

The Global Financial Meltdown:

Will Ghana's Banking Industry survive the crunch?*

Ghana Banking Survey

2009

Disclaimer

This report - Ghana Banking Survey 2009 – is a joint collaboration of PricewaterhouseCoopers (PwC) and the Ghana Association of Bankers (GAB). 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 2004 and 2008. 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 2004 to 2008 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	ICB	International Commercial Bank Limited
ADB	Agricultural Development Bank Limited	IFRS	International Financial Reporting Standards
Baroda	Bank of Baroda Limited	IBG	Intercontinental Bank (Ghana) Limited
BBGL	Barclays Bank of Ghana Limited	IMF	International Monetary Fund
BOG	Bank of Ghana	MBG	Merchant Bank (Ghana) Limited
BSIC	Sahel -Sahara Bank Limited	NIB	National Investment Bank Limited
CAL	CAL Bank Limited	PAT	Profit after tax
DPS	Dividend per share	PBL	Prudential Bank Limited
EBG	Ecobank Ghana Limited	PBT	Profit before tax
EPS	Earnings per share	PwC	PricewaterhouseCoopers (Ghana) Limited
FAMBL	First Atlantic Merchant Bank Limited	ROA	Return on assets
FBL	Fidelity Bank Limited	ROCE	Return on capital employed
GAAP	Generally Accepted Accounting Principles	ROE	Return on equity
GAS	Ghana Accounting Standards	SCB	Standard Chartered Bank Ghana Limited
GCB	Ghana Commercial Bank Limited	SG-SSB	SG-SSB Bank Limited
GDP	Gross Domestic Product	Stanbic	Stanbic Bank Ghana Limited
GTB	Guaranty Trust Bank (Ghana) Limited	TTB	The Trust Bank Limited
HFC	HFC Bank (Ghana) Limited	UBA	United Bank of Africa (Ghana) Limited
IASB	International Accounting Standards Board	UGL	UniBank Ghana Limited
ICAG	Institute of Chartered Accountants, Ghana	UTB	UT Bank Limited*
ICT	Information and Communication Technology	ZBL	Zenith Bank (Ghana) Limited

**In April 2009, BPI Bank changed its name to UT Bank*

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Participating banks

22 out of the 25 banks currently operating in the country participated in this year's survey as listed in the table below.

Name of bank	Year of incorporation	Majority ownership	Number of branches	Chief Executive Officer(as at May 2009)
Agricultural Development Bank Limited	1965	Local	51	Yaw Opoku Atuahene
Amalgamated Bank Limited	1997	Foreign	12	Menson Torkonoo
Barclays Bank of Ghana Limited	1917	Foreign	154	Benjamin T Dabrah
Bank of Baroda Limited	2007	Foreign	1	V Sreedharan
BSIC Ghana Limited**	2008	Foreign	1	Robert Bentil
UT Bank Limited	1995	Local	9	Prince K. Amoabeng
CAL Bank Limited*	1990	Local	13	Frank Adu Jr.
Ecobank Ghana Limited*	1990	Foreign	44	Samuel Ashitey Adjei
Fidelity Bank Limited	2006	Local	9	Edward Effah
First Atlantic Merchant Bank Ltd	1994	Local	5	Jude Arthur
Ghana Commercial Bank Limited*	1953	Local	148	Lawrence Newton Adu-Mante
GT Bank (Ghana) Limited	2004	Foreign	9	Dolapo Ogundimu
HFC Bank Gh. Limited*	1990	Local	17	Asare Akuffo
Intercontinental Bank Limited	2006	Foreign	12	Albert Mmegwa
International Commercial Bank (Ghana) Limited	1996	Foreign	12	L K Ganapathiraman
Merchant Bank (Ghana) Limited	1971	Local	15	Osei Owusu
National Investment Bank Ltd**	1963	Local	27	Percival Alfred Kuranchie
Prudential Bank Limited	1993	Local	9	Stephen Sekyere Abankwa
SG-SSB Bank Limited*	1975	Foreign	29	Alain Bellissard
Stanbic Bank (Ghana) Limited	1999	Foreign	13	Alhassan Andani
Standard Chartered Bank Ghana Limited*	1896	Foreign	19	Hemen Shah
The Trust Bank Limited	1996	Local	17	Isaac Owusu-Hemeng
UniBank Ghana Limited	1997	Local	12	Ammish Owusu Amoah
United Bank of Africa (Ghana) Limited**	2004	Foreign	16	Nnamdi Okonkwo
Zenith Bank (Ghana) Limited	2005	Foreign	12	Andy Ojei

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

** These banks did not participate in this year's survey

Introduction

Ghana Banking Survey 2009

Dear reader

We are pleased to share with you the results of our 2009 annual survey of Ghana's banking industry.

Out of 25 banks licensed to operate in Ghana, 22 banks participated in the survey.

In 2008, the global financial crisis intensified. The year saw a collapse of reputable global financial institutions and unprecedented government support for some banks in Europe and the United States.

In spite of the global financial crisis, the Ghana banking industry remained stable. Industry return on equity (ROE) and return on assets (ROA) remained at 22% and 2% respectively. Net interest income for the industry and net profit after tax increased by 38% and 32% respectively.

All the banks adopted the IFRS reporting framework for the year ended 31 December 2008. To facilitate a more realistic analysis, we have therefore limited our analysis of the banks financial performance to only 2008 and 2007 (using restated IFRS figures).

The first part of this report, focuses on the impact of the global financial crises on the Ghana banking industry. We have also presented under this first part, a backdrop of the macro-economic environment within which these banks operated.

The second part highlights and discusses key performance indicators and trends in the banking industry for the two years, 2007 and 2008.

We hope this publication will continue to inform and engender useful discussions amongst policy makers, regulators, banks and the business community at large.

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.

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 

Global financial meltdown: will
the industry survive the crunch?

The Global financial meltdown: It all began in 2007, as the sub-prime mortgage crisis in the United States

The Global financial meltdown

The financial crisis started in one corner of the US mortgage market, but the fallout from the collapse of the sub-prime lending bubble has spread across the globe. What began as crisis for individual markets and institutions has now undermined the foundations of the entire global financial system.

Credit markets were the first to be engulfed, but the contagion has subsequently reached all asset classes that were reliant on a combination of cheap money and high leverage, bringing the demise of the independent US investment banking model and sending countries from Iceland to Hungary cap-in-hand to the IMF.

The full extent of the interconnected nature of the world's financial markets has been revealed, as has the need to address the underlying global imbalances that underpinned investment flows before the crisis.

Financial institutions and governments have attempted desperately to contain the crisis with fresh capital from state coffers and sovereign wealth fund investors, with governments providing liquidity and financial guarantees and in some cases holding major or controlling stakes in banks. Hoping to ensure that a crisis on this scale is never repeated, governments and regulators are pursuing “zero risk” regulation. Their influence in the financial system will be far-reaching and long-term.

The result will be a banking system under a new stricter governance model, in which risks and returns will be lower, operating in a global economy that will look very different from the pre-crisis world order.

Its effects on Ghana

Emerging markets with relatively developed financial systems have been affected by their integration with global financial market. Through their global financial links, Ghana, Nigeria, Kenya and South Africa are suffering falling equity markets, reversal of capital flows, rising inflation and pressures on exchange rates more acutely in 2009.

Ghana relies heavily on the European Union (EU), US and Asia for its export markets. There is growing uncertainty as to how long Ghana can sustain a strong pace of economic growth in the face of sluggish demand in the major developed markets emanating from the rapidly evolving global downturn. In the 2009 budget, GOG recognised the impact of the global downturn and projected a GDP growth rate of 5.9% for 2009 as compared to 7.3% achieved in 2008.

Ghana and other emerging markets have been affected because of global economic linkages. The main exposure for banks is in the form of nostro balances and placements with banks abroad

The prices of Ghana's key exports, cocoa and gold, have continued to rise in 2009 despite the economic downturn. However, economists predict a protracted global recession, which may lead to a steep decline in the price of cocoa. The price of gold might, however, continue its rise because gold is considered a safe asset during economic crisis. The timber industry has been hard hit with falling demand in the real estate market in its export destinations – mostly Europe.

The most damaging potential effect of this crisis may come from reduced remittances and capital flows. Inward remittances into the country contribute an important source of inflow for the Ghanaian economy. According to Monetary Policy Committee Press Release – May 2009, the private inward transfers through the banks in the first quarter of 2009 was US\$1.98 billion, 7.3% decline from those for the same period in 2008.

Most bankers we spoke to were concerned about a further tightening of donor flows and expect drops in foreign direct investment in 2009.

To allay some of these fears, the G20 at the London Summit pledged more funds to developing countries through its multilateral agencies.

Impact on the industry

The limited participation in global market disintermediation and lack of integration with the global financial markets appear to shield the Ghana banking industry from a direct impact of the crisis.

The global downturn however still has an impact on Ghana's financial market . According to BOG's Financial Stability Report (Volume 5 No. 1/ 2009), the possible direct links to the global financial crisis by Ghanaian banks continue to remain their exposure to counterparties abroad in the form of nostro balances and placements

At 31st December 2008, nostro balances and placements constituted 82% of the industry's net worth.

Borrowings from foreign banks constitute a key source of funding for local banks. Stress analyses conducted by BOG show that only a significant default or recall of borrowings in excess of 50% could pose threat to the financial system. Placements, nostro balances and borrowings are concentrated with few international banks and thus require close monitoring of their performance.

Another threat to banks is their vulnerability to a substantial weakening in customers' incomes and debt servicing capabilities in an economic slowdown. The deterioration in asset quality of Ghana banks from 1.5% to 2.2% is an indication of the adverse impact of the global meltdown.

Analysts predict that the effects of the crisis on developing countries would be felt more significantly in 2009; however, the timing and quantum remains uncertain

A potential effect of the global crisis is the risk of contagion from distressed foreign banks to local banks. Parent banks could withdraw funds from subsidiaries by distributing profits, calling in loans to their subsidiaries and cutting back investments in local subsidiaries in emerging markets.

Conclusion

BOG has indicated that, over the past year a number of measures have been introduced that should re-enforce the ability of banks in Ghana to withstand shocks and protect the soundness of the financial system. This includes strengthening the regulatory and supervisory framework with the passage of the Borrowers and Lenders Act, 2008 (Act 773), the Non-Bank Financial Institution Act, 2008 (Act 774),

Home Mortgage Finance Act, 2008 (Act 770) and the Anti-Money Laundering Act, 2008 (Act 749).

The growth of the industry in 2008 suggests that global financial crisis did not have severe impact on the Ghana banking industry in 2008. However, analysts predict that the effects of the crisis for a developing country like Ghana would be more significant in 2009. However, the timing and quantum remains uncertain.

Overview – the economy

Ghana Banking Survey 2009

The economy grew at 7.3% ; in spite of the global economic downturn

Economic Growth

At the time that this report was being prepared, the Ghana Statistical Service had revised its previous estimated real GDP growth rate of 6.2% for 2008 to 7.3%. This is certainly a remarkable achievement given the challenges faced by the economy on both domestic and international fronts.

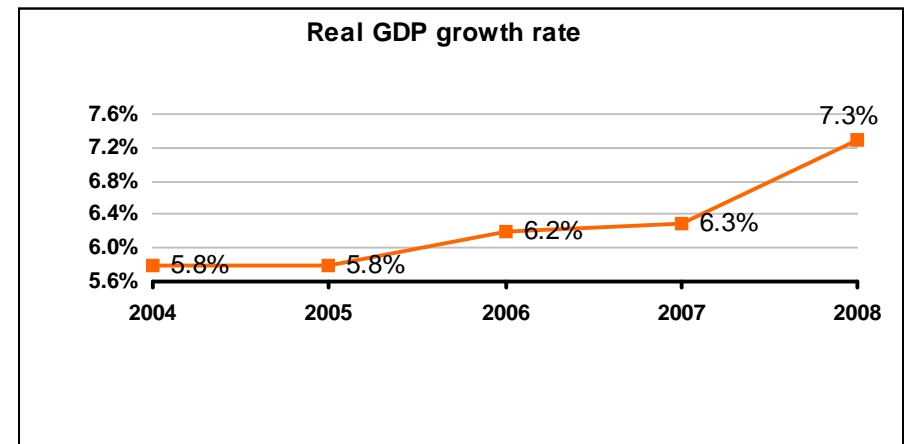
The Agriculture sector continues to dominate the economy, with a 34% share of total GDP. However growth for the year was only 5.1%. Dependence on the weather and elementary agricultural technology continue to hamper the growth of the agricultural sector.

The Services sector, which contributes 31.8% of total GDP led the growth at 9.3%. Growth in the sector was underpinned by significant growth in Wholesale and Retail, Hotels and Restaurants sub-sectors, due partly to

the Confederation of African Nations cup (CAN 2008) and African Union (AU) conference held during the year.

Next, was the industrial sector, largely import dependent, it grew by 8.1% and contributed 25.9% towards the 2008 total GDP.

The major contributory factor to the sector's growth was the electricity sub-sector's growth of 19.4% which recovered from a decline in 2007 due to the energy crisis experienced by the country in that year.



Source: MoFEP, 2009 Budget Statement

Sectoral growth rates	2004	2005	2006	2007	2008
Agriculture	7.5%	6.5%	5.7%	4.3%	5.1%
Industry	5.1%	5.6%	7.3%	7.4%	8.1%
Services	4.7%	5.4%	6.5%	8.2%	9.3%

Source: MoFEP, 2009 Budget Statement

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The single digit inflation rate remains elusive while the battle with interest rates rages on.....

Inflation

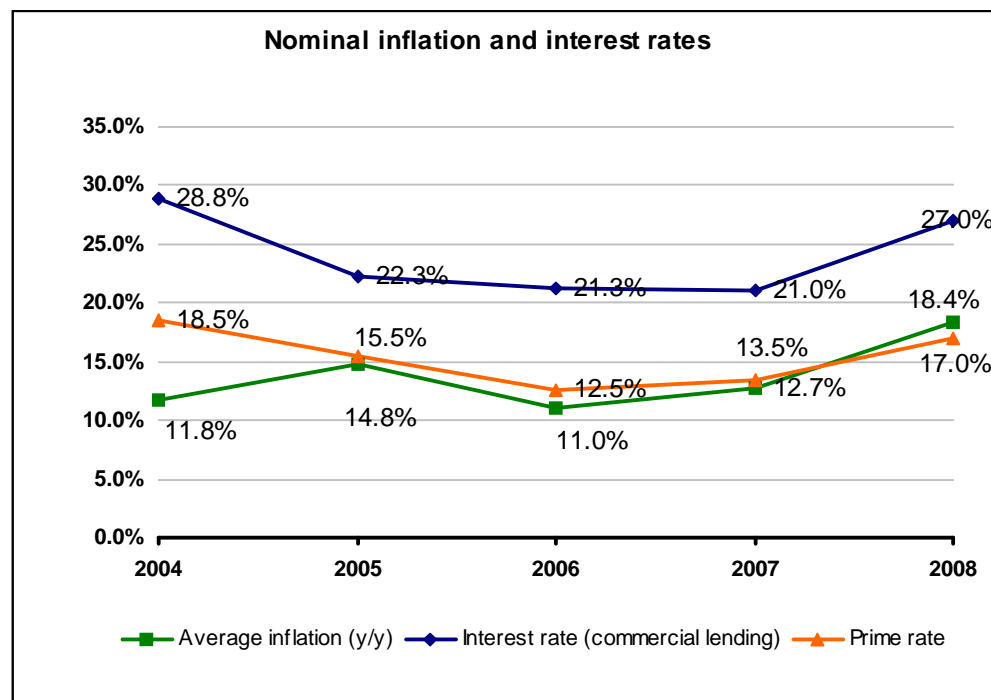
Between 2004 and 2007, year-on-year inflation remained relatively stable between 11.0% and 14.8%. However in 2008, the inflation rate surged, rising from 12.8% at the beginning of the 2008 and peaking at 18.4% in July 2008 mainly as a result of the rise in world market prices for crude oil- from US\$90 per barrel in January to a record high of US\$147 per barrel in July. Over the next four months, the inflationary pressure softened but picked up again in the last two months of the year to close the year at 18.1%.

A combination of factors accounted for the behaviour of the domestic inflation. Predominately among them were, high food prices, depreciation of the cedi and unfavourable oil prices prior to the onset of the global financial crisis.

Interest Rate

Over the last five years, the Central Bank's prime rate has moved in lock-step with the inflation rate,

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Source: Bank of Ghana statistics

but cautiously to prevent the crowding-out of the private sector.

In the course of the year, 2008, BOG raised the prime rate on three different occasions, from 13.5% in January to 14.25% in March to 16% in May and finally 17% in July, all in attempt to reduce inflation.

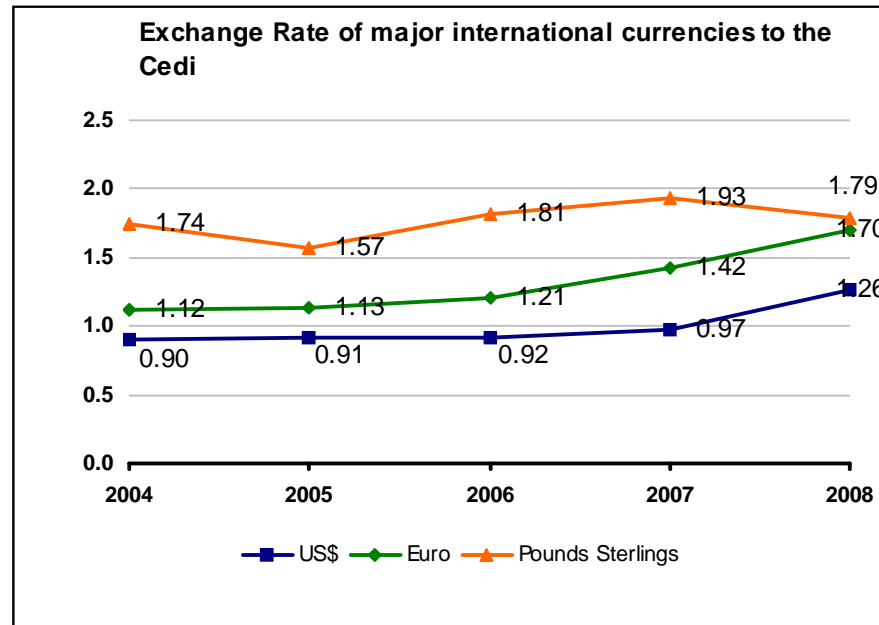
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The Ghana Cedi tumbled against all major global currencies with the exception of a weak British Pound Sterling.

Exchange Rate

After a relative stable period from 2004 to 2007, the cedi lost grip against the country's three major trading currencies in 2008. The cedi depreciated by 20.9% against the dollar and 17.3% against the euro. However, it appreciated by 9.0% against the pound.

The high imports bill and weak international reserves contributed to weakening the cedi against the dollar.



Source: MoFEP, 2009 Budget Statement

Overview – the industry

All banks managed to jump on the IFRS bandwagon by the deadline.....

Complying with IFRS

BOG directed all banks to adopt the IFRS reporting framework for preparing their financial statements for the year ended 31 December 2008. All banks stated in their 2008 published accounts that they had prepared their financial statements in accordance with the IFRS accounting framework.

For multinational banks listed on European stock exchanges, the directive had no effect on their reporting since they had already adopted the IFRS accounting framework to meet their group reporting requirements.

The most significant component of the cost of adoption for first time adopters was the cost of training staff. Banks anticipate further cost as they embed IFRS reporting and cope with subsequent amendments, interpretations and new standards.

A practical challenge may emerge as the regulatory reporting to BOG continues to remain along the lines of the Ghana GAAP while year end reporting is prepared under IFRS.

The parallel reporting creates a duplication of efforts and avoidable costs.

Preparation towards meeting the new minimum capital requirement

The year 2008 was also marked with preparations towards meeting the new stated capital requirements of GH¢60 million for foreign banks (banks with foreign majority ownership) by 31 December 2009 and GH¢25 million and GH¢60 million for local banks (banks with local majority ownership) by 31 December 2010 and 31 December 2012 respectively.

Almost all the banks we spoke to before finalising this report, regarding their respective preparation towards meeting the minimum capital requirement were certain of meeting the increase and concurred with BOG that the industry's capital needs to be shored up.

Apart from Merchant Bank Ghana Limited and The Trust Bank Limited who are in merger discussions, business combinations do not appear to be a desired option to achieve the minimum capital. The industry seems to favour other options.

Foreign unlisted banks have indicated that the extra capital will come from the parent, whereas local banks are considering private placements, rights issues and listings on the stock market.

On the basis of the information disclosed in the 2008 financial statements of banks, we have presented in the table on the next page, the current level of the respective bank's capital and how much will be needed to meet the minimum requirement.

We have assumed that banks would consider capitalising their income surplus as reported at 31 December 2008. We have also considered the withholding tax implications of this route to achieving the minimum capital required. Under Ghana Tax laws, a transfer from income surplus to stated capital attracts a withholding tax of 8% (currently).

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ADB, GCB, MBG and BBGL have already crossed the bridge life jackets must be on the way for most of the foreign banks; and local banks.....?

Meeting the minimum capital requirements – Status as at 31 December 2008

(Thousands of Ghana Cedis)

Bank	Status	Stated Capital	Share Deals	Income Surplus	Available Capital	Available Capital after tax	Minimum Capital	Additional Capital
BBGL	Foreign	46,096	-	27,697	73,793	71,577	60,000	-
EBG	Foreign	16,400	-	37,474	53,874	50,876	60,000	9,124
SCB	Foreign	13,131	-	43,162	56,293	52,840	60,000	7,160
SG-SSB	Foreign	7,000	2,944	36,616	46,559	43,630	60,000	16,370
Stanbic	Foreign	18,325	-	22,237	40,562	38,783	60,000	21,217
ZBL	Foreign	34,778	-	427	35,205	35,171	60,000	24,829
IBG	Foreign	14,359	-	2,014	16,373	16,212	60,000	43,788
ABL	Foreign	7,200	-	2,174	9,374	9,200	60,000	50,800
ICB	Foreign	7,759	-	18	7,777	7,776	60,000	52,224
GTB	Foreign	10,143	-	(2,719)	10,143	10,143	60,000	49,857
Baroda	Foreign	7,000	-	191	7,191	7,175	60,000	52,825
UBA	Foreign	17,508	3,075	(14,944)	20,583	20,583	60,000	39,417
GCB	Local	72,000	-	87,289	159,289	152,306	25,000	-
ADB	Local	50,000	-	13,952	63,952	62,836	25,000	-
MBG	Local	26,800	-	8,731	35,531	34,833	25,000	-
CAL	Local	8,272	1,911	10,559	20,742	19,897	25,000	5,103
HFC	Local	16,944	25	1,619	18,587	18,458	25,000	6,542
TTB	Local	7,000	-	11,476	18,476	17,557	25,000	7,443
PBL	Local	7,100	-	2,278	9,378	9,195	25,000	15,805
Fidelity	Local	8,617	-	(140)	8,617	8,617	25,000	16,383
UGL	Local	7,535	-	454	7,989	7,953	25,000	17,047
FAMBL	Local	7,012	-	(1,869)	7,012	7,012	25,000	17,988
UTB	Local	7,630	9,287	(8,295)	16,917	16,917	25,000	8,083
		418,609	17,242	280,399	744,218	721,786	995,000	462,003

Banks focused on enhancing and promoting existing products to improve visibility and upgraded banking IT platforms to enhance service delivery

Few new products were introduced to the market in 2008. Banks focused on enhancing and promoting existing products to improve visibility.

Notable among the few products launched, were the following tailor-made products, cut to fit the needs of specific groups in the market;

- **Hujjah account** – IBG – (to enable Muslims embark on their Hajj pilgrimage)
- **Edwardipa** – Fidelity – (to support small and medium enterprises (SMEs))
- **Boafo business credit** – SG-SSB – (to support SMEs)
- **Diva club account** – SCB – (for Women, offers discount on items bought from selected shops)
- **Royal banking** – GCB – (to provide differentiated services to the bank's high net worth customers)

Branch expansion programmes continued to be part of the growth strategy of banks in 2008 with a view to extending banking to the door step of customers.

The following banks had the highest additions to their existing branches in 2008;

- **BBG** – 59
- **EBG** – 12,
- **GCB** – 11
- **GTB** – 6,
- **HFC** – 6

In response to competitive pressure, banks continued to make significant investments in upgrading IT platforms by automating and centralising various back office activities to enhance the quality of service delivery to their customers. In 2008, SCB, EBG and GCB upgraded their banking application software.

In response to the increasing role of ICT in banks' service delivery, BOG published guidelines on branchless banking in August 2008 to allow collaboration between banks, telecommunication companies and merchants to provide greater access to banking and financial services to the wider public.

Also in 2008, a common electronic platform (the e-zwich) was established to further develop the payment and settlement system by making it possible to link all banking institutions with a biometric smartcard as a vehicle for inclusion of all segments of the population.

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The regulatory landscape was strengthened with four new Acts; Non-Bank Financial Institution Act, 2008 (Act 774) Home Mortgage Finance Act (Act 770), Borrowers and Lenders Act (Act 773) and Anti-money Laundering Act (Act 749).

The table opposite shows the key regulatory developments that have occurred within the industry over the past five years.

In 2008, four bills relating to the banking industry were passed into law by Parliament to support the development of the financial sector;

1. *The Borrowers and Lenders Act (Act 773)*- to ensure high level disclosure in creditor and borrower relations. It aims to give clarity to lending conditions and rights and obligations of lenders and borrowers.
2. *Non Bank Financial Institution Act (Act 774)*- it seeks to provide a framework to provide effective prudential regulation and supervision of the wide range of non-bank financial institutions.

Year	Key developments
2004	The Banking Act 2004 (Act 673) replaced the banking Law 1989 (PNDCL 225)
2006	Secondary deposits reserves requirement (15%) was abolished
2006	Foreign Exchange Act 2006 (Act 723) and Whistle Blowers Act 2006 (Act 720) came into effect
2007	Credit Reporting Act 2007 (Act 726) and Banking (Amendment) Act 2007 (Act 738) were passed
2007	National Reconstruction Levy was abolished
2007	Re-denomination of the Cedi (¢10,000=GH¢1)
2008	Borrowers and Lenders Act, 2008 (Act 773), Non-Banking Financial Institutions Act, 2008 (Act 774), Home Mortgage Finance Act, 2008 (Act 770) and Anti-money laundering Act, 2008 (Act 749) were passed.
2008	Banks to comply with International Financial Reporting Standards (IFRS)

3. *Home Mortgage Finance Act (Act 770)*-to regulate home mortgage financing and applies to transactions between financial institutions and their customers (mortgagor) to finance the construction, purchase, completion, extension or renovation of residential property either for ownership, sale or rental.
4. *Anti-money Laundering Act (Act 749)*- It seeks to prohibit money laundering and establish a Financial Intelligence Centre. Under the Act, a person commits the offence of money laundering if they knowingly convert, conceal, disguise, transfer, take possession of, or use property forming part of the proceeds of unlawful activity.

Quartile analysis

Ghana Banking Survey 2008

The industry's operating assets grew by 40% (but real growth was 18%) from the end of 2007. Cash assets had the highest growth rate of about 50%

Quartile grouping

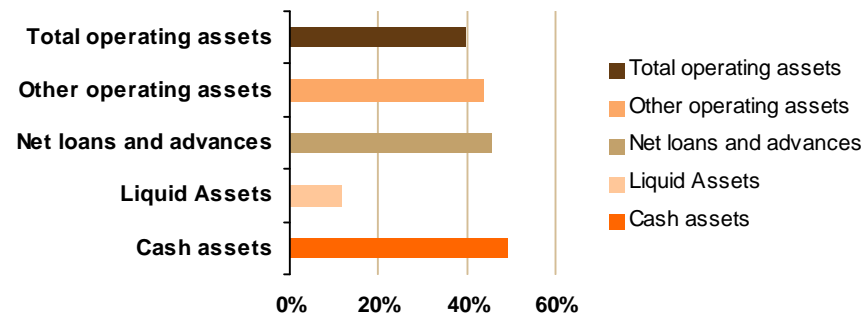
For a reasonable analysis and comparison, participating banks have been grouped into quartiles based on size of operating assets. We consider a bank's operating assets to be the key driver in value creation for stakeholders.

At the industry level, total operating assets increased by 40%, from GH¢7 billion in 2007 to GH¢ 9.57 billion in 2008. Cash assets had the highest growth rate of about 50%. This is not surprising in times of unfavourable macroeconomic conditions. Banks are reluctant to lend and credit conditions are further tightened because credit risk is perceived to be higher.

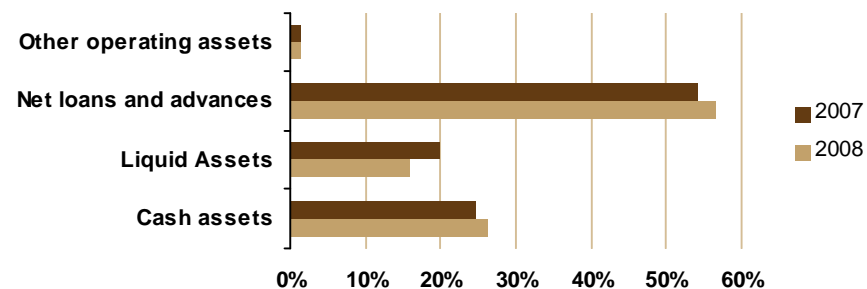
With the licensing of credit referencing bureaux, credit conditions may ease because banks can obtain useful information to objectively evaluate borrowers.

We have shown in the next few pages, a snapshot of changes in quartile arrangements and industry operating assets rankings.

Growth in operating assets



composition of operating assets



Ghana Banking Survey 2009

GTB, IBG,ZBL and UBA more than doubled their operating assetsbut GCB still led the league table

Total operating assets

(Thousands of Ghana Cedis)

	2008	2007(I)	Δ%	Rank (2008)	Rank (2007(I))	Quartile(2008)	Quartile(2007(I))	Crossover
GCB	1,578,491	1,093,864	44%	1	1	1	1	NONE
BBGL	1,275,904	1,090,078	17%	2	2	1	1	NONE
SCB	887,191	730,913	21%	3	3	1	1	NONE
EBG	793,793	604,862	31%	4	4	1	1	NONE
ADB	529,342	394,208	34%	5	6	1	1	NONE
Stanbic	441,744	346,180	28%	6	8	1	2	UP
MBG	418,582	443,711	-6%	7	5	2	1	DOWN
SG-SSB	410,692	390,220	5%	8	7	2	2	NONE
ZBL	368,296	140,045	163%	9	16	2	3	UP
HFC	364,677	155,036	135%	10	13	2	3	UP
FAMBL	360,506	159,138	127%	11	12	2	3	UP
CAL	314,540	219,799	43%	12	10	2	2	NONE
IBG	267,719	85,429	213%	13	18	3	4	UP
ABL	261,868	140,467	86%	14	15	3	3	NONE
PBL	260,768	229,023	14%	15	9	3	2	DOWN
TTB	243,601	205,504	19%	16	11	3	2	DOWN
Fidelity	213,417	142,826	17%	17	14	3	3	NONE
UBA	182,134	86,575	110%	18	17	3	3	NONE
GTB	159,820	34,393	365%	19	21	4	4	NONE
ICB	95,520	73,881	29%	20	19	4	4	NONE
UGL	90,822	56,915	60%	21	20	4	4	NONE
UTB	37,526	24,005	56%	22	22	4	4	NONE
Baroda	10,598	-	n/a	23	23	4	4	NONE
NIB	-	-	-	24	23	4	4	NONE
BSIC	-	-	-	24	23	4	4	NONE
Industry	9,567,552	6,847,072						

2007 (I)- restated on adoption of IFRS

Quartile analysis; the game of trading places ...

First Quartile group (Q1)

- The value of Q1 operating assets grew from GH¢4.26 billion (2007) to GH¢5.51 billion in 2008
- The number of Q1 banks remained at six from 2007. Stanbic – joined the ranks of the industry’s “top” quartile banks. MBG exited to Q2.
- GCB led the group, holding 16% of the industry’s total operating assets.

Second Quartile group (Q2)

- Q2 operating assets grew from GH¢1.1 billion (2007) to GH¢2.24 billion in 2008.
- Q2 banks increased in number from five to six between 2007 to 2008. Three Q3 banks entered; ZBL, HFC and FAMBL. PBL and TTB exited into Q3; and one Q1, MBG, bank joined
- MBG was the only bank which recorded a decline in operating assets, by 6%.

Third Quartile group (Q3)

- Q3 operating assets grew by 61% from GH¢0.89 billion to GH¢1.43 billion.
- Q3 banks similarly increased from five to six. IBG exited into Q2 with a remarkable growth of over 200%; TTB and PBL fell from Q2 to join the group; while ABL, Fidelity and UBA maintained their membership in the group from 2007.

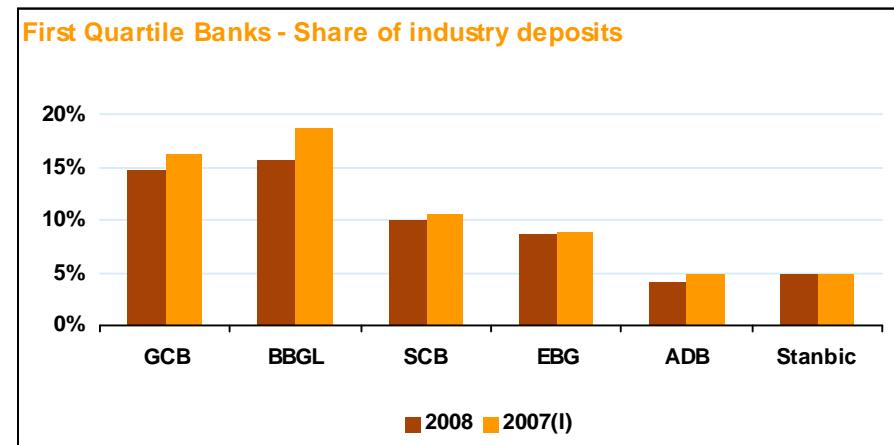
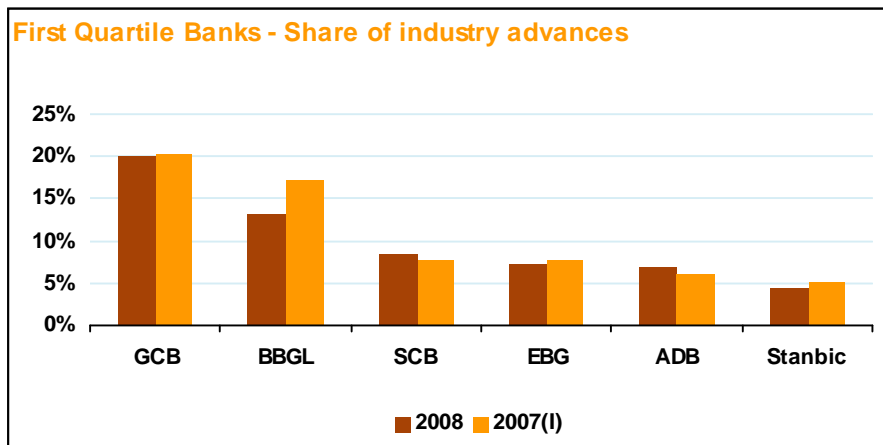
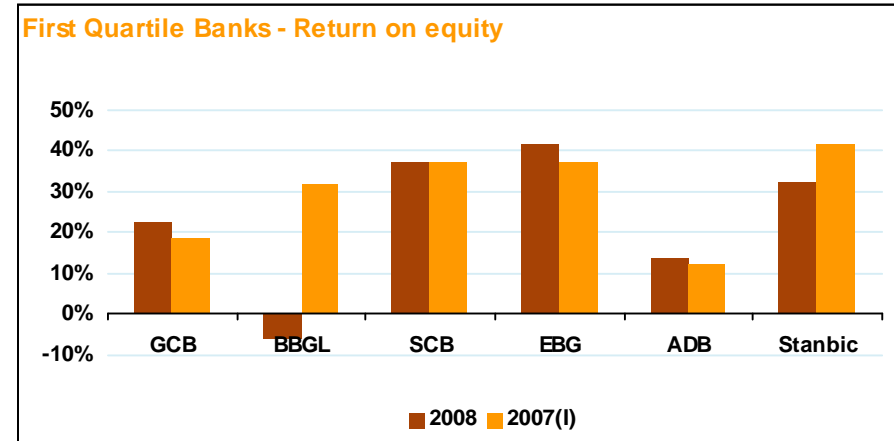
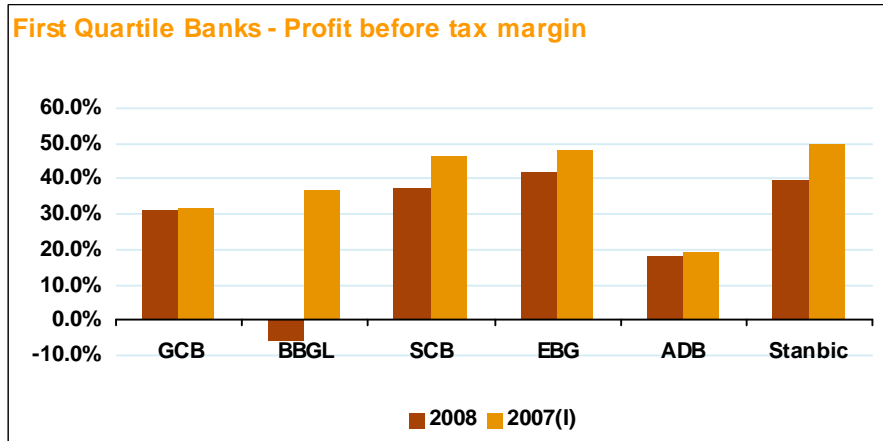
Fourth Quartile group (Q4)

- Except for GTB whose operating assets more than tripled from 2007 to 2008, Q4 banks’ operating assets had modest growth, between 29% to 56%.
- There were no movement in the number and composition of Q4 banks.
- The “newest kid on the block”- Baroda- made its debut in this group

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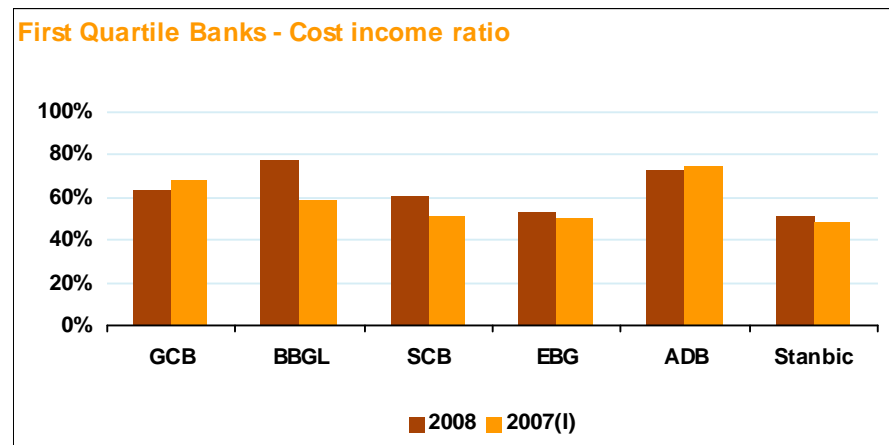
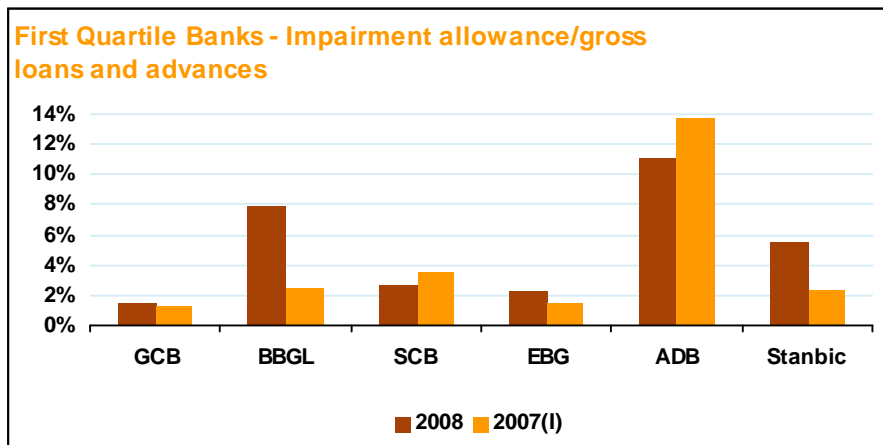
First Quartile Banks

GCB and BBGL competed for the group's deposits top position but GCB still held supreme in net advances....SCB, EBG and Stanbic were converging on returns and margins but BBGL seems out of step within the group.



First Quartile Banks

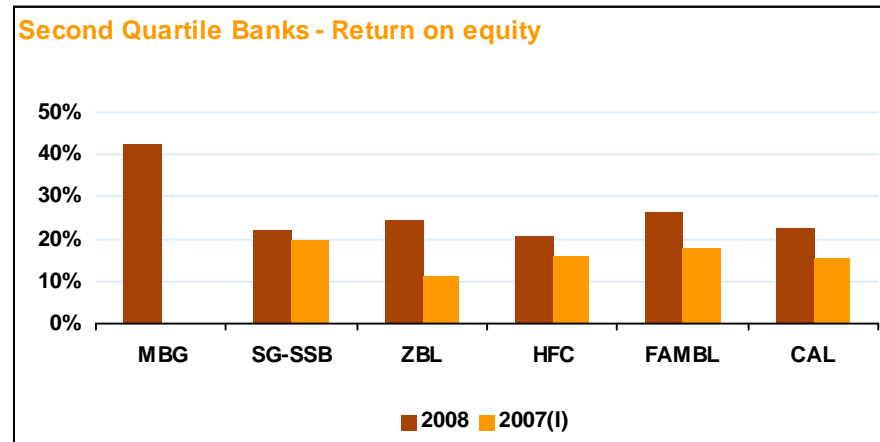
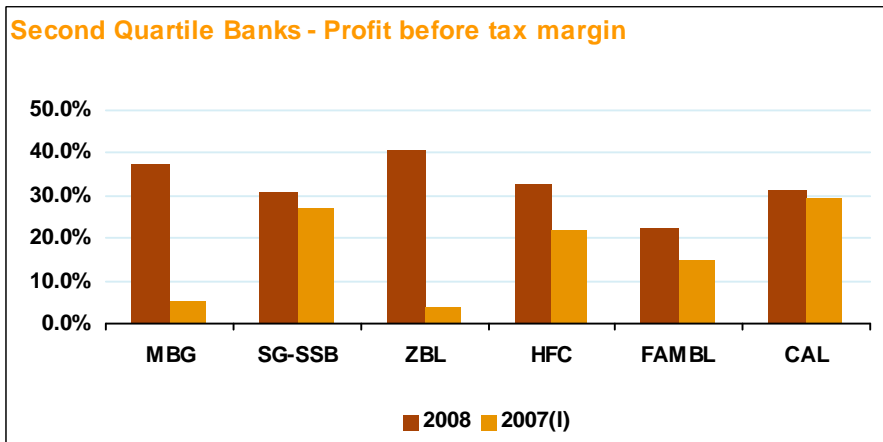
BBGL's asset quality deteriorated considerably over the year. Generally, the group appears to be struggling in managing cost.



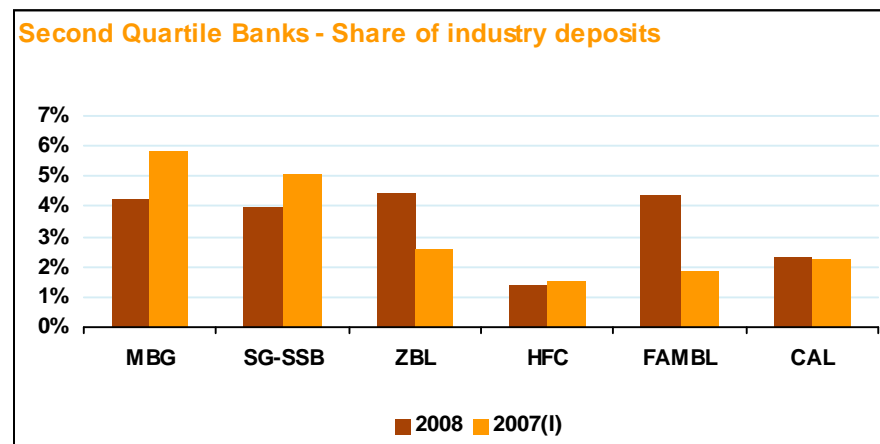
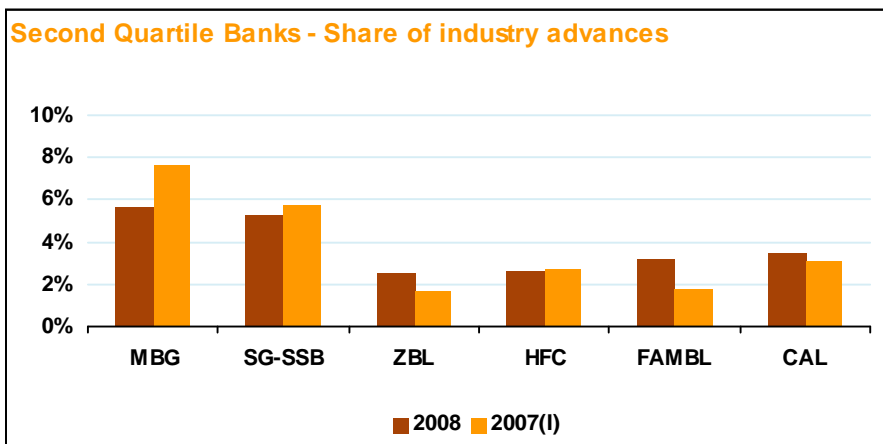
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Second Quartile Banks

ZBL and MBG obviously seem to have found their rhythm, with margins improving from about 5% (2007) to about 40% (2008). The fight for the top position within the group grew among MBG, SG-SSB, ZBL and FAMBL.



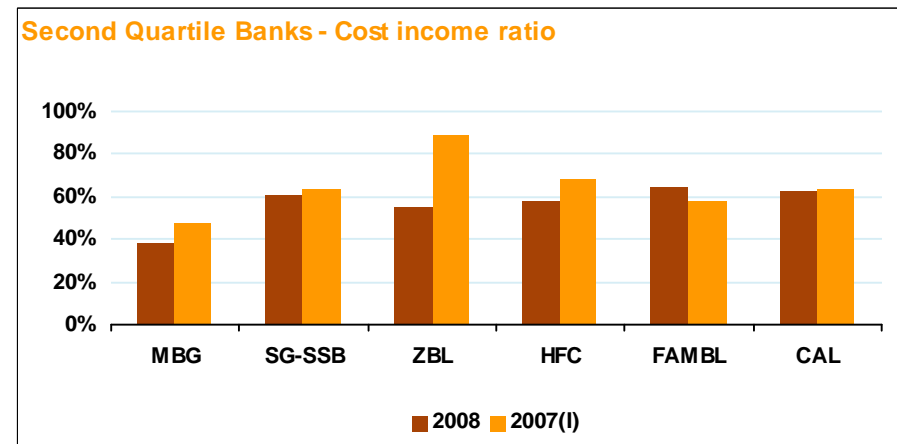
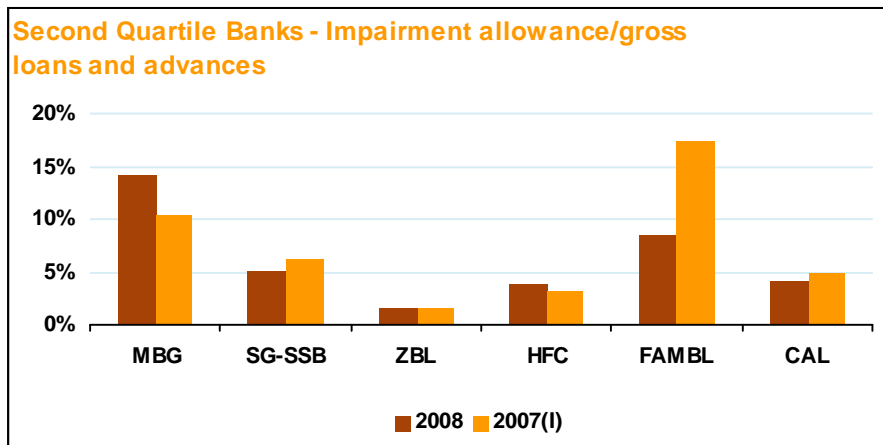
MBG's ROE for 2007 is almost zero



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Second Quartile Banks

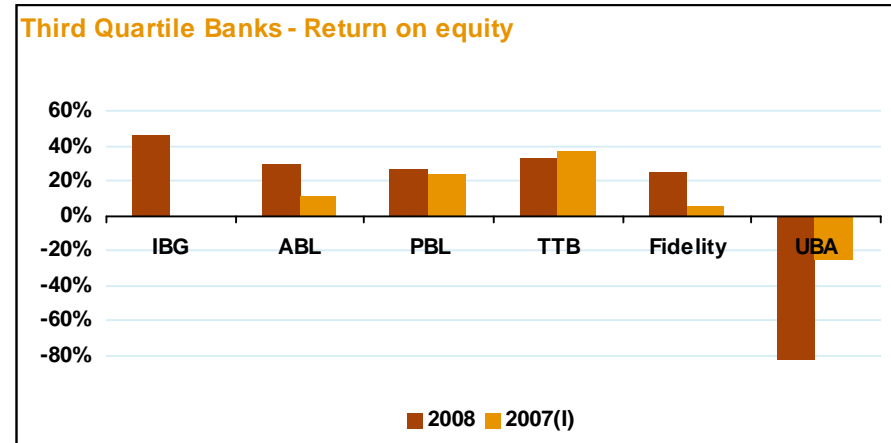
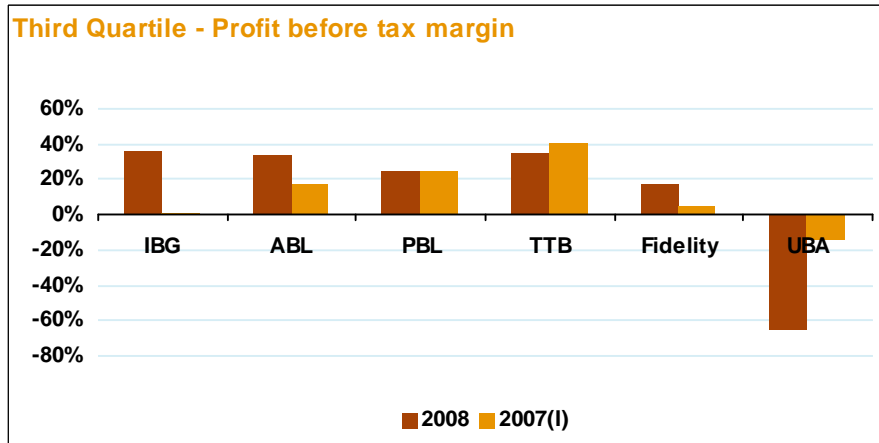
Except for MBG, asset quality improved for Q2 banks, with FAMBL leading; but its costs-income ratio did not improve



Ghana Banking Survey 2009

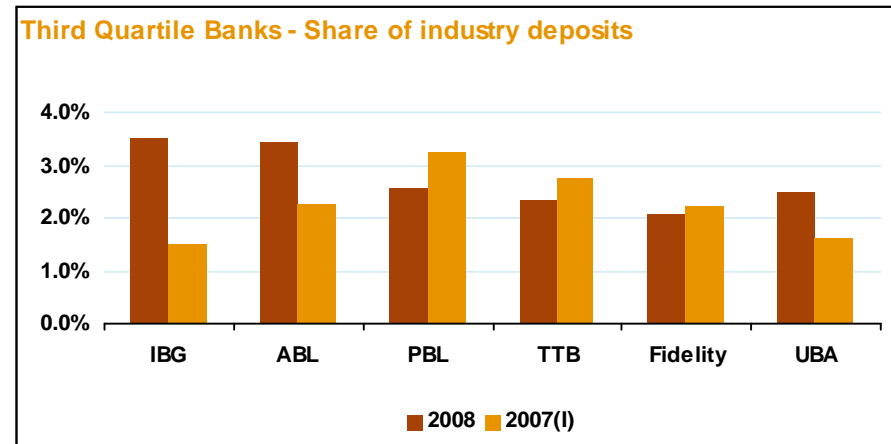
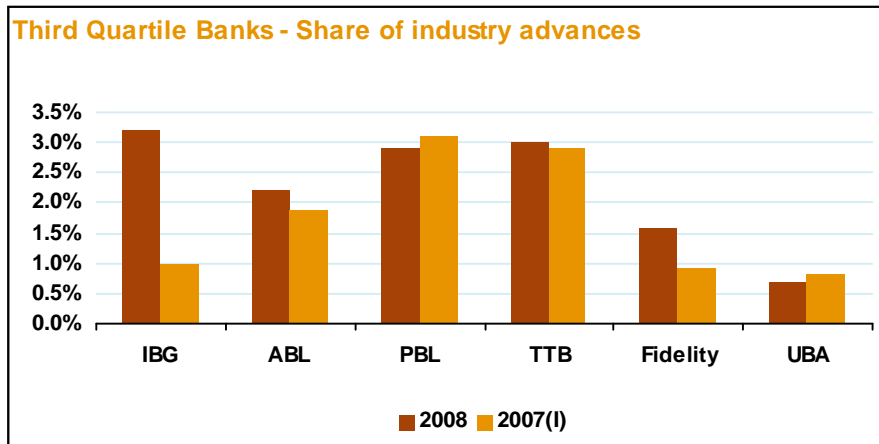
Third Quartile Banks

UBA experienced significant decline in margins and returns..... among the group IBG made the most gains in terms of share of industry deposits and advances



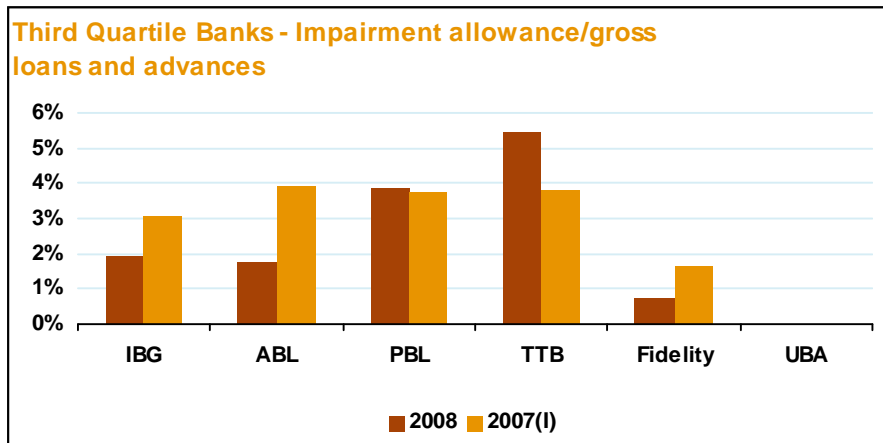
IBG's PBT margin for 2007 is almost zero

IBG's ROE for 2007 is almost zero

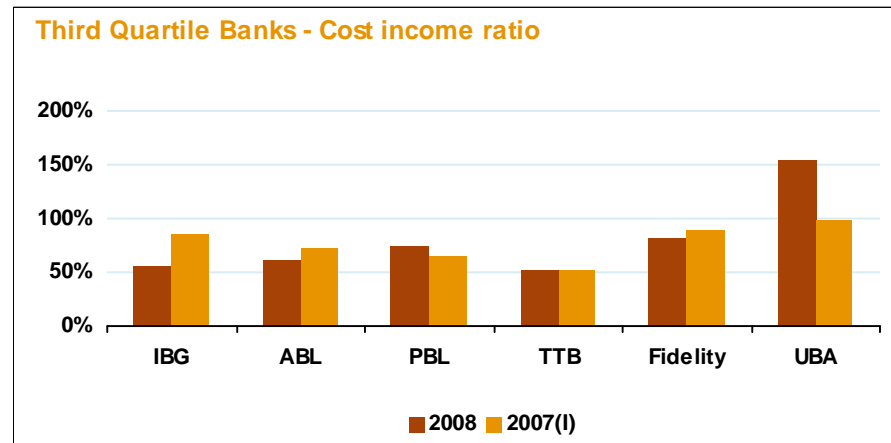


Third Quartile Banks

Quality of loan book worsened for the group's two new entrants - PBL and TTB.....
UBA's costs to income ratio worsened



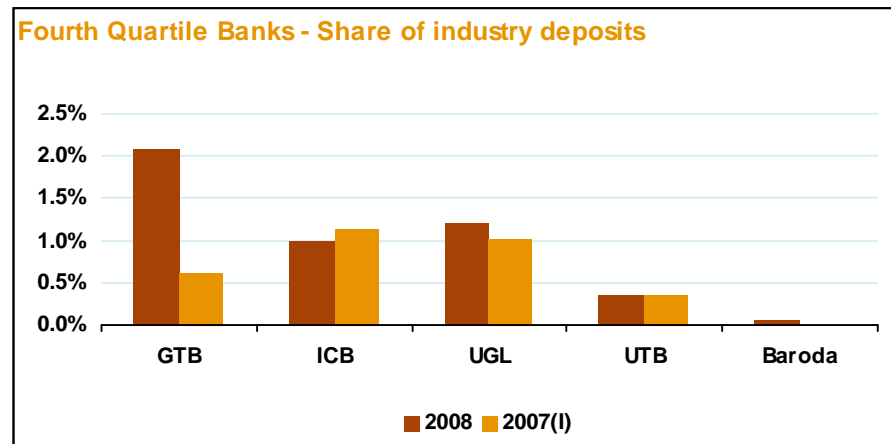
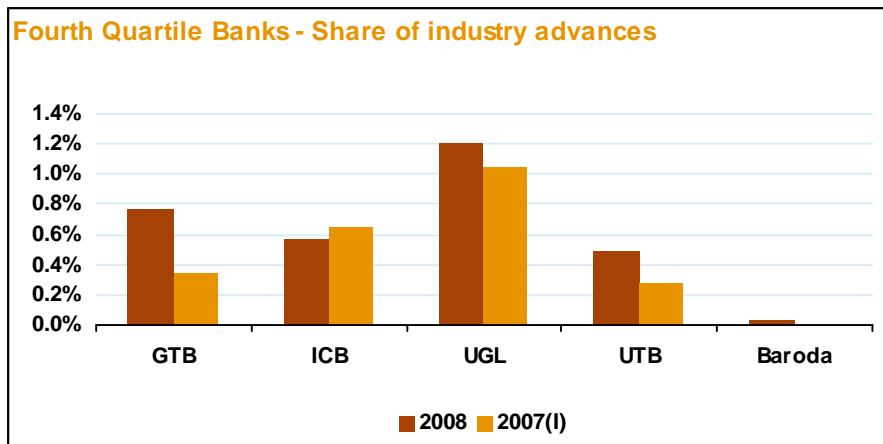
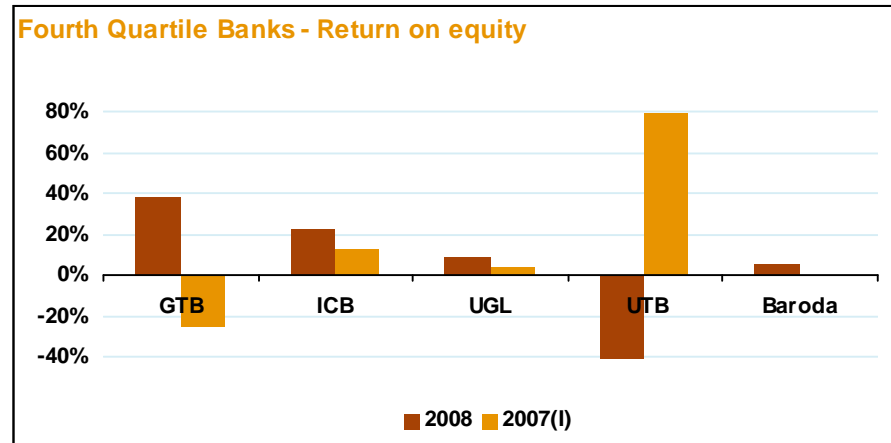
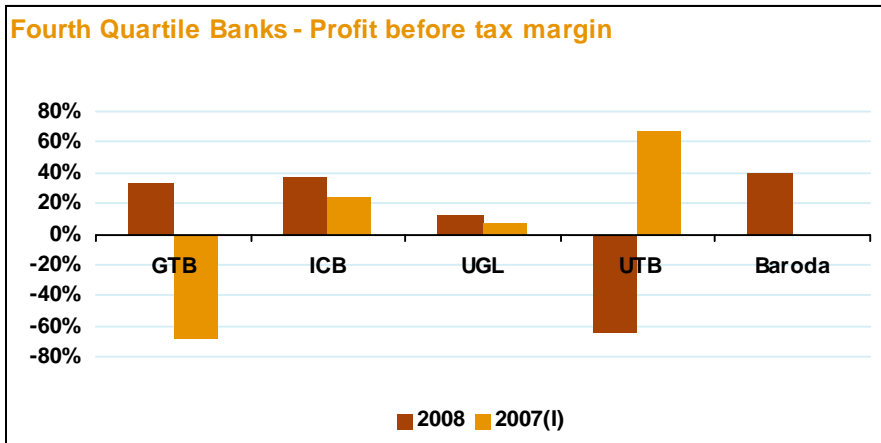
UBA's Impairment allowance/gross loans and advances is not available



Ghana Banking Survey 2009

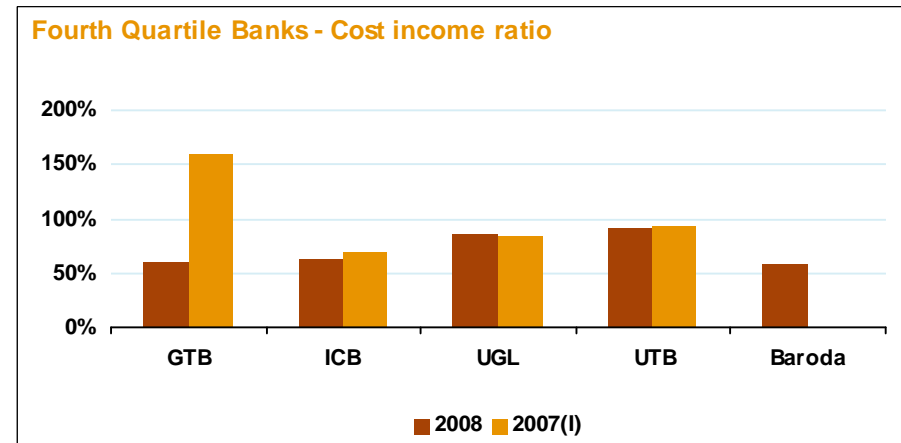
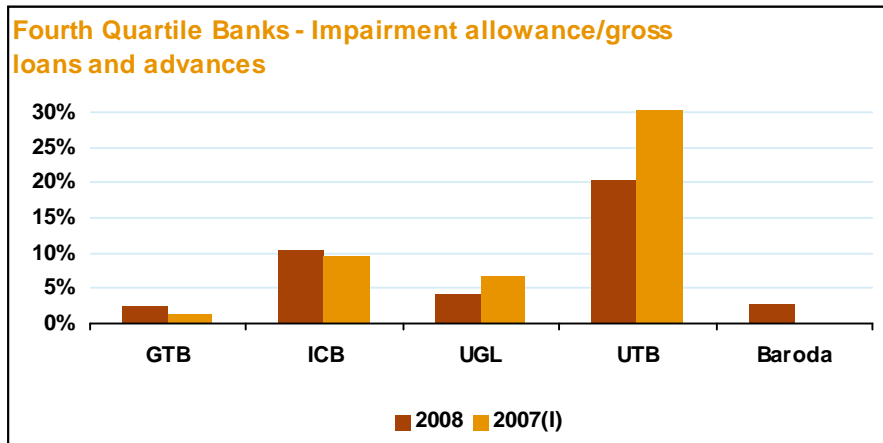
Fourth Quartile Banks

Baroda appears to have found the blue print for higher margins quite early; high impairment charges and operational costs dragged UTB to a loss position



Fourth Quartile Banks

The group made a marginal improvement in its asset quality and cost management but UTB and GTB are worth mentioning for limiting loan losses and managing costs respectively



Market share analysis

Ghana Banking Survey 2009

Industry's total assets grew by 40% between 2007 and 2008; ZBL, IBG and FAMBL were the biggest gainers

Share of industry's total assets

GCB and BBGL collectively hold 29.4% of the industry's assets. The pair seem to be playing "catch me if you can" as they continue to jostle each other for the top spot.

In 2008, the two top banks – GCB and BBGL lost part of their market shares. That of BBGL was largely due to the huge impairment charges recorded for the year, which eroded the loans and advances component of its operating assets.

The competition even robbed smaller banks like PBL (Q3) and ICB (Q4) of their previous year's market shares.

Most of the industry's gainers were 2nd Quartile banks; ZBL, FAMB and CAL.

Share of industry total assets

Bank	2008	R	2007(i)	R	2007	R
GCB	20.1%	1	20.2%	1	19.2%	1
BBGL	13.3%	2	17.2%	2	16.5%	2
SCB	8.5%	3	7.7%	4	7.4%	4
EBG	7.3%	4	7.8%	3	7.4%	5
ADB	6.8%	5	6.2%	6	5.8%	6
MBG	5.7%	6	7.6%	5	7.6%	3
SG-SSB	5.3%	7	5.7%	7	5.5%	7
Stanbic	4.5%	8	5.3%	8	5.0%	8
CAL	3.5%	9	3.1%	10	2.9%	11
IBG	3.2%	10	1.0%	17	0.9%	18
FAMBL	3.2%	11	1.8%	14	1.8%	15
TTB	3.0%	12	2.9%	11	2.8%	12
PBL	2.9%	13	3.1%	9	3.0%	10
HFC	2.6%	14	2.8%	12	2.6%	13
ZBL	2.5%	15	1.7%	15	1.7%	16
ABL	2.2%	16	1.9%	13	1.8%	14
Fidelity	1.6%	17	0.9%	18	0.9%	19
UGL	1.2%	18	1.0%	16	1.0%	17
GTB	0.8%	19	0.3%	21	0.3%	22
UBA	0.7%	20	0.8%	19	N/A	N/A
ICB	0.6%	21	0.7%	20	0.6%	20
UTB	0.5%	22	0.3%	22	0.3%	21
Baroda	0.0%	23	N/A	N/A	N/A	N/A
NIB	N/A	N/A	N/A	N/A	5.0%	9
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	100.0%		100.0%		100.0%	

Ghana Banking Survey 2009

BBGL, GCB, SCB and EBG continue to hold a large part of the industry's deposits
with their total deposits constituting about 50% of the industry's total deposits

BBGL continued to hold the largest share of industry deposits in 2008 although it lost part of its previous year's share of the industry's deposits.

GCB's total deposits grew by 25% but the bank lost some of its market share despite maintaining the second position. In 2008, GCB's savings account had the fastest growth of 73%; current account grew by 28%, time & fixed deposits fell by 21%.

SCB, with only 19 branches held third position on the league table in terms of deposits. Similar to the other big banks, a significant amount of its deposit is held in current accounts.

The slower pace of growth in time and fixed deposits across the industry can be attributed to the attractive risk free relatively high treasury bill rate offered during the year.

Baroda's position is not surprising given that as at December 2008, the bank had operated for less than two years and had no branch network.

It seems ICB has not pursued an aggressive program to increase its share of the industry's deposits, given the length of its existence (about 13 years) and number of branches (12).

The marketing efforts of FAMBL, IBG, ZBL,GTB,ABL and UBA achieved some success as they were the only banks which made gains in the market share of industry deposits

Share of industry deposits

Bank	2008	R	2007(i)	R	2007	R
BBGL	15.7%	1	18.6%	1	18.2%	
GCB	14.8%	2	16.3%	2	15.9%	
SCB	9.9%	3	10.5%	3	10.3%	
EBG	8.8%	4	8.9%	4	8.3%	
Stanbic	4.9%	5	4.8%	8	4.7%	
ZBL	4.4%	6	2.6%	11	2.5%	
FAMBL	4.4%	7	1.8%	15	1.8%	
ADB	4.2%	8	4.9%	7	4.8%	
MBG	4.2%	9	5.8%	5	5.7%	
SG-SSB	3.9%	10	5.1%	6	5.0%	
IBG	3.5%	11	1.5%	18	1.5%	
ABL	3.4%	12	2.3%	12	2.2%	
PBL	2.6%	13	3.2%	9	3.2%	
UBA	2.5%	14	1.6%	16	N/A	
TTB	2.3%	15	2.8%	10	2.7%	
CAL	2.3%	16	2.3%	13	2.2%	
Fidelity	2.1%	17	2.2%	14	2.3%	
GTB	2.1%	18	0.6%	21	0.6%	
HFC	1.4%	19	1.5%	17	1.5%	
UGL	1.2%	20	1.0%	20	1.0%	
ICB	1.0%	21	1.1%	19	1.1%	
UTB	0.3%	22	0.4%	22	0.4%	
Baroda	0.0%	23	N/A	N/A	N/A	
NIB	N/A	N/A	N/A	N/A	4.3%	
BSIC	N/A	N/A	N/A	N/A	N/A	
Industry	100.0%		100.0%		100.0%	

Ghana Banking Survey 2009

Amidst the global financial crisis, the industry's loans and advances still grew considerably.....

The industry's gross loans and advances grew by 47% from 2007 to 2008 with a significant chunk going into the commerce and finance sector.

The maturity profiles of assets and liabilities of the industry's players indicate that banks are diversifying lending into longer term risk assets, having maturity periods beyond one year, perhaps as result of the surge in the development of infrastructure projects in the country.

Three key factors contributing towards the growth are;

1. Increase in shareholders funds

Industry's shareholder funds increased by about 33%, arising from increase in retained earnings and other reserves by 21% and further equity capital injection, raising industry stated capital by 57%.

2. Increase in borrowings

Borrowings grew by 38%, increasing banks' capacity to finance investments in earning risk-assets.

3. Expansion of branch network

The industry's branch offices increased from 530 at the start of 2008 to 665 by the end of 2008. Alongside the branch expansion program was also the expansion of sales points and investments in technology platforms which all played significant role in attracting deposits.

GCB maintained its 20% share of the industry's loans and advances in 2008. Its lead ranking can be attributed to the funds available from growth in deposits mobilised and an expansion in its branch network from 137 in 2007 to 148 in 2008. It appears GCB is leveraging on its widely spread branch network across the country, relationships with government institutions and its length of existence to lead the competition.

Share of industry advances

Bank	2008	R	2007(i)	R	2007	R
GCB	20.1%	1	20.2%	1	19.2%	1
BBGL	13.3%	2	17.2%	2	16.5%	2
SCB	8.5%	3	7.7%	4	7.4%	4
EBG	7.3%	4	7.8%	3	7.4%	5
ADB	6.8%	5	6.2%	6	5.8%	6
MBG	5.7%	6	7.6%	5	7.6%	3
SG-SSB	5.3%	7	5.7%	7	5.5%	7
Stanbic	4.5%	8	5.3%	8	5.0%	8
CAL	3.5%	9	3.1%	10	2.9%	11
IBG	3.2%	10	1.0%	17	0.9%	18
FAMBL	3.2%	11	1.8%	14	1.8%	15
TTB	3.0%	12	2.9%	11	2.8%	12
PBL	2.9%	13	3.1%	9	3.0%	10
HFC	2.6%	14	2.8%	12	2.6%	13
ZBL	2.5%	15	1.7%	15	1.7%	16
ABL	2.2%	16	1.9%	13	1.8%	14
Fidelity	1.6%	17	0.9%	18	0.9%	19
UGL	1.2%	18	1.0%	16	1.0%	17
GTB	0.8%	19	0.3%	21	0.3%	22
UBA	0.7%	20	0.8%	19	N/A	N/A
ICB	0.6%	21	0.7%	20	0.6%	20
UTB	0.5%	22	0.3%	22	0.3%	21
Baroda	0.0%	23	N/A	N/A	N/A	N/A
NIB	N/A	N/A	N/A	N/A	5.0%	9
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	100.0%		100.0%		100.0%	

Ghana Banking Survey 2009

.....and the “big boys” maintained their lead although their shares were eroded – IBG was the highest beneficiary

Similar to other big banks that lost market share of net loans and advances, BBGL lost 4% of its share (from 16.2% in 2007 to 13.4% in 2008). The bank grew its gross loan portfolio by 18% but could not sustain its quality as significant impairment charges wore down this gain leading to an increase of 12% in its net loan portfolio as at 31 December 2008.

Although EBG lost less than 1% of its market share of the industry’s loans, it descended from third position in 2007 to fourth position in 2008. None of the banks gained more than two percentage points on their previous year’s share of the industry’s total loans and advances, except for IBG which improved its share by 2% from 1% in 2007.

There is intense competition and banks are holding their own to maintain their market share.

Profitability and efficiency

Ghana Banking Survey 2009

The industry's Profit Before Tax (PBT) ratio took a dive but EBG stood head and shoulders above its peers. It was a triumphant entry for Baroda....BBGL fell from grace, whilst UTB and UBA struggled.....

Profit margins

The industry's PBT dropped from 30% in 2007 to 26% in 2008 - a significant rise in impairment charges and rising staff costs account for the decline.

Impairment charge for the year more than doubled while staff cost increased by 40%. The high inflation rates coupled with the weakening cedi might account for the worsening loan default rate. That notwithstanding, the industry's net profit after tax grew by 32%.

EBG's top ranking resulted mainly from significant transaction gains from foreign currency trading, which doubled over the year. The bank was also successful in controlling cost as it grew its business. Its cost to income ratio averaged 52%, below the industry's average of 63% for 2007 and 2008.

ZBL's profit margin improved and leaped from 19th in 2007 to rank 2nd in the industry in 2008.

PricewaterhouseCoopers
in association with
Ghana Association of Bankers

This was as a result of increase in foreign exchange gains and a relatively low impairment charge for the year.

In less than two years of operation, Baroda was able to lock in at the fourth position. The bank derived 85% of its total income from investment in securities. Interest income from loans is less than 10% of its total income indicating the bank's low exposure to credit risk.

BBGL, UTB and UBA were unable to recover costs from their operations and recorded losses in the year.

BBGL's performance was due to the significant increase in impairment charge, staff cost and administrative expenses as a result of its branch expansion network during the year.

Interestingly, UTB 's PBT ranked 1st in 2007 after its 2007 figures were restated to comply with IFRS. A change in accounting rules under IFRS where value of collaterals is considered in determining impairment may have contributed to the improved PBT.

Profit before tax margin

Bank	2008	R	2007(i)	R	2007	R
EBG	41.9%	1	48.2%	3	44.6%	3
ZBL	40.5%	2	3.6%	19	0.4%	21
Stanbic	39.9%	3	49.9%	2	44.7%	2
Baroda	39.5%	4	N/A	N/A	N/A	N/A
MBG	37.6%	5	5.1%	17	30.4%	7
ICB	37.5%	6	24.6%	11	24.6%	11
SCB	37.4%	7	46.6%	4	46.6%	1
IBG	36.8%	8	1.2%	20	1.4%	20
TTB	35.1%	9	40.6%	5	41.2%	5
ABL	34.5%	10	16.6%	14	14.7%	16
HFC	32.6%	11	22.1%	12	29.9%	9
GTB	32.6%	12	-68.2%	22	-74.4%	22
GCB	31.4%	13	31.6%	7	30.1%	8
CAL	31.2%	14	29.5%	8	35.2%	6
SG-SSB	30.6%	15	26.9%	9	28.4%	10
PBL	24.6%	16	24.9%	10	24.3%	12
FAMBL	22.5%	17	15.0%	15	18.4%	14
ADB	18.3%	18	19.3%	13	18.8%	13
Fidelity	17.2%	19	5.1%	18	4.2%	19
UGL	12.4%	20	6.6%	16	9.5%	18
BBGL	-6.3%	21	36.8%	6	42.2%	4
UTB	-64.7%	22	67.6%	1	9.9%	17
UBA	-64.9%	23	-14.0%	21	N/A	N/A
NIB	N/A	N/A	N/A	N/A	17.7%	15
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	26.3%		30.4%		32.4%	

Ghana Banking Survey 2009

.....UTB got the handle on managing interest margin but at the expense of asset quality. Fidelity and FAMBL failed to widen the gap

Net interest margin (NIM)

The industry's NIM remained at 8%. High yield on government securities put extreme pressure on banks to offer competitive rates to attract depositors. As a result, cost of funds increased and most banks revised their base rates, in some cases three times during the year.

Competition within the industry set a ceiling above which the base rate could not be pushed further, ranging between 24.1% to 27.8%.

Baroda's and UTB's lead in ranking is partly attributable to their relatively small asset base. In 2008, they accounted for 0.6% of the industry's total assets. However its access to cheap retail deposits funds from small and medium sized enterprises and traders reduced its interest cost whilst investments in low risk, high Government securities added significantly to income.

Further, Baroda and UTB do not have any debt service obligation as their business is wholly equity financed.

By the close of 2008, 41% of their total deposits were held in low interest bearing current accounts.

NIM was stable across the industry but the competition took its toll as the net interest margin of EBG, IBG, HFC and UBA was eroded between 2007 and 2008.

FAMBL's performance appears to be a result of its inability to compete for much cheaper retail deposit due to its merchant banking background. By the close of 2008, 42% of its total deposits remained in its fixed deposit account while 29% stayed in current account.

Fidelity's low NIM is mainly due to its debt service obligation as a result of its short term borrowing.

Net interest margin

Bank	2008	R	2007(i)	R	2007	R
Baroda	19.4%	1	N/A	N/A	N/A	N/A
UTB	11.6%	2	11.5%	2	10.6%	1
TTB	10.1%	3	9.8%	3	9.5%	2
UGL	9.6%	4	8.9%	7	8.8%	6
SG-SSB	9.5%	5	8.8%	8	8.8%	5
MBG	9.5%	6	9.0%	6	7.7%	9
GCB	9.4%	7	9.4%	4	9.4%	3
SCB	8.7%	8	8.6%	10	8.4%	8
BBGL	8.6%	9	8.7%	9	8.7%	7
Stanbic	7.5%	10	7.3%	12	7.4%	11
ADB	7.2%	11	7.0%	13	7.1%	13
ICB	7.1%	12	6.1%	18	6.1%	17
ABL	6.6%	13	6.6%	17	6.1%	18
PBL	6.6%	14	7.0%	14	7.1%	15
HFC	6.1%	15	9.1%	5	8.9%	4
ZBL	6.1%	16	4.7%	20	4.7%	20
IBG	5.8%	17	8.5%	11	7.3%	12
EBG	5.8%	18	6.6%	16	7.1%	14
CAL	5.7%	19	6.1%	19	5.9%	19
GTB	5.5%	20	3.2%	22	3.1%	22
UBA	5.2%	21	12.8%	1	N/A	N/A
Fidelity	3.8%	22	3.6%	21	3.6%	21
FAMBL	3.7%	23	6.8%	15	6.6%	16
NIB	N/A	N/A	N/A	N/A	7.5%	10
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	7.7%		7.9%		7.9%	

Returns to shareholders

Ghana Banking Survey 2009

The industry's average return on equity remained constant, but shake-ups occurred within the industry; IBG and MBG performances were outstanding

Return on equity

Over the past two years, all the three components of ROE (i.e. net spreads, cost efficiency and leverage) remained constant thus leading to the industry's ROE to stagnate at 22%. However, we expect the industry's ROE, at least in the short-term, to fall as new capital raised by banks to meet BOG capital requirements will not yield immediate returns.

Although banks have consistently revised their base rates upwards in response to the revision of BOG's prime rate, cost of borrowing has equally gone up. Net spreads has therefore remained at 6.7% and 6.9% respectively over the past two years.

In spite of the recent competition, the industry's cost to income ratio only inched up by 1%, from 62% in 2007 to 63% in 2008, probably due to the use of IT to improve efficiency.

Industry leverage increased from 9.3 times from 2007 to 9.8 times in 2008 .

IBG recorded a 46.1% ROE, more than twice the industry average. The shareholders injected new capital to increase its stated capital by 60%. At the same time returns from lending doubled to boost ROE, as loans and advances increased four fold.

Stanbic's profits increased by 35% but its ranking fell from second position last year to 7th position, due to a widened stated capital, of about 2.5 times that of 2007.

UTB topped the 2007 ranking, but could not sustain it and therefore nose-dived to the 22nd position in 2008 as it recorded a loss approximating thrice its 2007 profit.

Baroda, a new entrant into the industry recorded a 5% ROE to outperform old players such as BBGL, UTB and UBA, which recorded negative RoEs of 6%, 41% and 82% respectively.

Return on equity

Bank	2008	R	2007(i)	R	2007	R
IBG	46.1%	1	-0.3%	20	1.8%	20
MBG	42.5%	2	0.1%	19	24.1%	8
EBG	41.6%	3	37.5%	3	44.9%	1
GTB	37.7%	4	-25.6%	22	-27.9%	22
SCB	37.1%	5	37.4%	4	37.4%	5
TTB	32.5%	6	36.8%	5	40.8%	2
Stanbic	32.2%	7	41.7%	2	39.1%	3
ABL	29.2%	8	10.5%	16	7.8%	17
PBL	27.6%	9	23.8%	7	28.5%	6
FAMBL	26.6%	10	17.9%	10	20.5%	10
Fidelity	24.5%	11	5.7%	17	4.6%	19
ZBL	24.5%	12	11.3%	15	1.0%	21
GCB	22.8%	13	18.6%	9	15.1%	12
CAL	22.5%	14	15.6%	12	20.8%	9
ICB	22.4%	15	13.0%	13	13.0%	14
SG-SSB	22.3%	16	19.8%	8	19.8%	11
HFC	20.8%	17	16.1%	11	24.7%	7
ADB	13.7%	18	12.2%	14	10.3%	15
UGL	8.4%	19	4.0%	18	9.8%	16
Baroda	5.0%	20	N/A	N/A	N/A	N/A
BBGL	-6.0%	21	32.2%	6	37.9%	4
UTB	-41.2%	22	79.2%	1	5.2%	18
UBA	-82.0%	23	-25.4%	21	N/A	N/A
NIB	N/A	N/A	N/A	N/A	13.8%	13
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	22.0%		22.2%		23.2%	

Asset quality

Ghana Banking Survey 2009

ICB's loan book was the highest quality; that of BBGL went bad but UTB's was worst ...

The quality of banks' loans and advances deteriorated between 2007 to 2008. This is however not surprising given the rate at which inflation and interest rates increased and the cedi depreciated in 2008. Coupled with this is the increased lending to the retail sector.

The miscellaneous segment which includes personal loans which grew the most as most banks focused on retail banking as part of their growth strategy;

Loan distribution	2007	2008
Commerce & finance	35%	35%
Miscellaneous	16%	21%
Services	17%	16%
Manufacturing	12%	11%
Construction	6%	5%
Agriculture, forestry & fishing	5%	4%
Transport, storage & communication	4%	3%
Mining & quarrying	2%	2%
Electricity, gas & water	3%	2%
Housing	1%	1%
Total	100%	100%

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BBGL's performance is very unusual given that traditionally, it had a high ranking in the quality of its loan book. In 2008, its impairment charge to financial assets increased more than seven fold, from a 2007 figure of GH¢5.5 million to GH¢46.9 million in 2008.

UTB continues to grapple with its loan quality even though the bank diluted its 50 largest exposures to total exposures from 82% in 2007 to 67% in 2008. Over the year, the bank increased its loan distribution to the construction and retail sector.

The cumulative loss ratios of the following banks were worse than the industry's average of 5% in 2008; UTB-12.2%, MBG-5.4%, BBGL-6.0%.

Impairment charge/ gross loans and advances

Bank	2008	R	2007(i)	R	2007	R
ICB	0.1%	1	1.4%	12	1.4%	13
Fidelity	0.1%	2	1.5%	13	1.3%	9
SCB	0.4%	3	0.6%	5	0.6%	1
PBL	0.4%	4	1.6%	14	1.9%	15
UGL	0.4%	5	1.6%	15	1.4%	10
GCB	0.8%	6	0.1%	2	1.1%	5
ZBL	0.9%	7	1.3%	8	1.3%	8
CAL	1.1%	8	1.4%	9	0.9%	3
FAMBL	1.1%	9	5.3%	20	4.4%	22
ABL	1.1%	10	2.1%	17	2.1%	16
EBG	1.4%	11	0.2%	3	1.2%	7
HFC	1.6%	12	1.1%	7	1.4%	12
ADB	1.7%	13	1.4%	11	1.2%	6
IBG	1.7%	14	3.3%	19	3.1%	20
Stanbic	1.8%	15	0.3%	4	1.1%	4
GTB	2.0%	16	1.4%	10	2.9%	18
SG-SSB	2.1%	17	2.4%	18	1.4%	11
Baroda	2.5%	18	N/A	N/A	N/A	N/A
TTB	2.7%	19	1.7%	16	1.5%	14
UBA	3.2%	20	6.0%	21	N/A	N/A
MBG	5.4%	21	8.0%	22	3.2%	21
BBGL	6.0%	22	0.8%	6	0.8%	2
UTB	12.2%	23	-18.9%	1	2.9%	17
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
NIB	N/A	N/A	N/A	N/A	3.0%	19
Industry	2.2%		1.5%		1.5%	

Ghana Banking Survey 2009

..... however, most banks increased their loan profitability; best performers were UGL, ZBL and ICB

Overall, most banks increased their loan portfolio profitability over the year. The best performers were; ZBL at 20% from 10% (2007); Fidelity at 13% from 5% (2007) and UGL at 22% from 14% (2007)

Impairment allowance/ gross loans and advances

Bank	2008	R	2007(i)	R	2007	R
Fidelity	0.8%	1	1.6%	5	1.5%	2
GCB	1.5%	2	1.3%	1	2.3%	4
ZBL	1.6%	3	1.5%	3	1.5%	1
ABL	1.8%	4	3.9%	13	5.6%	12
IBG	1.9%	5	3.0%	8	5.9%	14
EBG	2.3%	6	1.5%	4	2.7%	6
GTB	2.4%	7	1.4%	2	3.0%	7
SCB	2.6%	8	3.5%	10	3.5%	9
Baroda	2.8%	9	N/A	N/A	N/A	N/A
HFC	3.8%	10	3.2%	9	3.5%	8
PBL	3.9%	11	3.7%	11	4.8%	11
CAL	4.1%	12	4.9%	14	5.7%	13
UGL	4.2%	13	6.8%	16	7.5%	17
SG-SSB	5.0%	14	6.2%	15	6.2%	15
TTB	5.4%	15	3.8%	12	4.1%	10
Stanbic	5.5%	16	2.4%	6	2.3%	3
BBGL	8.0%	17	2.6%	7	2.6%	5
FAMBL	8.6%	18	17.4%	20	16.0%	21
ICB	10.5%	19	9.8%	17	9.8%	18
ADB	11.1%	20	13.7%	19	16.0%	20
MBG	14.1%	21	10.3%	18	6.8%	16
UTB	20.5%	22	30.2%	21	24.4%	22
NIB	N/A	N/A	N/A	N/A	12.7%	19
UBA	N/A	N/A	N/A	N/A	N/A	N/A
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	5.2%		4.6%		5.3%	

Loan portfolio profitability

Bank	2008	R	2007(i)	R	2007	R
UGL	21.5%	1	14.1%	5	13.5%	6
ZBL	19.6%	2	9.7%	17	9.3%	18
ICB	18.8%	3	13.3%	8	13.3%	7
HFC	17.8%	4	16.7%	2	15.9%	2
TTB	17.4%	5	16.5%	3	16.2%	1
ABL	17.1%	6	11.3%	12	11.8%	10
PBL	16.8%	7	14.0%	7	13.6%	5
Stanbic	16.2%	8	11.7%	10	9.6%	15
CAL	14.0%	9	14.0%	6	14.2%	4
SCB	13.6%	10	14.8%	4	12.4%	8
Fidelity	13.0%	11	5.4%	21	5.3%	22
MBG	12.8%	12	10.2%	15	14.8%	3
GCB	12.3%	13	9.8%	16	8.8%	21
GTB	11.9%	14	10.6%	14	8.8%	20
BBGL	11.2%	15	11.2%	13	11.2%	13
IBG	10.9%	16	12.7%	9	11.0%	14
ADB	10.1%	17	9.2%	19	9.4%	17
SG-SSB	9.9%	18	8.5%	20	9.6%	16
EBG	9.4%	19	9.3%	18	9.1%	19
FAMBL	7.9%	20	11.3%	11	12.0%	9
Baroda	6.4%	21	N/A	N/A	N/A	N/A
UTB	4.1%	22	36.2%	1	11.6%	12
UBA	-3.2%	23	-6.0%	22	N/A	N/A
NIB	N/A	N/A	N/A	N/A	11.7%	11
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	12.6%		11.1%		11.1%	

Liquidity

Ghana Banking Survey 2009

The industry's liquidity fell marginally....

Overall, the industry liquid assets to deposits ratio fell marginally from 0.55 in 2007 to 0.53 in 2008, indicating that banks did not significantly change their strategy in response to the global 'credit crunch'.

Baroda appears to have taken a very conservative approach to lending; or "testing the waters" before investing in more risky assets. By the close of 2008, its entire deposits together with less than 10% of its capital were held in liquid funds.

HFC's high ratio is attributable to the proceeds from its rights issue concluded in 2008. The bank raised GH¢10 million from the rights issue.

SG-SSB and UTB had the highest drop in liquid assets to total deposits ratio for 2008. These two banks appeared to be more willing to take on risks by lending, rather than placing funds in less risky assets.

UGL for another year running had the lowest liquid assets to total deposits ratio, suggesting a continued strategy to build its loan book. The bank's industry share of total loans and advances remained at 1%.

The top two banks in the first quartile category, GCB and BBGL continued to have less than 45% of their deposits in the less risky assets as they pursued investments with higher returns.

Liquid funds/ total deposits

Bank	2008	R	2007(i)	R	2007	R
Baroda	2.89	1	0.00	23	0.00	23
HFC	2.01	2	0.57	15	0.57	14
ICB	0.84	3	0.74	5	0.73	5
Fidelity	0.80	4	0.86	2	0.79	3
UBA	0.78	5	0.63	9	0.00	23
GTB	0.75	6	0.63	10	0.64	8
CAL	0.70	7	0.84	3	0.85	2
ZBL	0.69	8	0.54	16	0.55	15
EBG	0.58	9	0.62	12	0.66	7
SCB	0.55	11	0.75	4	0.75	4
PBL	0.53	12	0.63	8	0.63	10
ABL	0.52	13	0.53	17	0.52	16
ADB	0.47	14	0.58	13	0.58	13
Stanbic	0.46	15	0.49	18	0.43	18
BBGL	0.44	16	0.43	20	0.43	19
GCB	0.43	17	0.38	21	0.38	21
TTB	0.43	18	0.63	11	0.63	11
SG-SSB	0.41	19	0.63	7	0.63	9
UTB	0.41	20	0.68	6	0.68	6
IBG	0.35	21	0.58	14	0.58	12
MBG	0.32	22	0.47	19	0.47	17
UGL	0.28	23	0.32	22	0.32	22
FAMBL	0.57	10	0.90	1	0.89	1
NIB	0.00	24	0.00	23	0.39	20
BSIC	0.00	24	0.00	23	0.00	23
Industry	0.53		0.55		0.54	

Capital structure and financial risk

Ghana Banking Survey 2009

The industry's leverage increased sharply in 2008..... BOG's directive for banks to increase capital might save the situation

The industry generally experienced an increase in financial leverage. Ten banks increased their financial leverage from 2007; some marginally (EBG, UTB, ABL) and few others (FAMBL, Fidelity, IBG) quite considerably.

As previously mentioned the industry's net loans and advances grew considerably in spite of the global financial crisis. The industry's equity also grew (by 33%) over the same period as banks work towards meeting BOG's minimum capital requirement.

FAMBL, PBL and Fidelity were the most leveraged banks due to the increase in the size of their loan books, perhaps in efforts to increase their market share of loans and advances.

BBGL, ZBL, IBG injected additional capital in 2008 towards achieving the minimum capital requirement.

ADB and MBG on the other hand increased their stated capital by GH¢30 million and GH¢18 million respectively through capitalising income surpluses.

GCB is currently capitalised at GH¢72 million well above the minimum requirement. BOG's directive to banks to further increase their stated capital is timely and could help reduce the risk of over-leveraging.

Net loans and advances / equity

Bank	2008	R	2007(i)	R	2007	R
FAMBL	17.46	1	7.92	5	6.91	5
PBL	9.84	2	9.97	2	10.12	1
Fidelity	9.12	3	4.92	11	5.14	10
IBG	7.48	4	5.22	8	5.11	11
BBGL	5.84	5	6.78	7	6.69	6
MBG	5.69	6	7.98	3	6.60	7
TTB	5.51	7	4.95	10	5.42	9
CAL	5.39	8	3.79	15	3.94	16
GCB	5.33	9	4.32	14	4.51	14
Stanbic	5.28	10	7.47	6	7.81	4
HFC	5.19	11	7.97	4	7.88	3
SCB	5.15	12	3.25	17	3.25	18
ABL	5.08	13	4.72	13	5.06	12
EBG	4.90	14	4.75	12	6.46	8
UBA	4.77	15	5.05	9	N/A	N/A
GTB	4.14	16	2.07	22	2.05	21
SG-SSB	4.12	17	3.64	16	3.64	17
UGL	3.74	18	2.95	18	4.55	13
ZBL	3.53	19	11.85	1	9.16	2
ADB	3.41	20	2.42	20	2.48	19
UTB	2.93	21	2.74	19	1.92	22
ICB	2.12	22	2.14	21	2.14	20
Baroda	0.15	23	0.00	23	0.00	23
NIB	N/A	N/A	N/A	N/A	4.48	15
BSIC	N/A	N/A	N/A	N/A	N/A	N/A
Industry	5.13		4.69		4.82	

Glossary of key financial terms, equations and ratios

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

Our profile

About us

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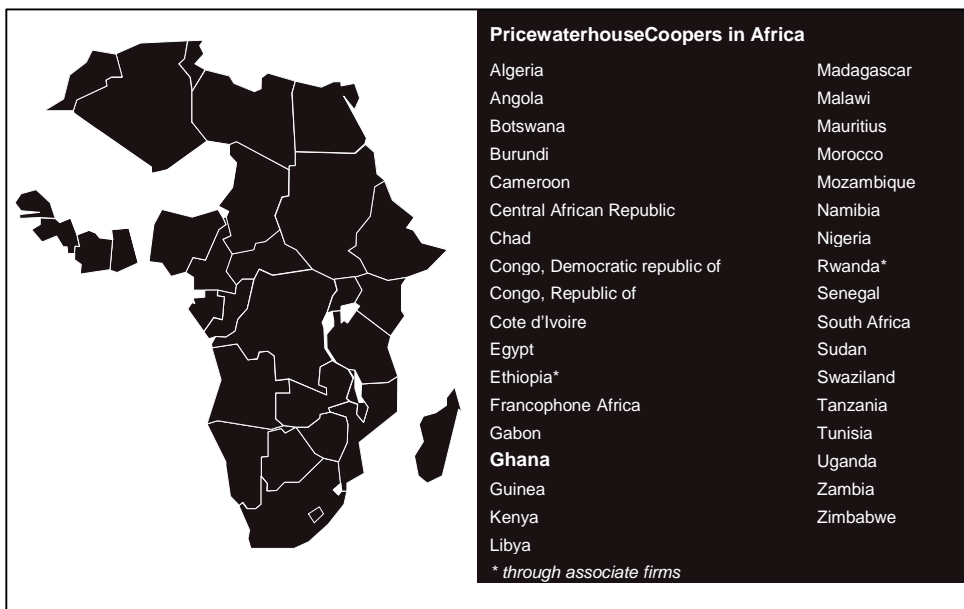
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