rank**

# Capital structure and financial risk



## PBL's equity cushion thinnest; BPI fixes equity; BOG drives industry equity up

Throughout the survey period, PBL kept a relatively smaller equity cover for its deposits, advances, and its liabilities, including long-term liabilities. In the ratios to communicate equity sufficiency, PBL ranked lowest or near lowest. A look at its deposits profile showed that the bank's deposits are dominated by individuals and private enterprises – 96% (2005) and 97% (2006). Furthermore, the deposit portfolio is highly concentrated as the 20 largest depositors account for almost 36% of total deposits (2005 and 2006).

A deposit mix and concentration as this is most likely to keep management's eyes skinned to the behaviours of liquidity, asset quality, and maturity gapping, since if anything goes wrong in these critical areas, it could spell significant difficulties for the bank. For the survey period, PBL generally kept its liquidity at industry average levels. Its loan book was also considered to be the industry's best. Assets and liabilities maturity matching was engineered in a manner to ensure a positive liquidity cover.

Two out of the five years covered by the survey, BPI Bank operated with negative shareholders' funds. Starting from 2001 and continuing till 2003, the bank made losses mainly attributable to a poorly performing loan book. In 2002, the bank made losses *before* loan provisions. With a hefty provision of

¢15.2 billion, the bank posted losses of ¢18.8 billion. This left BPI's shareholders' funds in a deficit position of ¢16.1 billion. In 2004, the bank received equity injection of almost ¢27 billion to shore up stated capital and return the bank to a solvent state. It received an additional equity injection of ¢45.6 billion (2006) to enable the bank comply with the regulatory requirement for minimum stated capital.

ICB further demonstrated its low appetite for risk through its capital adequacy and financial risk ratios. In the first two years covered by the survey, ICB's capital adequacy ratio was above 50%. In 2002 and 2003, the bank with the number 2 ranking (i.e. NIB) had much lower capital adequacy ratios of 27% and 34%, respectively. Furthermore, ICB is one of the six banks that kept its balance sheet totally free of gearing (long-term debt) throughout the five years covered by the survey.

Additionally, comparing ICB's equity cover for its deposits to the cover for its advances, further confirmed the bank's aversion to risk. Even though this cover has fallen from 5.2:1 (2002) to 3.1:1 (2006), it is still significantly higher compared to industry averages. The comparables for the industry were 2.4:1 (2002) and 1.8:1 (2006).

## Ghana Banking Survey 2007

Between 2005 and 2006 in particular, the sufficiency of HFC's equity cover relative to its deposits, advances and total assets appears to have become visibly smaller. Equity as a cover for deposits and advances was 19.5% (ranked number 8) and 16% (ranked number 17), respectively in 2006. The comparable figures for 2005 were 38.6% (ranked number 2) for deposits and 35.4% (ranked number 6) for advances.

HFC's total debt ratio, in 2006, increased from the bank's 0.83 – 0.85 range (2002 – 2005) to 0.90 resulting in a deterioration of its ranking in an industry that held its total debt ratio fairly stable around the 0.87 – 0.89 mark over the period of the survey. A look at the bank's balance sheet showed significant increases in both deposits and borrowings. HFC increased its deposits by ₵274.5billion (representing 98%) from 2005 to 2006. It similarly increased long-term and Interbank borrowings by ₵81.3billion (representing 28%) in that same timeframe. A similar pattern was observed for total liability-to-equity ratio for the same period from 2005 to 2006.

Towards the latter part of the period covered in the survey, HFC's borrowings in absolute cedi terms became smaller relative to some other banks such as SG-SSB, ADB, and MBG. Its industry ranking improved from 17 out of 18 banks to 14 out of 20 banks. However, HFC remained the most leveraged bank (as measured by long-term liabilities/ equity) throughout the five years covered in the survey.

### Minimum stated capital requirements

Generally, BOG's regulations for banks to have a minimum stated capital requirement of ₵70billion got all the banks to increase their stated capital. Some of the banks did this through direct additional equity injections. Others achieved compliance through transfers from income reserves.

Between 2002 and 2006, the banking industry's shareholders' funds increased 1.6 times. Stated capital alone increased 8 times over the same period. The first quartile banks (numbering five) collectively held 57% and 38% of 2006 shareholders' funds and stated capital, respectively.

# Ghana Banking Survey 2007

Category:	Capital structure and financial risk														
Measure:	Total assets/ equity					Equity/ total deposits									
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	8.72 10	8.37 13	9.71 11	10.73 11	10.99 12	14.02% 14	14.79% 13	13.43% 12	14.85% 8	17.03% 7					
SCB	9.82 14	7.93 9	9.93 12	9.40 8	10.79 10	15.27% 10	17.44% 9	12.85% 13	14.02% 9	13.03% 12					
BBG	10.90 17	9.20 14	9.36 10	9.72 9	8.91 8	10.88% 19	12.82% 15	14.57% 11	13.38% 10	15.55% 8					
ADB	5.90 5	5.54 4	5.53 3	6.45 4	4.74 1	29.65% 3	34.15% 3	34.91% 3	30.55% 3	40.27% 3					
EBG	11.04 18	13.56 19	11.55 13	11.13 12	11.48 13	11.89% 18	9.73% 18	11.17% 15	12.01% 13	12.45% 14					
SG-SSB	7.19 7	7.34 7	6.62 5	6.40 3	6.61 5	21.47% 7	22.22% 5	23.32% 6	25.84% 5	25.37% 4					
MBG	10.46 16	8.33 12	8.60 8	9.83 10	8.46 7	14.39% 13	16.30% 11	15.02% 10	12.66% 12	14.20% 11					
NIB	6.27 6	8.07 10	8.67 9	7.92 6	5.04 2	23.12% 6	18.25% 7	38.02% 2	38.16% 2	45.75% 2					
CAL	7.38 8	5.41 3	5.19 2	8.24 7	7.57 6	24.14% 5	28.57% 4	29.31% 4	18.42% 7	20.00% 6					
PBL	19.10 20	15.99 20	18.17 18	20.41 16	19.15 17	7.76% 20	8.81% 19	9.53% 17	9.85% 16	7.86% 16					
Stanbic	8.82 12	7.79 8	7.79 7	5.10 1	12.84 15	14.85% 11	17.62% 8	17.62% 8	27.04% 4	12.59% 13					
FAMBL	16.82 19	12.28 17	14.63 16	15.01 15	10.94 11	13.75% 15	15.41% 12	15.07% 9	12.80% 11	14.83% 9					
TTB	8.96 13	9.73 15	12.56 14	13.19 14	12.81 14	14.65% 12	13.68% 14	10.95% 16	10.45% 15	11.54% 15					
HFC	9.91 15	6.69 6	6.11 4	5.75 2	6.08 4	19.50% 8	37.59% 2	56.12% 1	82.59% 1	165.62% 1					
ICB	7.40 9	6.08 5	5.13 1	7.00 5	5.38 3	18.74% 9	20.84% 6	25.34% 5	18.75% 6	24.27% 5					
ABL	8.81 11	11.93 16	12.58 15	27.36 17	17.29 16	13.54% 16	11.83% 16	11.50% 14	7.89% 17	7.29% 17					
ZBL	4.21 3	1.38 2				12.81% 17	394.86% 1								
UGL	5.20 4	8.18 11	6.78 6	11.71 13	9.48 9	28.44% 4	16.99% 10	22.55% 7	11.17% 14	14.49% 10					
M&AB	4.09 2	12.71 18	15.52 17	-6.71 18	-7.96 18	36.10% 2	10.07% 17	7.94% 18	-15.14% 18	-13.15% 18					
GTB	3.10 1	1.02 1				64.50% 1									
Industry	8.75	7.90	8.54	8.99	8.67	16.09%	17.76%	17.15%	17.16%	18.49%					

**R: rank**

# Ghana Banking Survey 2007

Category:	Capital structure and financial risk										
Measure:	Equity/ advances					Total debt ratio					
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R	
GCB	24.42% 12	27.36% 11	27.41% 11	26.96% 11	44.04% 6	0.89 8	0.88 12	0.90 11	0.91 11	0.91 12	
SCB	29.78% 9	30.01% 9	27.05% 12	28.88% 8	30.29% 10	0.90 13	0.87 9	0.90 12	0.89 8	0.91 10	
BBG	16.50% 16	19.52% 17	24.77% 14	24.44% 14	29.66% 13	0.91 16	0.89 13	0.89 10	0.90 9	0.89 8	
ADB	46.05% 5	49.08% 3	66.23% 2	53.60% 3	61.41% 3	0.83 4	0.82 4	0.82 3	0.85 4	0.79 1	
EBG	23.51% 13	20.10% 16	29.18% 10	24.23% 15	24.95% 15	0.91 17	0.93 19	0.91 13	0.91 12	0.91 13	
SG-SSB	35.88% 8	32.00% 8	49.48% 5	43.74% 4	44.85% 5	0.86 5	0.86 7	0.85 5	0.84 3	0.85 5	
MBG	14.68% 19	20.12% 15	24.92% 13	27.51% 9	32.51% 8	0.90 15	0.88 11	0.88 8	0.90 10	0.88 7	
NIB	28.49% 10	25.40% 12	21.80% 16	35.28% 6	49.97% 4	0.98 20	0.90 15	0.88 9	0.87 6	0.80 2	
CAL	24.85% 11	45.05% 4	52.79% 4	32.61% 7	34.73% 7	0.86 6	0.82 3	0.81 2	0.88 7	0.87 6	
PBL	9.07% 20	13.16% 19	16.30% 17	21.75% 16	16.70% 17	0.95 19	0.94 20	0.94 18	0.95 16	0.95 17	
Stanbic	21.25% 14	43.27% 5	43.27% 6	79.72% 2	70.49% 2	0.89 10	0.87 8	0.87 7	0.80 1	0.92 15	
FAMBL	14.87% 18	17.29% 18	15.89% 18	17.08% 17	29.89% 12	0.94 18	0.92 17	0.93 16	0.93 15	0.91 11	
TTB	19.75% 15	22.48% 13	32.10% 9	26.53% 12	31.35% 9	0.89 11	0.90 14	0.92 14	0.92 14	0.92 14	
HFC	16.41% 17	35.39% 6	42.09% 7	41.67% 5	25.29% 14	0.90 14	0.85 6	0.84 4	0.83 2	0.84 4	
ICB	57.75% 3	75.65% 2	98.85% 1	90.16% 1	127.28% 1	0.86 7	0.84 5	0.81 1	0.86 5	0.81 3	
ABL	40.99% 7	32.39% 7	35.81% 8	25.08% 13	24.30% 16	0.89 9	0.92 16	0.92 15	0.96 17	0.94 16	
ZBL	51.31% 4	1229.57% 1				0.89 12	0.28 2				
UGL	45.30% 6	28.60% 10	55.85% 3	27.34% 10	30.17% 11	0.81 3	0.88 10	0.85 6	0.91 13	0.89 9	
M&AB	78.62% 2	21.99% 14	23.77% 15	-52.35% 18	-45.25% 18	0.76 2	0.92 18	0.94 17	1.15 18	1.13 18	
GTB	194.84% 1					0.68 1	0.02 1				
Industry	24.97%	28.85%	32.33%	31.76%	37.27%	0.89	0.87	0.88	0.89	0.88	

**R: rank**

# Ghana Banking Survey 2007

Category:	Capital structure and financial risk									
Measure:	Total liabilities/ equity					Long term liabilities/ equity				
Bank	2006 R	2005 R	2004 R	2003 R	2002 R	2006 R	2005 R	2004 R	2003 R	2002 R
GCB	7.72 9	7.37 13	8.71 11	9.73 12	9.99 13	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
SCB	8.82 14	6.93 9	8.93 12	8.40 9	9.79 11	0.49 15	0.00 1	0.10 8	0.11 9	0.30 12
BBG	9.90 17	8.20 14	8.36 10	8.72 10	7.91 9	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
ADB	4.90 4	4.54 4	4.53 3	5.45 5	3.74 2	0.74 16	0.61 16	0.95 16	1.22 16	0.51 14
EBG	10.04 18	12.56 19	10.55 13	10.13 13	10.48 14	0.41 14	0.48 15	0.29 11	0.29 12	0.33 13
SG-SSB	6.19 6	6.34 7	5.62 5	5.40 4	5.61 6	0.06 11	0.10 12	0.15 9	0.13 10	0.16 10
MBG	9.46 16	7.32 12	7.60 8	8.83 11	7.46 8	0.00 1	0.00 1	0.00 1	0.01 8	0.01 9
NIB	6.13 5	7.30 11	7.67 9	6.92 7	4.04 3	0.80 17	0.70 18	0.36 14	0.47 13	0.00 8
CAL	6.38 7	4.41 3	4.19 2	7.24 8	6.57 7	1.87 19	0.65 17	0.46 15	0.93 15	0.67 16
PBL	18.10 20	14.99 20	17.17 18	19.41 17	18.15 18	1.67 18	1.01 19	0.99 17	2.07 17	0.91 17
Stanbic	7.82 11	6.79 8	6.79 7	4.10 2	11.84 16	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
FAMBL	15.82 19	11.28 17	13.63 16	14.01 16	9.94 12	0.13 12	0.15 14	0.30 12	0.20 11	0.21 11
TTB	7.96 12	8.73 15	11.56 14	12.19 15	11.81 15	0.05 10	0.15 13	0.33 13	0.70 14	0.65 15
HFC	8.91 15	5.69 6	5.11 4	4.75 3	5.08 5	3.09 20	2.78 20	3.13 18	3.27 18	4.32 18
ICB	6.40 8	5.08 5	4.13 1	6.00 6	4.38 4	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
ABL	7.81 10	10.93 16	11.58 15	26.36 18	16.29 17	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
ZBL	8.02 13	0.38 2				0.00 1	0.00 1			
UGL	4.20 3	7.18 10	5.78 6	10.71 14	8.48 10	0.00 1	0.00 1	0.24 10	0.00 1	0.00 1
M&AB	3.09 2	11.71 18	14.52 17	-7.71 1	-8.96 1	0.00 1	0.00 1	0.00 1	0.00 1	0.00 1
GTB	2.10 1	0.02 1				0.16 13	0.00 1			
Industry	7.81	6.91	7.54	7.99	7.67	0.40	0.26	0.33	0.43	0.32

**R: rank**

# Glossary of key financial terms, equations and ratios

<b>Capital adequacy ratio</b> is the ratio of adjusted equity base to risk adjusted asset base as required by the Bank of Ghana (BoG)
<b>Cash assets</b> includes cash on hand, balances with the central bank, money at call or short notice, and cheques in course of collection and clearing
<b>Cash ratio</b> = (Total cash assets + Total liquid assets) , (Total assets - Net book value of fixed assets - Investments in subsidiaries and associated companies)
<b>Cash tax rate</b> = Actual tax paid , Net operating income
<b>Cost income ratio</b> = Non-interest operating expenses , Operating income
<b>Current ratio</b> = (Total assets - Net book value of fixed assets – Investments in subsidiaries and associated companies) , (Total liabilities - Long term borrowings)
<b>Dividend payout ratio</b> = Proposed dividends , Net profit
<b>Dividend per share</b> = Proposed dividends , Number of ordinary shares outstanding
<b>Earnings per share</b> = After tax profits before proposed profits , Number of ordinary shares outstanding
<b>Financial leverage ratio</b> = Total assets , common equity
<b>Liquid assets</b> 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
<b>Loan loss provisions</b> = (General and specific provisions for bad debts + Interest in suspense) , Gross loans and advances
<b>Loan portfolio profitability</b> = (Interest income attributable to advances - Provisions for bad and doubtful loans) , Net loans and advances
<b>Loan loss rate</b> = Bad debt provisions , Average operating assets
<b>Net book value per share</b> = Total shareholder's funds , Number of ordinary shares outstanding
<b>Net interest income</b> = Total interest income - Total interest expense
<b>Net interest margin</b> = Net interest income , Average operating assets
<b>Net operating income</b> = Total operating income - Total non-interest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits
<b>Net operating (or intermediation) margin</b> = [(Total interest income + Total non-interest operating revenue) , Total operating assets] - [Total interest expense , Total interest-bearing liabilities]
<b>Net profit</b> = Profit before tax - Income tax expense
<b>Net spread</b> = (Interest income from advances , Net loans and advances) - (Interest expense on deposits , Total deposits)
<b>Non-interest operating expenses</b> include employee related expenses, occupancy charges or rent, depreciation and amortisation, directors emoluments, fees for professional advice and
<b>Non-interest operating revenue</b> includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service charges
<b>Non-operating assets</b> comprises net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets, including
<b>Operating assets</b> include cash and liquid assets, loans and advances, and any other asset that <i>directly</i> generates interest or fee income
<b>Operating income</b> = Net interest income + Non-interest operating revenue
<b>Profit after tax margin</b> = Profit after tax , Total operating income
<b>Profit before tax margin</b> = Profit after extraordinary items but before tax , Total operating income
<b>Quick (acid test) ratio</b> = (Total cash assets + Total liquid assets) , (Total liabilities - Long term borrowings)
<b>Return on assets</b> = Profit after tax , Average total assets
<b>Return on equity</b> = Profit after tax , Average total shareholders' funds
<b>Shareholders' funds</b> comprise paid-up stated capital, income surplus, statutory reserves, capital surplus or revaluation reserves
<b>Total assets</b> = Total operating assets + Total non-operating assets
<b>Total debt ratio</b> = Total liabilities , Total assets

## About us

**Worldwide**, PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) is the largest and leading professional services firm that provides industry-focused assurance, tax and advisory services for public and private clients. More than 140,000 people in 149 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

### Our key service offerings

We organise our service offerings into Lines of Service, with highly qualified, experienced professionals, who have industry specific experience and focus:

**Assurance** — providing solutions to organisations' financial control, regulatory reporting, shareholder value and technology issues

**Advisory** — providing comprehensive financial, economic, and strategic advice to organisations with complex business problems

**Tax** — formulating effective strategies for optimising taxes, implementing innovative tax planning, and effectively maintaining compliance.

### Our industry focus

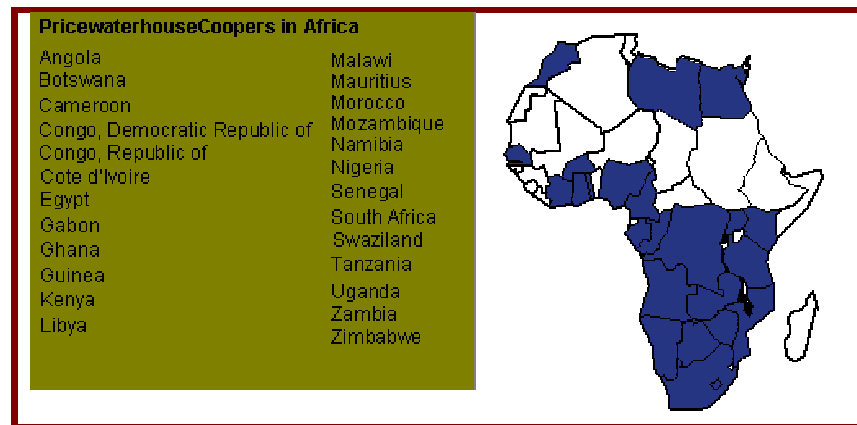
Our approach to delivering these services involves developing deep expertise and understanding of the industries in which our clients operate. We have established specialised groups of consultants and advisers covering the following key sectors:

- + Financial Services
- + Government Services
- + Consumer and Industrial Products & Services
- + Energy
- + Telecoms
- + Infrastructure
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# Ghana Banking Survey 2007

**In Africa**, PricewaterhouseCoopers firms have established 57 permanent offices employing more than 6,000 professional staff located in 29 countries. We believe that we are the only professional services firm that can offer the highest level of quality services in every country in Africa. From these strategically located offices we provide a range of professional business advisory services to Governments, Non-Governmental Organisations, international funding institutions governments and leading global and national companies.

Our permanent offices in Africa can be found in:



**In Ghana**, PricewaterhouseCoopers have seven partners and directors and over 130 employees. The firm in Ghana provides the same services as the global firm, i.e. assurance, tax and advisory services, and in accordance with the same professional standards adopted by the worldwide organisation.

The Ghana firm, which is a full member of the global firm of PricewaterhouseCoopers, has unrestrained access to the global firm's vast resource base of proprietary knowledge and methodologies, and experience.

Our clients include the most prominent private sector businesses – both multinational and national; most government institutions – at national and local levels; and the major international financial institutions.

From Ghana, the firm services clients located in or with business and development interests in Sierra Leone, Liberia, and The Gambia.

Part of our proud achievements include the prominent roles we have played in supporting governments to implement challenging major reform initiatives across the continent.

For instance, we have advised on public sector institutional restructuring and organizational development, public sector reform, liberalization and privatization of utilities and infrastructure sectors, liberalization of financial markets, and modernization of tax, customs and exchange control regimes.



# Ghana Banking Survey 2007

Category:	Capital structure and financial risk									
Measure:	Capital adequacy ratio									
Bank	2006	R	2005	R	2004	R	2003	R	2002	R
GCB	n/a		n/a		9.10%	11	12.60%	7	8.45%	13
SCB	15.00%	12	12.00%	5	9.27%	10	9.50%	12	8.00%	14
BBG	17.00%	11	14.40%	3	14.90%	5	12.40%	9	11.30%	8
ADB	19.10%	10	n/a		21.11%	1	17.40%	4	14.62%	4
EBG	11.90%	17	9.99%	8	8.71%	12	10.82%	10	9.72%	10
SG-SSB	27.47%	5	n/a		15.13%	4	17.54%	3	12.00%	6
MBG	11.98%	16	n/a		11.82%	7	10.03%	11	8.90%	11
NIB	21.87%	8	12.40%	4	19.85%	2	34.02%	2	27.70%	2
CAL	13.00%	14	10.90%	7	13.22%	6	12.49%	8	9.79%	9
PBL	10.47%	19	n/a		5.22%	16	6.43%	16	7.64%	15
Stanbic	14.50%	13	27.00%	1	7.79%	14	15.40%	5	21.50%	3
FAMBL	10.65%	18	6.53%	9	8.64%	13	9.27%	13	8.46%	12
TTB	12.92%	15	11.10%	6	11.70%	8	14.09%	6	12.78%	5
HFC	21.00%	9	26.00%	2	n/a		n/a		n/a	
ICB	29.00%	3	n/a		18.60%	3	55.29%	1	50.31%	1
ABL	22.70%	7	n/a		5.78%	15	7.12%	15	11.91%	7
ZBL	23.40%	6								
UGL	28.33%	4	n/a		10.55%	9	8.20%	14	n/a	
M&AB	49.41%	2	-34.45%	10	-12.56%	17	1.50%	17	7.08%	16
GTB	60.60%	1								
Industry										
<b>R: rank</b>										

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