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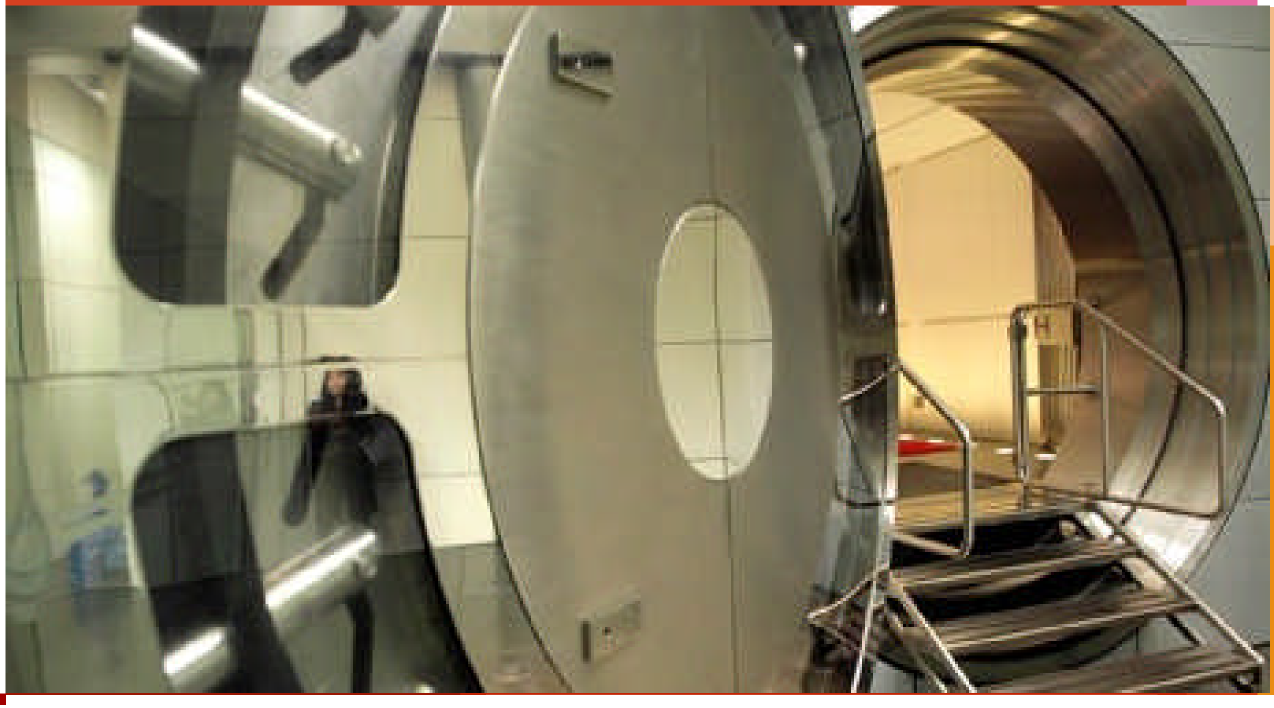
Ghana Banking Survey 2011

Sustaining growth: challenges and opportunities



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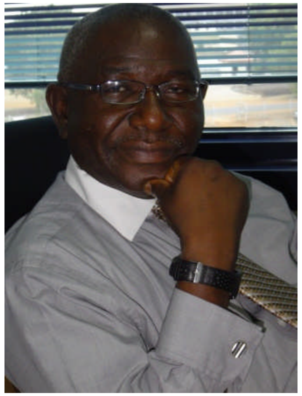
A message from our CSP
Felix Addo



The Ghana Banking Survey Report for 2011 is jointly presented by PricewaterhouseCoopers (PwC) and the Ghana Association of Bankers (GAB).

The survey targeted all the commercial banks in Ghana, particularly looking at their overall performance in 2010, including significant areas such as Non Performing Loans. In the post-crisis era of the Global Financial Meltdown, banks in Ghana have performed better than expected. The next wave is how to sustain the performance of 2010 and grow over the next 5 years to become a leading banking industry in the region.

The Ghanaian financial services market offers significant opportunities with the recent oil production, trends in global commodity prices, influx of Foreign Direct Investments and growth in Private Sector activities within the local market. These trends offer good prospects amidst the perennial challenges like high cost of borrowing and increases in bad loans.

Interest income continues to constitute the most significant component of income derived from operations. In recent years, interest margins are gradually shrinking as competition becomes intense. A greater focus on a Transaction Based revenue portfolio, which is often unfunded and less prone to default, has to be considered.

Going forward players in the industry needs to transform their Governance procedures, Operating models, Information Security and Risk management activities to align them with the global trends. These changes are necessary to sustain the growing opportunities within the local market.

Banks should deepen current strategies aimed at diversifying current portfolio funding from Large and Local Corporate to expanding their Retail and Small and Medium Enterprise (SME) market segment which is still very much underserved.

Banks must also continue to develop products that focus on these unbanked population with the aim of converting them into regular bank account holders. In a bid to develop a long term funding portfolio and reduce the high priced purchased funds, individuals should be encouraged to develop a savings culture.

Again, as in previous years, PwC and the Ghana Association of Bankers would like to express our appreciation to all the banks which made this year's survey possible.

A message from the Executive Secretary of the Ghana Association of Bankers D. K. Mensah

Commendation to our local banks for meeting the deadline for the first phase of the minimum capital requirements by 31 December 2010. We look forward to you meeting the GH¢60 million requirement by 31 December 2012. A stronger capital cushion of our banks will not only provide better protection for our depositors but also enable us take advantage of the many opportunities expected on the backdrop of the anticipated growth in the economy.

The mergers expected in the banking industry on the account of these new minimum capital requirements have not happened. There is some uncertainty on the source of funding. Many of the local banks are in discussion on seeking funding through private placements. Foreign investors have also expressed interest. At the end, a fair mix of local and foreign investors brings new perspectives, diversity and innovation to the industry. With an extensive foreign participation, we risk exposing our fragile financial system to external shocks.

The expected implementation of Basel II will allow the regulator to better understand and evaluate the risk profile of each bank. It alerts the regulator even under the powers of the current Banking Act to call on specific banks to increase their capital base when need be. Therefore, the requirement to still keep a statutory reserve will diminish. We expect the local banks to also engage the regulator and table their concerns for discussion as they strive to meet this second phase of the minimum capital requirement.

There is some indication of creating a Tier 2 banking system for those banks that are unable to meet the minimum capital requirement. With just about a year to go, the modalities of how these banks will operate have not been issued. The uncertainty can create panic which will not augur well for the industry. An early direction from the regulator on this will be in order.

Agenda

Introduction

Sustaining growth: challenges and opportunities

Sustaining growth: challenges and opportunities

In 2010 , the story of the banking sector in Ghana was one of recovery; recovery from losses and weak profitability. This was marked by traditional key players like GCB and BBGL posting very strong results. Industry profit before tax increased by 95% from GH¢298.1 million in 2009 to GH¢580.3 million in 2010.

The rebound in profitability was propelled by improvements in the credit markets which allowed banks to improve quality of loan portfolio and release provisions set aside in the previous years for credit losses. Growth in operating assets, non-interest bearing deposit and wider interest margin also contributed to the favourable profitability.

Prospects of a 12% growth in GDP stimulated by the oil sector is encouraging for the economy as a whole. Also, working in favour of the Ghanaian economy are the strong commodity prices especially cocoa price at US$3,200 a tonne (March 2010), estimated cocoa production for the 2010/2011 season at all time high of 904,000 tonnes and gold price above US$1,500 an ounce.

Questions have been asked as to whether the wide margins and level of growth seen in 2010 is sustainable, considering declining interest rates, lower yield from government risk free securities and the appearance of maturing and saturated traditional markets. Multi-national entities (MNCs), large and medium size customers are aggressively negotiating competitive borrowing and deposit rates..

… 'We are in competition with banks beyond our borders and our customers are looking beyond us to what opportunities are available elsewhere'
Kwesi Amissah-Arthur
Governor, Bank of Ghana.

Aligning with local market and global trends

The analysis of our survey pre-supposes that for the growth experienced to be sustainable, there has to be a move local industry players aligning their business activities with local market and global trends. This realignment will fuel their ability to make a significant impact in converting the unbanked population in Ghana and enable banks to sustain their long term growth.

Banks in their quest to grow must develop new economic models with deeper focus on alternative revenue streams, transformation of customer segmentation, Risk management, robust Management Information Systems and Human Capital geared towards a performance culture. The prospects for the future are rife and backed with the right transformation strategy, banks in Ghana stand to benefit from sustained profitability.

... 'In the landscape of extinction, precision is next to godliness.'
Samuel Beckett

Transformation in their e**conomic model** through identification of alternative revenue streams will deepen their wallets in the area of Transaction services, and Money market activities . There is a compelling need to grow non interest based income to dilute the concentration in interest income.

As the established market segments mature, the Banks must complement the model of servicing large and local corporate with that of the fast growing Small and Medium Enterprises (SMEs) market segment, focusing on customer segments that best compliment the bank's service advantage. As the catalyst for growth within the Ghanaian economy and the government establishing a regulatory framework for Public Private Partnership (PPP), Fast Moving Consumable Goods, Telecommunication Support Services, Construction, Distribution, Retail, Agriculture and Agro-based sectors are attractive opportunities.

Transformation in their **Risk Management and Governance framework** is essential for growth in the long term and attracting investors. Synonymous to growth is exposure to risks. Banks must therefore strengthen their current Risk Management framework to include Early Warning strategies and respond to operational risk and credit risk envisaged. Addressing occurrence of a risk event takes up executive time and distracts management from its focus on profitable growth.

Transformation in **Information Systems** is the backbone for sustaining product development and improving service delivery. Strengthening the IT infrastructure such as centralised processing, disaster recovery plans, and Information Security should become a priority.

Attracting, developing and retaining **human capital,** the key for pursuing sustainable growth, is critical. In a survey conducted by PwC on "Unlocking Opportunities – Perspectives on Strategic and Emerging Issues in Africa West Coast Banking", risk management, capital management and compliance were noted as the three top areas banks are currently experiencing the greatest shortage of skills. A successful human capital transformation should originate from banks core business operations and must fit into the bank's strategy to be successful. This approach ensures that change is not only performance driven but also centered around the knowledge, skills and talent that support performance and growth.

Conclusion

In conclusion, the Ghanaian economy is growing and the banking industry will continue to experience profitable growth. To remain competitive and be sustainable in the long term requires the industry to innovate and transform its operations. Responding successfully to emerging external threats, will require industry players to focus on developing an efficient, effective, and flexible banking infrastructure.

Increased competition, growing customer demands, and new regulations will continue to add complexities to the operations of banks. These complexities can lead to an inability to capture opportunities or respond successfully to global or local challenges.

Overview – the economy

2010 registered a rebound in real GDP growth

Economic Growth

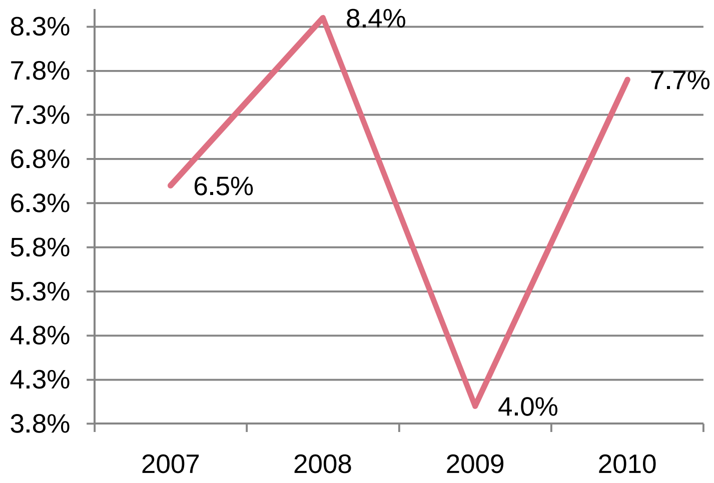
The GDP shows a steady growth over four consecutive years between 2007 and 2010. The pace slowed down in 2009 reaching a low of 4%. In 2010, the GDP growth rebounded to almost double the 2009 rate of growth, to post a real GDP growth of 7.7%.

The services sector grew by 9.8% in 2010. Business and other service activities sub-sector accounts for 23.1% of growth in the services sector. This is the largest contribution by any sector of the economy. The resumption of commercial activities by the Volta Aluminium Company and Tema Oil Refinery contributed to the growth in this sector.

Following successive year on year growth from 2007, the agricultural sector recorded a decline in growth and only achieved a growth of 5.3%. Against the backdrop of slower growth rates in the crops subsector, the cocoa subsector growth remained high, driven by sustained world market cocoa prices.

Growth in the industry sector improved from 4.5% in 2009 to 5.6% in 2010. A boom in construction led to a marked increase in 2008, however this contracted in 2009. The construction sub-sector experienced a sharp decline in 2010. The manufacturing sector recovered from a 1.3% recession in 2009 to post a growth of 7.6% in 2010.

Real GDP growth rate
(at constant 2006 prices)



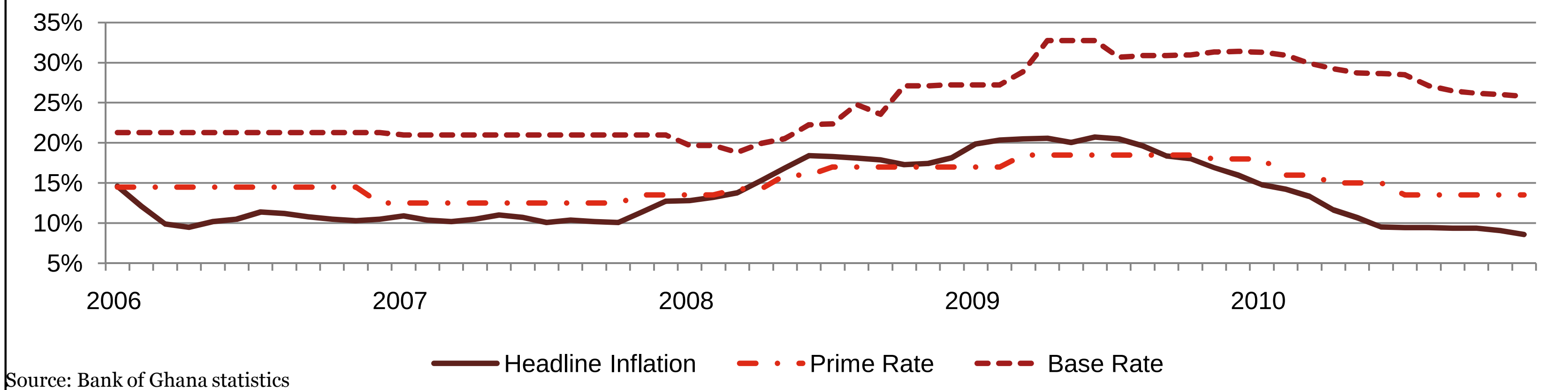
Source: Ghana Statistical Service

Sectoral Growth Rates[1]	2007	2008	2009	2010 [2]
Agriculture	-1.7%	7.4%	7.2%	5.3%
Industry	6.1%	15.1%	4.5%	5.6%
Services	7.7%	8.0%	5.6%	9.8%

1. At constant 2006 prices
2. * revised in May 2011

Source: Ghana Statistical Service

Headline inflation and Interest rates



Source: Bank of Ghana statistics

Inflation

The year 2010 begun with inflation at 16.9%. Rate of inflation fell throughout the year ending at an all time low of 8.6% in the month of December 2010. This surpassed the target of 9.2% set at the beginning of the year.

Food, which is the largest component of the inflation basket recorded favourable price trends during 2010. The steady decline in the inflation rates could be attributed to good domestic harvest during the year.

Non food inflation which began at 18.7% dropped to 10.71% by the end of December 2010.

Interest Rates

The Bank of Ghana prime rate remained relatively stable at 18% from November 2009. The Monetary Policy Committee (MPC) revised the prime rate downward from 18% to 13.5% in July 2010. The prime rate did not change until May 2011 when it dropped further to 13%.

During 2010 the banking industry also saw a reduction in the average base rate from 31.3% in 2009 to a rate of 25.79% in 2010.

The industry begun the year with lending rates in the region of 33%. Rates offered for term deposits also ranged from 15% to 18.5%. By the end of the year the average lending rates has dropped to 25.8% . Term deposits also attracted 11% interest rates at 2010 year end.

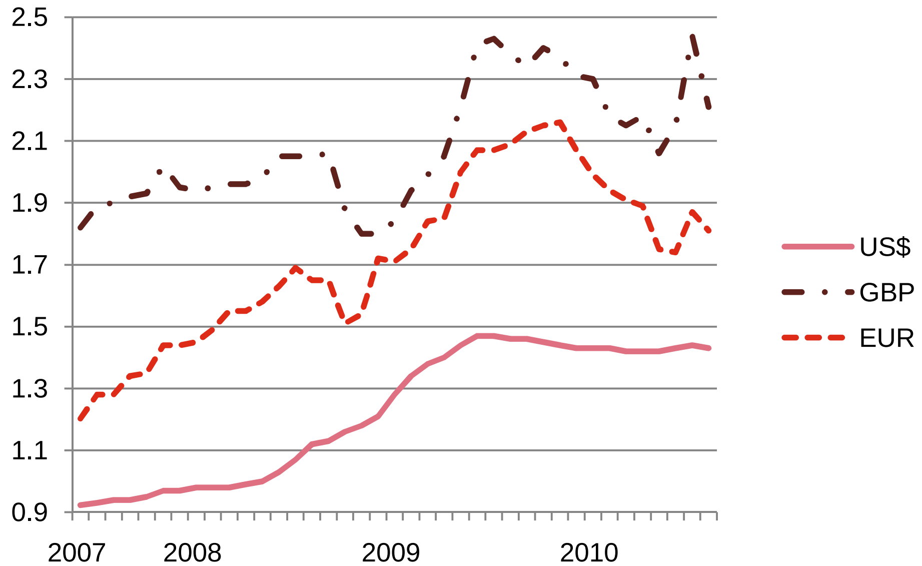
Inflation fell to a 20 year low of 8.6% in December 2010

The prime rate of lending has remained steady at 13.5% since July 2010

Exchange rates of major international currencies to the Ghana Cedi

2010 was largely characterised by volatility in exchange rates against the Ghana Cedi

Exchange Rate Movements



Source: Bank of Ghana statistics

Exchange Rates

The exchange rate parity between the cedi and the Euro and the pound sterling was volatile during the first half of the year (as illustrated in the adjacent graph). In comparison, the US Dollar was fairly stable in the same period

Expected inflows from oil revenues are expected to ease pressures on the Ghana Cedi. The second half of the year saw a greater stability of the Ghana cedi.

Overview – the industry

In anticipation of the expected economic growth mainly on the account of oil production, the banking industry repositioned itself to contribute to this growth. The Banking industry in Ghana saw some developments in 2010 both driven within and others led by the regulator.

The key regulator led developments in the industry included:

Credit Reference Bureau

The guideline for licensing and operations of Credit bureaux under the Credit Reporting Act 2007 (Act 726) was published by Bank of Ghana. The activities permitted will support the credit risk management function of the industry. These include:

a) Gathering and maintaining data for the formation of credit histories
b) Processing credit related data and
c) Delivering credit reports based partly or fully on information not in the public domain.

The oil discovery factor on the banking industry

Liquidity from capital injection

The industry's liquidity improved as the first phase of the mandatory capital injection was attained by 25 of the 26 banks operating in the country. At the end of 2010, one foreign bank and two local banks are yet to meet the minimum capital requirement of GH¢60 million andGH¢25 million respectively. The challenge for the local banks now is to meet the GH¢60 million requirement as at 31 December 2012.

Basel II

The earlier requirement for banks to comply with Basel II saw some activities in the form of redesign and re-tooling of management information systems in readiness to comply with the new regulatory requirements. Because the implementation was deferred by Bank of Ghana to the end of 2012 ,these activities eased during the year.

Cheque clearing cycle

The Cheque Codeline Clearing (CCC) system was introduced in January 2010 to enable banks and other financial institutions to speed up the processing and settlement of cheque transactions. Under the system, depositors of cheques are expected to get value within three days.

Other trends

Other trends observed in the industry included;

a) strengthening of risk management practice
b) increasing support for trade financing
c) rationalising and aligning staff cost to revenue

Challenges and the outlook

There is a strong agitation within business community (including the Government) for banks to reduce their lending rates. Despite the reduction in the prime rate by the MPC, the expected downward revision in base rates by banks have not followed this trend.

An upsurge in default emanating from the low quality of the loan books written in prior years resulted in the non-performing assets in recent years for which banks are still burdened with the associated costs but receive no interest income. This has been cited by many banks as the reason preventing them from cutting further their lending rates.

As the 2012 deadline for implementation of Basle II draws near many banks are yet to put in place comprehensive systems and programs to help them comply. The level of readiness for those who have started has not been independently tested. As a supervisory authority, it is critical that Bank of Ghana also reaches the same level of preparedness with skills and knowledge for a smooth implementation by the industry in 2012. Managing and reporting operating risk will remain a challenge until the implementation of Basel II.

… The increased risk to depositors from the worsening quality of loan books may lend credence to on-going discussion on the merit of deposit insurance.

Many of the banks continue to seek growth organically. A key factor contributing to this, especially among the local banks, is the "culture" element. Many local entrepreneurs are unease to bring others on board and losing control or part with some control of their businesses.

The importance of a robust IT platform to support the increasing web based products and services which is currently redefining the product and service mix of many banks cannot be overemphasized. Banks should overcome operational issues such as "downtime" in network connectivity, ATM availability, viable disaster recovery and business continuity plans. Keeping pace with the global banking industry may stall because the current IT infrastructure is unable to cope with the technological requirements.

The influx of non banking financial institutions is a welcome service as they reach the unbanked and mainly informal sector of the economy and provide a healthy competition to the banking sector. An alternative access to the unbanked sector is emerging from mobile network operators. Riding on the back of existing network infrastructure, these mobile phone companies are reaching the remote parts of the country. It will be in order to develop a regulatory framework for these activities .

The oil sector brings enormous opportunities, however, tapping into these remain a challenge because the banks lack the capacity. Loan syndication, which is rare, is increasingly becoming an option to consider. Traditional barriers of self sufficiency has to be overcome to take advantage of these opportunities by sharing information (within the confines of banking confidentiality).

The growth in the economy will demand diversified products and services to meet the needs of customers. Downward pressure on margins will continue as customers seek more sophisticated products and services to meet their needs.

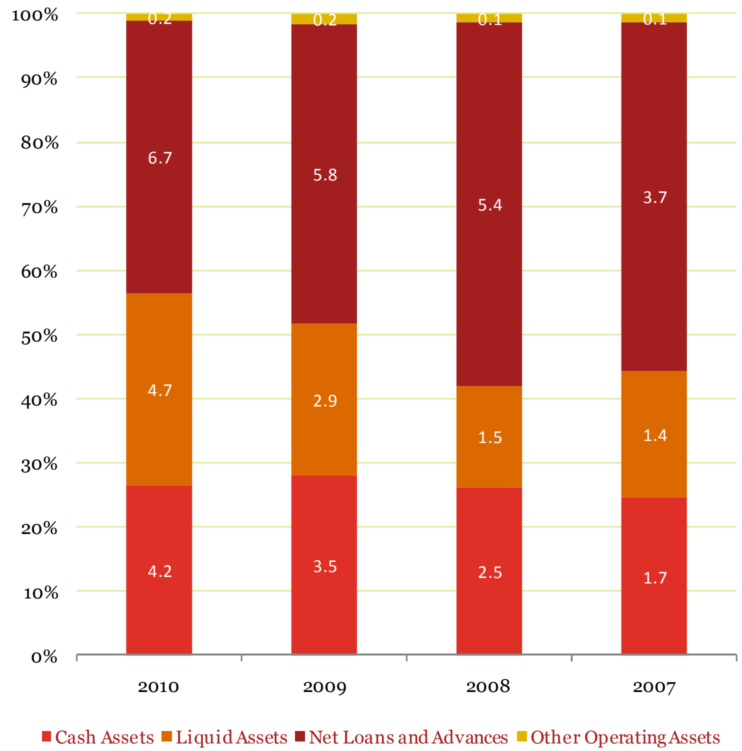
… The unbanked sector of the population remained over 80% and this is a large untapped area for banks to continue to raise cheaper funds from, through deposits mobilization .

Quartile analysis

Industry's operating assets more than doubled in the four years from 2007

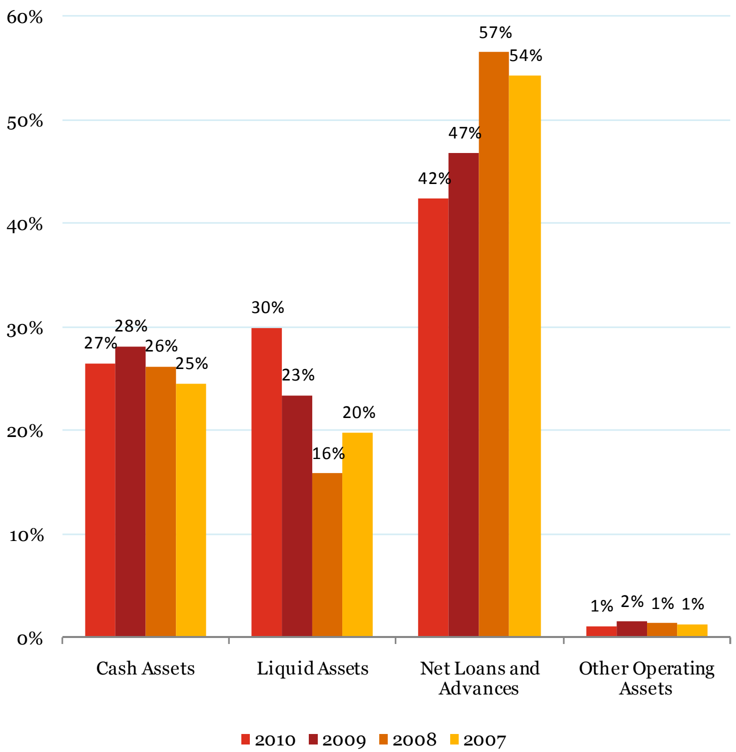
For a reasonable comparison and analysis of the industry, we group participating banks into quartiles, based on the value of their operating assets. We consider banks' operating assets to be a key business performance indicator as well as the basis for which stakeholder value is derived, hence our choice of this metric. All participating banks have been ranked based on the carrying amounts of their operating assets held as at 31 December 2010.

Operating Assets (In billions of Cedis)



Despite the decline in its growth rate, net loans and advances continue to constitute a greater proportion of the industry's operating assets. On the other hand, Liquid assets gained prominence from being 20% (2007) to 30% (2010) of total industry operating assets

Composition of industry operating assets



Loans and advances continue to be the most significant component of the industry's earning asset. After a lull during the global financial crisis, the 15% growth achieved in 2010 is a marked improvement from 7.5% growth rate in 2009. Net loans and advances represented 42% (2010) of total industry operating assets which declined from the three previous years.

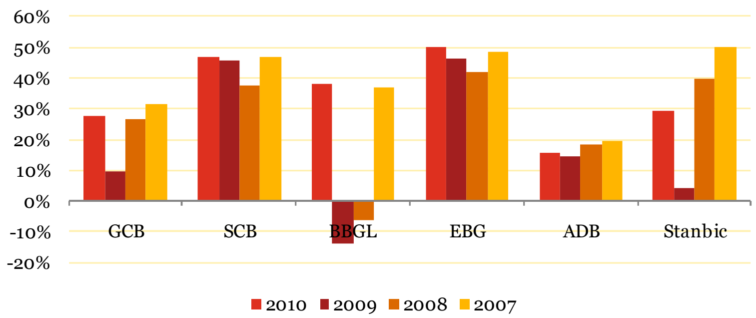
Liquid assets contributed 30% of the total industry operating assets. Investment in Government securities grew by 43% from GH¢2.8 billion in 2009 to GH¢4.0 billion at the end of 2010. This follows the 2009 trend of improved credit profiling resulting in the banks maintaining more risk free market instruments as opposed to granting loans.

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

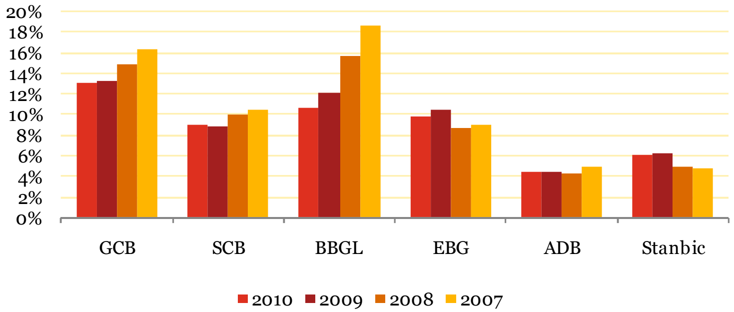
The industry's operating assets more than doubled between 2007 and 2010 with UTB, Baroda, BSIC and ABG experiencing the most significant increase.

First Quartile Group (Q1)	▪ Total operating assets for the six Q1 banks increased by 95% from GH¢4.3billion (2007) to GH¢8.4billion (2010). ▪ Q1 banks total share of industry net assets declined from 62% (2007) to 53% (2010) as the industry witnessed the entrance of three new banks during this period. ▪ ADB moved up two positions to rejoin this group after its exit in 2009. ▪ MBG dropped one spot into Q2. ▪ SCB moved up to second position within the group.
Second Quartile Group (Q2)	▪ Q2 operating assets more than doubled from GH¢1.4billion (2007) to GH¢3.6billion (2010). ▪ Within the group Fidelity moved up 3 positions. ▪ CAL and ZBL fell 2 ranks each. ▪ SG-SSB's growth of 22% in 2010 was slower than it growth of 26% 2009.
Third Quartile Group (Q3)	▪ Total operating assets in Q3 increased by 167% from GH¢0.9billion (2007) to GH¢2.4billion (2010). ▪ UTB joined this group from Q4. ▪ The ranking of ABL and PBL both dropped 3 positions.
Fourth Quartile Group (Q4)	▪ The operating assets of this group increased from GH¢0.5billion (2007) to GH¢1.4billion (2010). ▪ Baroda, BSIC and ABG had the fastest growth in operating assets. ▪ FAMBL moved up 4 positions within this group. ▪ HFC moved down 2 positions to join this group.

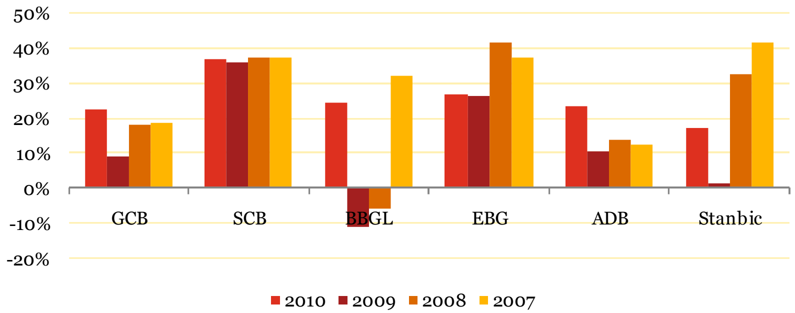
First Quartile Banks - Profit before tax margin



First Quartile Banks - Share of industry deposits

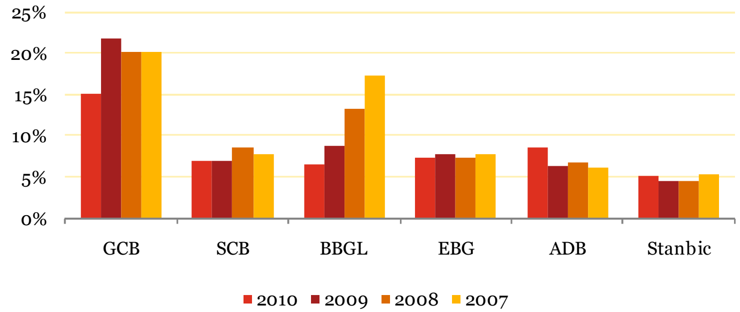


First Quartile Banks - Return on equity



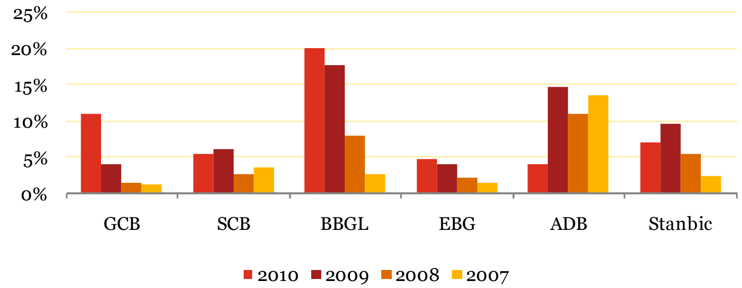
With the exception of SCB and ADB, Q1 bank's share of industry deposits declined. BBGL's PBT margin and return on equity increased in 2010 from its negative position in 2008 and 2009.

First Quartile Banks - Share of industry advances

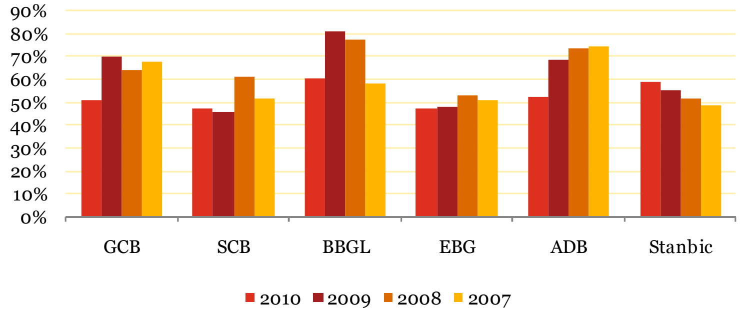


The quality of Stanbic, ADB and SCB's loan and advances increased in 2010. The cost to income ratio of Stanbic and SCB increased between 2009 and 2010.

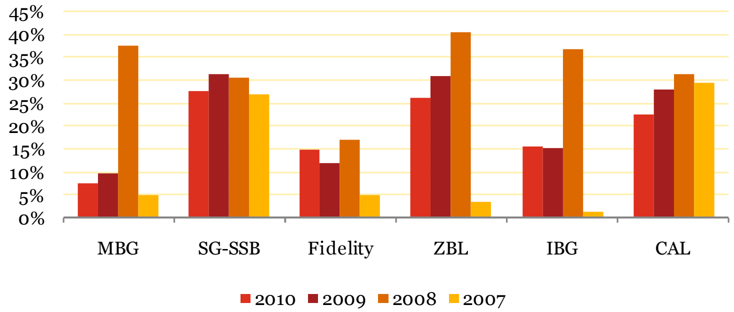
First Quartile Banks - Impairment allowance/gross loans and advances



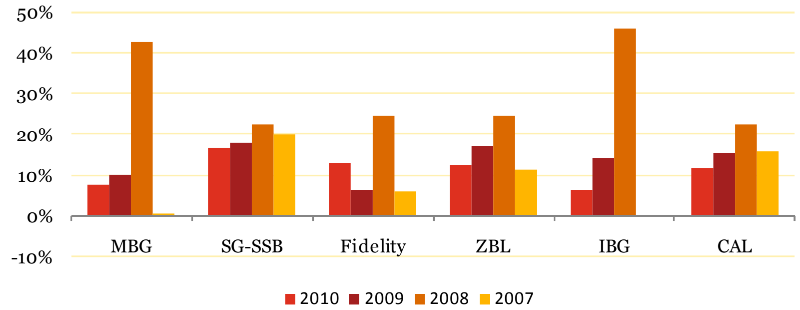
First Quartile Banks - Cost income ratio



Second Quartile Banks - Profit before tax margin

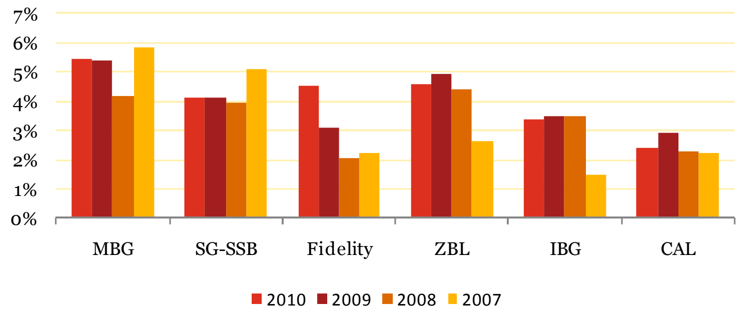


Second Quartile Banks - Return on equity

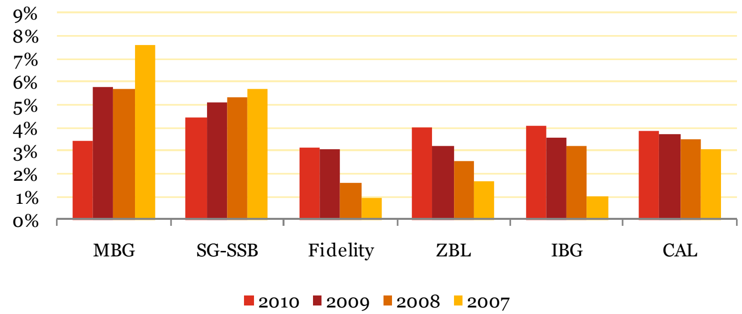


With the exception of Fidelity and IBG, profit before tax margin of all banks in this group declined

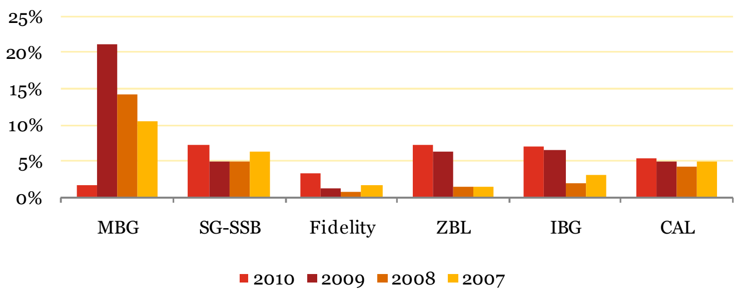
Second Quartile Banks - Share of industry deposits



Second Quartile Banks - Share of industry advances

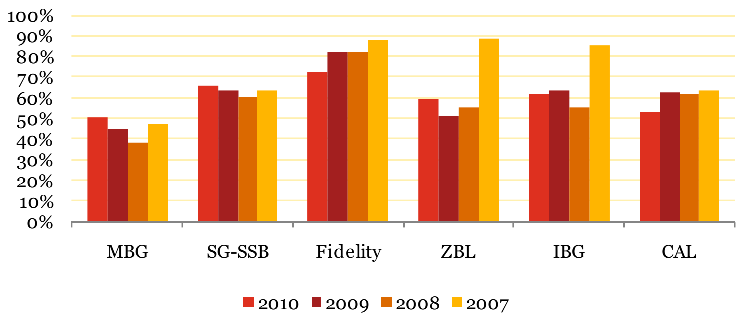


Second Quartile Banks - Impairment allowance/gross Loans and advances

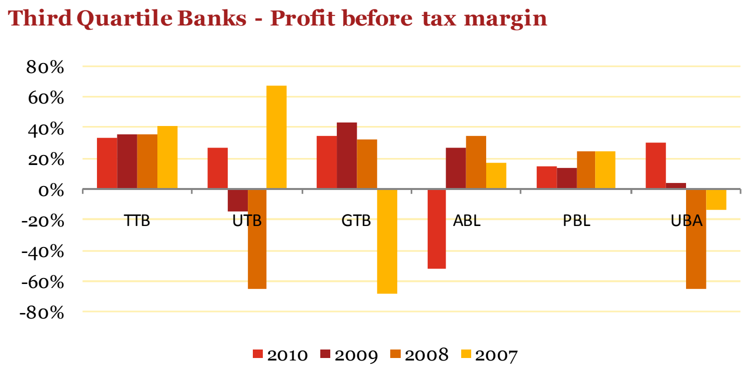


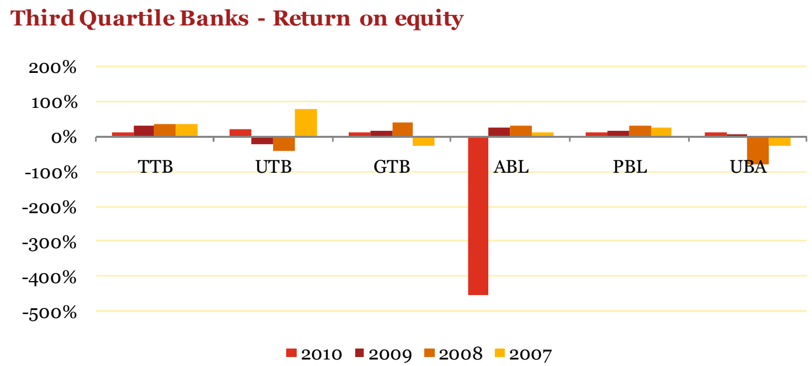
The quality of SG-SSB and ZBL's loan portfolio declined.

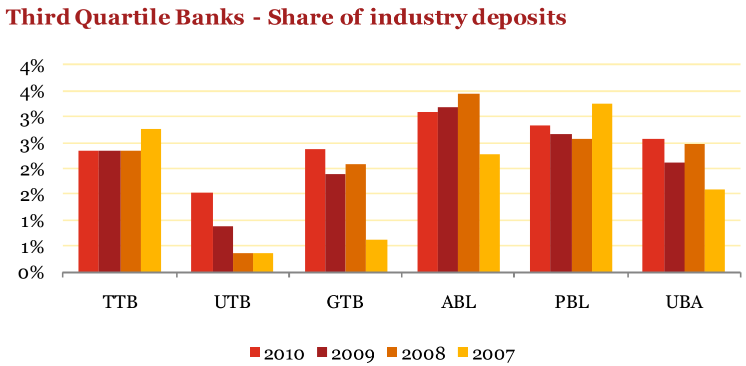
Second Quartile Banks - Cost income ratio

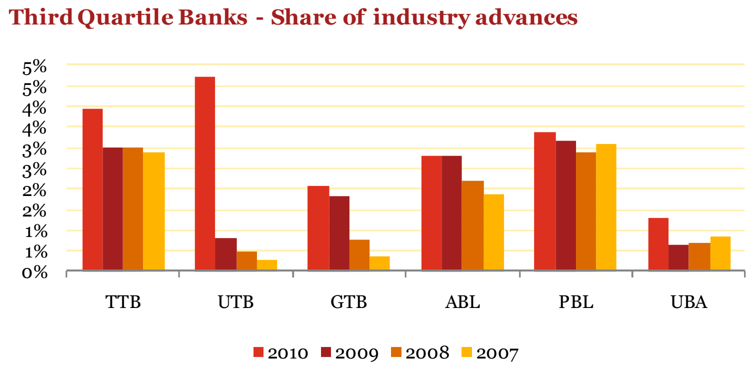


ABL's profit before tax margin declined while for the first time in two years, UTB had positive profit before tax margins. UTB holds the largest share of industry advances within this group.

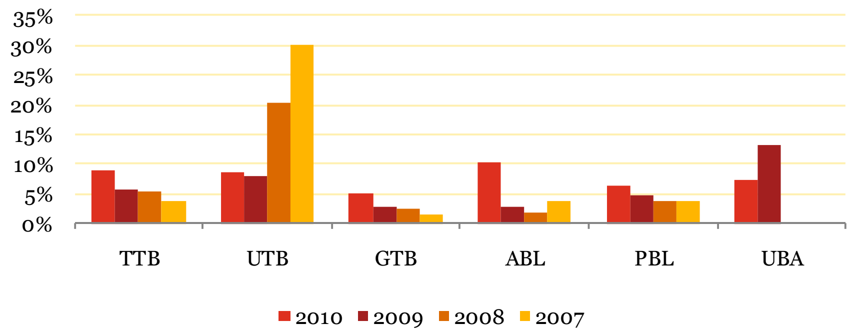






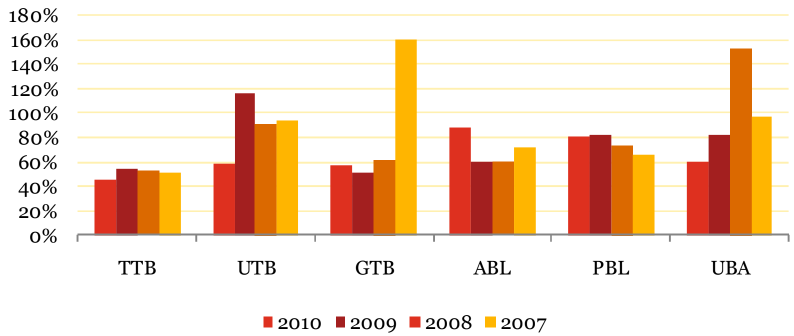


Third Quartile Banks - Impairment allowance/gross loans and advances



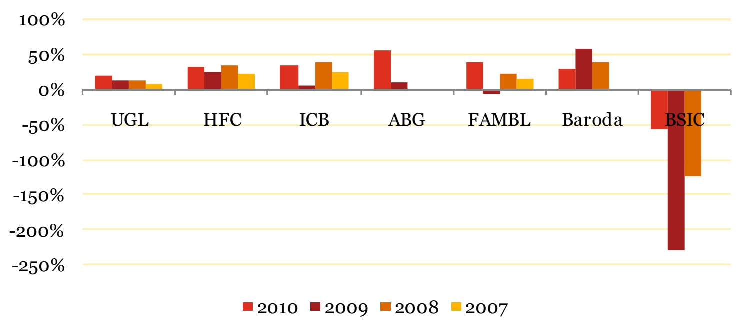
TTB and ABL had significant declines in the quality of their loans and advances.

Third Quartile Banks - Cost income ratio

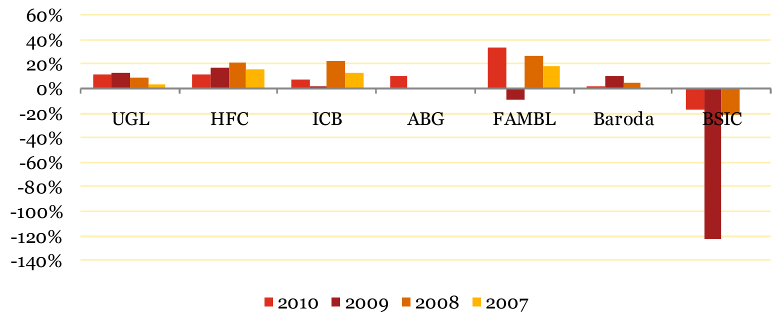


HFC and Baroda had a decline in their return on equity while UGL held the largest share of industry deposits and advances in this group.

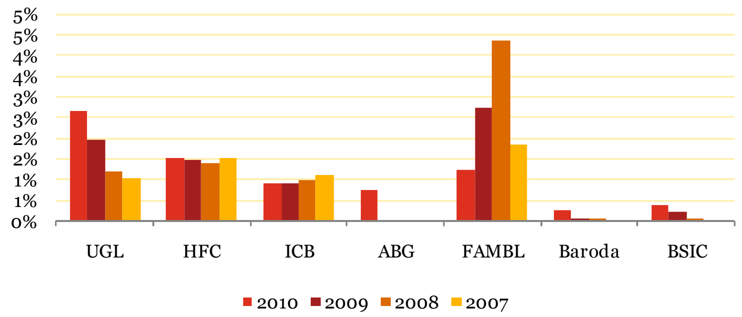
Fourth Quartile Banks - Profit before tax margin



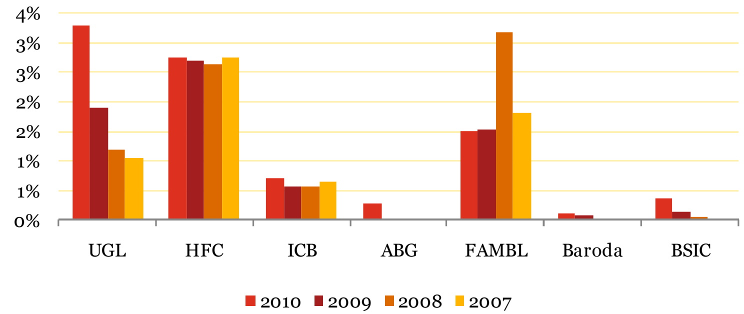
Fourth Quartile Banks - Return on equity



Fourth Quartile Banks - Share of industry deposits

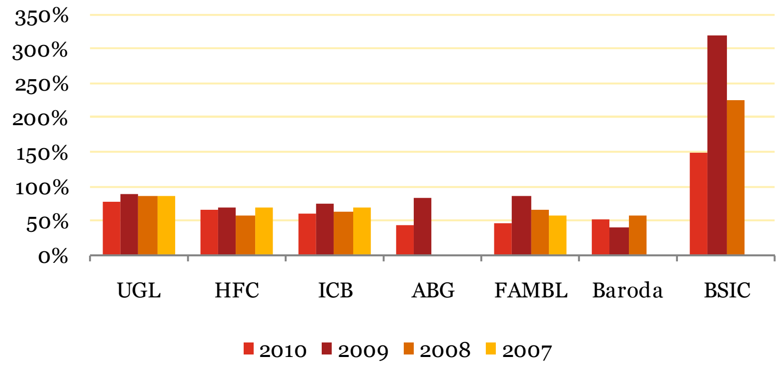


Fourth Quartile Banks - share of industry advances

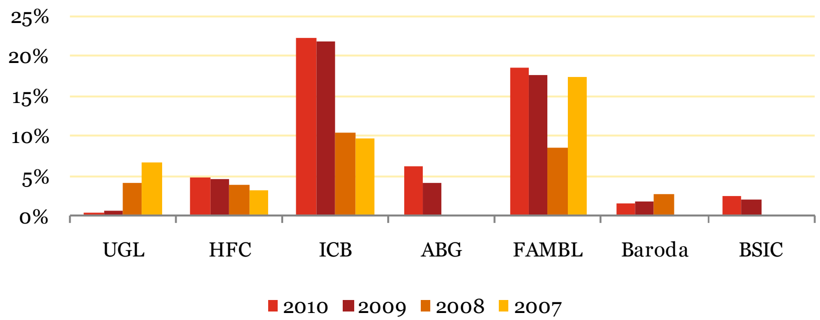


FAMBL and ICB's impairment allowance to gross loans and advances declined between 2008 and 2010 while Baroda's cost to income ratio improved.

Fourth Quartile - Cost income ratio



Fourth Quartile Banks - Impairment allowance/gross Loans and advances



Market share analysis

The total assets of the industry grew by 25% between 2009 and 2010, representing a decline of 5% when compared to the growth rate between 2008 and 2009. Though its market share continues to drop, GCB still maintains the lead.....

Share of industry's operating assets

In the last three years, the industry's operating assets have more than doubled. Between 2009 and 2010, operating assets grew by 25% from GH¢13.4 billion in 2009 to GH¢ 16.8 billion in 2010.

Traditional banks dominate the first quartile and hold 53% of the industry's operating asset. GCB has the largest earning capacity in the industry. While BBG experienced slower growth in 2008 and 2009, SCB has had a steady pace to become the second bank with the largest earning capacity. The drop in the ranking may be attributable to the conservative growth inBBG's loan portfolio.

The top 3 banks however lost 3.4% of the total assets market share. Both GCB and BBGL show a declining trend in the market share over the last three years.

The other first quartile banks, EBG, ADB, Stanbic maintained their 2009 rankings.

UT bank achieved a phenomenal growth in its operating assets from GH¢ 96 million in 2009 to GH¢ 434 in 2010. The growth is attributable to the business combination of UT Financial Services Limited (UTFS) and UT Bank in June 2010. UTFS contributed operating assets of GH¢ 206 million.

The earning capacity of FAMBL shrunk by 13% during the year because FAMBL restructured a trade finance transaction and derecognised the related asset.

PBL, CAL and ABL also suffered significant losses in market share.

Share of industry total assets

	2010	R	2009	R	2008	R
GCB	12.60%	1	14.30%	1	15.90%	1
BBGL	9.80%	3	10.80%	2	13.40%	2
SCB	10.00%	2	10.50%	3	9.50%	3
EBG	9.00%	4	10.10%	4	8.50%	4
ADB	6.00%	5	5.50%	5	6.00%	5
Stanbic	5.30%	6	5.30%	6	4.40%	6
MBG	4.80%	7	5.20%	7	4.30%	7
SG-SSB	4.10%	8	4.30%	8	4.20%	8
ZBL	3.90%	9	4.10%	9	3.80%	9
CAL	3.00%	13	3.40%	10	3.20%	12
Intercont	3.20%	11	3.20%	11	2.90%	14
Fidelity	3.90%	10	2.70%	12	2.10%	17
ABL	2.50%	16	2.60%	13	2.90%	13
PBL	2.40%	17	2.50%	14	2.70%	15
TTB	2.80%	14	2.30%	15	2.40%	16
FAMBL	1.10%	23	2.20%	16	3.60%	11
GTB	2.50%	15	2.10%	17	1.70%	19
UBA	2.40%	18	2.00%	18	1.90%	18
HFC	2.20%	20	1.90%	19	3.60%	10
UGL	2.30%	19	1.60%	20	1.10%	20
ICB	1.30%	21	1.40%	21	1.00%	21
UTB	3.10%	12	0.80%	22	0.40%	22
ABG	1.20%	22	N/A		N/A	
BSIC	0.40%	24	0.20%	23	0.10%	23
Baroda	0.40%	25	0.10%	24	0.10%	24
NIB	N/A		N/A		N/A	
Industry	100.00%		100.00%		100.00%	

Share of industry deposits

As banks consolidated their current positions, branch development slowed down considerably during the year. The industry achieved 27% growth between 2009 and 2010. Strategies for deposit mobilisation were aimed at deepening the existing customer relationship.

The deposit mix did not change significantly . Demand deposits representing 50% of the industry's deposit remains a key source of funds. Savings, which accounts for only 19% of the deposits, grew by 69% during the year. This is an indication of customer confidence in the industry. To sustain long term profitability, deposit mobilisation should continue to target the savings for its long term funding.

GCB, BBGL and EBG maintained their respective rankings, as the largest deposit holders. However, new entrants to the industry are gaining ground. In the last four years, their market share of 43% in 2007 has eroded to 33% in 2010.

Fidelity has made the most gains in market share. Between 2007 and 2010, Fidelity, now ranked 8th, has doubled its market share and now holds 4.5% of the industry's deposits.

Share of industry deposits

	2010	R	2009	R	2008	R	2007 (I)	R
GCB	13.1%	1	13.3%	1	14.8%	2	16.3%	2
BBGL	10.6%	2	12.1%	2	15.7%	1	18.6%	1
EBG	9.9%	3	10.5%	3	8.7%	4	8.9%	4
SCB	9.1%	4	8.9%	4	9.9%	3	10.5%	3
Stanbic	6.0%	5	6.2%	5	4.9%	5	4.8%	8
MBG	5.4%	6	5.4%	6	4.2%	9	5.8%	5
ZBL	4.6%	7	4.9%	7	4.4%	6	2.6%	11
ADB	4.4%	9	4.5%	8	4.2%	8	4.9%	7
SG-SSB	4.1%	10	4.1%	9	3.9%	10	5.1%	6
Intercont	3.4%	11	3.5%	10	3.5%	11	1.5%	18
ABL	3.1%	12	3.2%	11	3.4%	12	2.3%	12
Fidelity	4.5%	8	3.1%	12	2.1%	17	2.2%	14
CAL	2.4%	16	2.9%	13	2.3%	16	2.3%	13
FAMBL	1.2%	21	2.7%	14	4.4%	7	1.8%	15
PBL	2.8%	13	2.7%	15	2.6%	13	3.2%	9
TTB	2.3%	18	2.4%	16	2.3%	15	2.8%	10
UBA	2.6%	15	2.1%	17	2.5%	14	1.6%	16
UGL	2.7%	14	2.0%	18	1.2%	20	1.0%	20
GTB	2.4%	17	1.9%	19	2.1%	18	0.6%	21
HFC	1.5%	19	1.5%	20	1.4%	19	1.5%	17
ICB	0.9%	22	0.9%	21	1.0%	21	1.1%	19
UTB	1.5%	20	0.9%	22	0.3%	22	0.4%	22
BSIC	0.4%	24	0.2%	23	0.1%	23	0.0%	23
ABG	0.8%	23	N/A		N/A		N/A	-
Baroda	0.3%	25	0.1%	24	0.0%	24	0.0%	23
NIB	N/A		N/A		N/A		N/A	
Industry	100%		100%		100%		100%	

Share of industry deposits

Together FAMBL and BBG lost 3% of their market share during the year. The losses incurred by these banks in the prior year may have created customer apprehension. The return to profitability strengthens the ability to attract deposits and eventually recover their market share.

CAL and TTB were the net losers making way for aggressive players such as UGL, UBA and Fidelity.

FAMBL lost more than 100% in its market share, dropping from 14th position in 2009 to an all time low ranking of 21st in 2010. FAMBL's drop in deposit is similar to the drop in total assets, as a significant asset derecognised was financed by deposit from other banks

Baroda and ICB have been in operation for over three years but yet to make gains and any positive impact in deposit mobilization. ABG and BSIC have strong multinational backing as subsidiaries of regional banks but are yet to show their market presence locally.

Six banks ranked, GCB, BBGL, EBG, SCB, Stanbic and MBG account for more than 50% of the industry total deposit .

Share of industry advances

In the midst of the global financial crisis, the industry became very cautious on growing its loan book. Gross loans and advances increased from GH¢6.3 billion in 2009 to GH¢7.3 billion at year end 2010 . Prior to the crisis in 2008, the industry experienced growth of loans and advances in excess of 30%. However, between 2009 and 2010, the default risks heightened and the industry's lending slowed down to 13%. Although this is an improvement from the 10% growth in 2009, the expectation is that with the additional capital injection and growth in deposits, funds will be available for lending.

Concentration of loans and advances in the industry sector did not show significant changes. 33% of the industry's loans is directed to the Commerce and Finance sector compared to the 35% in the prior year. Funding to agriculture appear to have benefited from the decline in the concentration in commerce and finance sector. Loans and advances in the agriculture sector moved up from 4% in 2009 to 6% in 2010.

The most significant is GCB's 7% loss of its market share. GCB's exposure to Tema Oil Refinery was reduced when the government settled GH¢ 445million.

Despite writing off GH¢ 64 million of bad debts, ADB gained 2% in the loans and advances market share. ADB appears to be leveraging on the aggressive branch network expansion to extend facilities to the agricultural and related sectors.

Share of industry advances

	2010	R	2009	R	2008	R	2007 (I)	R
GCB	15.0%	1	21.7%	1	20.1%	1	20.2%	1
BBGL	6.5%	5	8.8%	2	13.3%	2	17.2%	2
EBG	7.4%	3	7.7%	3	7.3%	4	7.8%	3
SCB	7.0%	4	7.0%	4	8.5%	3	7.7%	4
ADB	8.6%	2	6.4%	5	6.8%	5	6.2%	6
MBG	3.4%	13	5.8%	6	5.7%	6	7.6%	5
SG-SSB	4.5%	8	5.1%	7	5.3%	7	5.7%	7
Stanbic	5.1%	6	4.5%	8	4.5%	8	5.3%	8
CAL	3.8%	12	3.7%	9	3.5%	9	3.1%	10
Intercont	4.1%	9	3.6%	10	3.2%	10	1.0%	17
ZBL	4.0%	10	3.2%	11	2.5%	15	1.7%	15
PBL	3.4%	14	3.2%	12	2.9%	13	3.1%	9
Fidelity	3.2%	16	3.0%	13	1.6%	17	0.9%	18
TTB	3.9%	11	3.0%	14	3.0%	12	2.9%	11
ABL	2.8%	17	2.8%	15	2.2%	16	1.9%	13
HFC	2.7%	18	2.7%	16	2.6%	14	2.8%	12
UGL	3.3%	15	1.9%	17	1.2%	18	1.0%	16
GTB	2.1%	19	1.8%	18	0.8%	19	0.3%	21
FAMBL	1.5%	20	1.5%	19	3.2%	11	1.8%	14
UTB	4.7%	7	0.8%	20	0.5%	22	0.3%	22
UBA	1.3%	21	0.7%	21	0.7%	20	0.8%	19
ICB	0.7%	22	0.6%	22	0.6%	21	0.7%	20
ABG	0.3%	24	N/A		N/A		N/A	-
BSIC	0.4%	23	0.1%	23	0.0%	23	0.0%	23
Baroda	0.1%	25	0.1%	24	0.0%	24	0.0%	23
NIB	N/A		N/A		N/A		N/A	
Industry	100.0%		100.0%		100.0%		100.0%	

Share of industry advances

UTB also made some gains in the market share. This is attributable to the loans and advances of GH 135 million it acquired from UFTSL in the business combination.

MBG, CAL and Fidelity lost significant market share. Notwithstanding, MBG and Fidelity improved their share of total operating assets through investments in liquid assets, especially, treasury bills. The increase in the volume of treasury bills more than compensated for the decline in the loan book. This could be a short term strategy to maximise profitability.

The Industry is recovering from last year's slow growth with a 14% increase in gross loans and advances

Profitability and efficiency

Profit before tax margin

The industry's profitability recovered from the dip it experienced in 2009. Profit before tax margin increased from 19.7% in 2009 to 27.7% in 2010. The improved profitability is attributed to a growth in net interest income and an improvement in cost to income ratios.

Industry profit before tax increased by 95% from GH¢298.1 million in 2009 to GH¢580.3 million in 2010.

Interest income increased by GH¢474 million arising from growth in both loans and advances to customers and investments in Government securities, contributed to the overall surge in profitability.

Contribution of fees and commissions as a proportion of total income declined from 23% in 2009 to 19% in 2010. Unfunded income in the form of commission and fees from transaction only grew by 14%. The industry depends heavily on interest income as banks continue to focus on their core activities rather than their non-fund based activities like cash management services and financial commitments.

The industry continues to heavily depend on interest income….. income from trading activities experienced a squeeze due to the stability of the Ghana cedi…..even as impairment rose albeit at a slower pace.

Income from trading activities reduced by GH¢35 million, reflecting the relative stability of the Ghana cedi against the major trading currencies which has led to diminishing spreads in the foreign exchange market during the year.

Impairment charge on financial assets increased by 29% in 2010. This is mainly attributable to additional provisions made by GCB (GH¢34 million), ADB (GH¢55 million), ABL (GH¢15 million) , TTB (GH¢10 million) and CAL (GH¢9 million). Overall, the level of impairment charges of the other banks increased modestly over the 2009 levels.

BBG and Stanbic saw a turnaround in their loan book, resulting in reductions of GH¢40 million and GH¢19 million respectively, indicating better credit management and improvement in recovery of delinquent loans.

Profit before tax margin

	2010	R	2009	R	2008	R	2007 (I)	R
ABG	54.3%	1	9.9%		N/A		N/A	-
EBG	49.9%	2	46.1%	2	41.9%	1	48.2%	3
SCB	46.6%	3	45.9%	3	37.4%	7	46.6%	4
BBGL	38.1%	4	-13.8%	23	-6.3%	21	36.8%	6
FAMBL	37.8%	5	-5.9%	22	22.5%	17	15.0%	15
GTB	34.4%	6	43.7%	4	32.6%	12	-68.2%	24
ICB	34.2%	7	5.7%	19	37.5%	6	24.6%	11
TTB	33.5%	8	35.7%	5	35.1%	9	40.6%	5
HFC	30.7%	9	23.8%	10	32.6%	11	22.1%	12
UBA	29.7%	10	4.2%	21	-64.9%	23	-14.0%	23
Stanbic	29.3%	11	4.2%	20	39.9%	3	49.9%	2
Baroda	28.8%	12	57.8%	1	39.5%	4	0.0%	21
SG-SSB	27.7%	13	31.4%	6	30.6%	14	26.9%	9
GCB	27.4%	14	9.8%	17	26.4%	15	31.6%	7
UTB	26.6%	15	-14.9%	24	-64.7%	22	67.6%	1
ZBL	26.0%	16	30.9%	7	40.5%	2	3.6%	19
CAL	22.5%	17	28.0%	8	31.2%	13	29.5%	8
UGL	20.3%	18	12.8%	14	12.4%	20	6.6%	16
Intercont	15.7%	19	15.4%	11	36.8%	8	1.2%	20
ADB	15.6%	20	14.4%	12	18.3%	18	19.3%	13
PBL	14.9%	21	13.4%	13	24.6%	16	24.9%	10
Fidelity	14.8%	22	11.7%	15	17.2%	19	5.1%	18
MBG	7.6%	23	9.7%	18	37.6%	5	5.1%	17
ABL	-51.7%	24	26.4%	9	34.5%	10	16.6%	14
BSIC	-56.1%	25	-229.5%	25	-124.2%	24	0.0%	21
NIB	N/A		N/A		N/A		N/A	
Industry	27.7%		19.7%		26.1%		30.4%	

Profit before tax margin (continued)

Access Bank Ghana (ABG), a relatively new entrant in the industry, posted the highest profit before tax margin (PBTM) of 54%. This performance was driven by significant returns from investments in Government securities as the bank is yet to significantly grow its loan book. In 2010, the bank's investment in Government securities was 7.8 times its investment in loans and advances to customers.

EBG and SCB maintained the most stable performance in terms of PBTM having consistently achieved above 37% over the last four years.

Significant reductions in impairment charge and cost control measures, led to BBG improving its PBTM from a loss in 2009 to a PBTM of 38.1% in 2010. FAMBL's PBTM also improved from 5.9% in 2009 to 37.8%.

UTB's business combination led to a growth in the earning capacity of the bank. The bank's operating assets increased four-fold, leading to a significant growth in interest income and a PBTM of 26.6% compared to a loss in 2009.

Although BSIC is yet to recover from its operating cost, it reduced its loss from GH¢4.3 milion in 2009 to GH¢3.6million in 2010. The branch expansion appears to be yielding some result.

ABL performance took a downturn this year. From a profit of GH¢6.4 million in 2009 the bank recorded a loss of GHC 16.7 million. A five-fold increase in the impairment charge from GH¢4 million in 2009 to GH¢20 million in 2010 and increased staff costs contributed to the loss.

Net interest margin

Interest rates on treasury bills declined in response to the steady reduction in the government borrowing. In line with the decline, average interest paid on deposits in 2009 was 13.2% compared with 8.3% in 2010. Average base rates of banks (on household loans) in 2009 was 29.7% compared with 24.7% in 2010.

The net spread between the policy rate and the industry base rate remained relatively unchanged at about 11% as most banks did not significantly reduce interest rates on loans and advances. Banks did not revise base rates downwards in response to sharp decline in inflation and money market rates . Bank's attributed the lack of strong response to the high level of non-performing loans and higher cost of capital (resulting from the increase in minimum regulatory capital) as contributory factors.

The industry's net interest margin (NIM) has improved steadily between 2007 to 2009. GCB's NIM almost doubled. A combination of a 46% growth in interest income and scale down in the non performing operating assets arising from the GH¢455 million part settlement of the Tema Oil Refinery debt in March 2010 contributed to the improved performance.

The significant improvement in the NIM of ADB and UTB is attributable to the earning generated from a fast growing base of operating assets.

HFC bank's NIM improved from 6.3% in 2009 to 10.1% in 2010. The improvement was as a result of a reduction in interest expense by 21% from GH¢27.4 million in 2009 to GH¢21.5 million in 2010. The decrease is attributed to reduced reliance on short-term interbank borrowing following additional capital injection of GH¢27.5 million during the year.

Baroda which had the best NIM at 13.2% in 2009 saw a downturn to the lowest in the industry of 4.2%. Baroda's continued dependence on interest income from government securities could not sustain its profitability as growing depositors demand competitive returns.

Net interest margin

	2010	R	2009	R	2008	R	2007 (I)	R
Baroda	4.2%	25	13.2%	1	19.4%	1	0.0%	23
GTB	9.2%	11	12.4%	2	5.5%	21	3.2%	22
TTB	12.6%	2	10.9%	3	10.1%	4	9.8%	3
BSIC	8.7%	12	6.6%	14	17.2%	2	0.0%	23
BBGL	10.8%	5	10.2%	4	8.6%	10	8.7%	9
SG-SSB	10.4%	7	10.2%	5	9.5%	6	8.8%	8
SCB	9.9%	9	10.0%	6	8.7%	9	8.6%	10
MBG	9.4%	10	9.5%	7	9.5%	7	9.0%	6
ABG	10.4%	6	9.1%		N/A		N/A	-
UGL	6.8%	20	7.9%	9	9.6%	5	8.9%	7
ICB	7.9%	13	7.5%	10	7.1%	13	6.1%	18
GCB	14.1%	1	7.4%	11	9.4%	8	9.4%	4
Stanbic	7.4%	15	7.2%	12	7.5%	11	7.3%	12
EBG	7.4%	16	7.0%	13	5.8%	19	6.6%	16
HFC	10.1%	8	6.3%	15	6.1%	16	9.1%	5
PBL	7.0%	19	6.2%	16	6.6%	15	7.0%	14
ADB	12.1%	3	6.2%	17	7.2%	12	7.0%	13
UTB	11.0%	4	5.9%	18	11.6%	3	11.5%	2
UBA	7.2%	17	5.8%	19	5.2%	22	12.8%	1
CAL	7.8%	14	5.7%	20	5.7%	20	6.1%	19
Intercont	5.6%	22	5.3%	21	5.8%	18	8.5%	11
Fidelity	5.7%	21	5.2%	22	3.8%	23	3.6%	21
ABL	5.3%	24	5.2%	23	6.6%	14	6.6%	17
ZBL	5.5%	23	4.7%	24	6.1%	17	4.7%	20
FAMBL	7.1%	18	3.4%	25	3.7%	24	6.8%	15
NIB	N/A		N/A		N/A		N/A	
Industry	9.4%		7.7%		6.6%		6.7%	

Cost income ratio

The industry's cost income ratio (CIR) remained stable at 0.6 over the survey period. With the exception of Baroda, MBG,GTB,ZBL and ABL, all the other banks either maintained their CIR or improved on it. The trend across the industry reflects a general focus on cost control while growing revenues.

Operating expenses were higher in 2010 by GH¢221 million. Employee benefits continue to be the largest expense item, contributing 47% (2009: 46%) to operating expenses.

ABG, FAMBL, UTB and BSIC improved their cost income ratios and in some cases achieved up to 50% reduction. Despite the reduction, BSIC's cost income ratio at 1.5 still remains the highest in the industry.

Operating expenses for GCB increased over 33% during the year recording one of the highest increase in the industry. However, GCB managed to improve on its CIR as a result of significant growth in income.

ABL's CIR worsened during the year from 0.6 in 2009 to 0.9 in 2010. The drop in income from foreign exchange trading during the year eroded ABL's revenue base. Together with a 39% increase in operating expenses and pressure on its revenue base, the cost income ratio deteriorated in 2010.

Baroda, MBG, GTB and ZBL also experienced higher increases in operating expenses compared to total income, leading to a deterioration in the CIR. These banks would need to significantly grow their revenue base in the coming year to meet operating costs and maintain or improve on the cost income ratio.

In its second year of operation, ABG's cost income ratio improved from 1 in 2009 to 0.4 in 2010. Together with TTB, the cost income ratio is the lowest in the industry. Maintaining the low CIR can be a challenge as competition erodes interest margins and related costs in attracting and retaining staff rise to increase operating expenses.

Cost income ratio

	2010	R	2009	R	2008	R	2007 (I)	R
Baroda	0.5	8	0.4	1	0.6	8	0.0	23
MBG	0.5	6	0.4	2	0.4	1	0.5	22
SCB	0.5	5	0.5	3	0.6	11	0.5	19
EBG	0.5	4	0.5	4	0.5	4	0.5	20
GTB	0.6	11	0.5	5	0.6	12	1.6	1
ZBL	0.6	14	0.5	6	0.6	6	0.9	4
TTB	0.4	2	0.5	7	0.5	3	0.5	18
Stanbic	0.6	13	0.6	8	0.5	2	0.5	21
ABL	0.9	24	0.6	9	0.6	9	0.7	9
CAL	0.5	10	0.6	10	0.6	14	0.6	15
SG-SSB	0.7	20	0.6	11	0.6	10	0.6	14
Intercont	0.6	18	0.6	12	0.6	5	0.9	6
ADB	0.5	9	0.7	13	0.7	18	0.7	8
HFC	0.6	19	0.7	14	0.6	7	0.7	11
GCB	0.5	7	0.7	15	0.6	15	0.7	12
ICB	0.6	17	0.7	16	0.6	13	0.7	10
BBGL	0.6	16	0.8	17	0.8	19	0.6	16
PBL	0.8	23	0.8	18	0.7	17	0.7	13
ABG	0.4	1	0.8		N/A		N/A	0
UBA	0.6	15	0.8	20	1.5	23	1.0	2
Fidelity	0.7	21	0.8	21	0.8	20	0.9	5
FAMBL	0.5	3	0.9	22	0.6	16	0.6	17
UGL	0.8	22	0.9	23	0.9	21	0.8	7
UTB	0.6	12	1.2	24	0.9	22	0.9	3
BSIC	1.5	25	3.2	25	2.2	24	0.0	23
NIB	N/A		N/A		N/A		N/A	
Industry	0.6		0.6		0.6		0.6	

Returns to shareholders

Return on equity (ROE)

Shareholder's funds grew by 30% from GHC 1,794 million in 2009 to GHC2,332 million in 2010. The growth is mainly due to the capital injection by local banks to meet the minimum capital and earnings retained to meet statutory reserve requirements.

The industry's return on equity (ROE) improved from 12.1% in 2009 to 16.7 % in 2010. The gain in ROE is attributable to an improvement in the industry's net interest margin. The capital injection in the last two years made available cheaper funds to finance banks' operating assets and boost the earning capacity. The industry's net spread increased from 6.5% in 2009 to 8.2% in 2010.

Return on assets also improved from 1.6% in 2009 to 2.3% in 2010 because of the favourable operating results for the year. Profit after tax increased by 44% from 217 million in 2009 to 388 million.

All the listed banks paid out dividend during the year. However the industry's dividend payout ratio declined from 36.6% in 2009 to 32.2%. This is largely due to the drop in GCB's dividend payout ratio from 87.8% in 2009 to 17.0%.

No local bank declared dividend for the year ended 31 December 2010. This is not surprising because the local banks need to retain earnings towards capital contribution.

For the second year running, SCB 's ROE was the highest within the banking industry. SCB's ROE of 36.8% in 2010 was 0.8% higher than the bank's ROE in 2009.

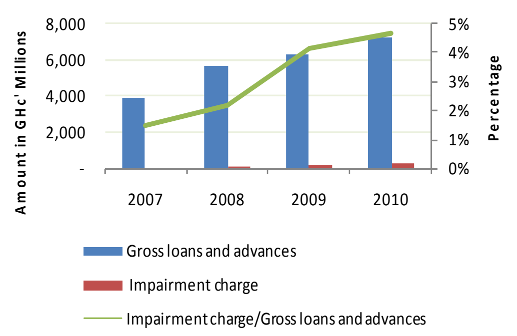
FAMBL, BBGL and UTB improved significantly on their performance to generate returns to their shareholders . This was a significant improvement from the prior year's loss. FAMBL, BBGL and UTB moved from 21st, 22nd, and 23rd positions in 2009 to 2nd, 4th, and 7th positions in 2010 respectively.

BSIC, ABL had operating losses and were unable to make any returns on the shareholders' funds.

Return on equity edged up to 16.7% in 2010 following reduction from 21.7% in 2008 to 12.1% in 2009

Asset Quality

Analysis of Industry loan quality



The banking industry continues to grow in profitability, however, the banks are showing an increasing trend in impairment charge. During our survey period, the industry's annual impairment charge as a proportion of the gross loans and advances has worsened from 1.5 % in 2007 to 4.7% in 2010. In the last two years, the trend appeared to be slower but remained high. The slower deterioration in the loan book is an indication of the action taken by the industry in strengthening credit administration and recovery procedures.

The impairment charge for Stanbic, BBGL, ICB and ZBL reduced during the year. A combination of factors including recoveries and rigid credit administration accounts for the reduction.

The quality of ADB, MBG, ABL, Baroda loan book deteriorated during the year. These banks had impairment charge/gross loans and advances ratios in excess of 5%.

For the first time in four years, ADB and MBG's annual impairment charge was in excess of 10%. This unusual trend is attributable to action taken to streamline the loan portfolio and focus on maintaining quality of the loan book. ADB wrote off non performing loans to the tune of GH¢64 million. MBG set aside GH¢ 31 million in respect of specific loan impairments.

Impairment charge/ gross loans and advances

	2010	R	2009	R	2008	R	2007 (I)	R
UGL	0.2%	1	-0.3%	1	0.4%	6	1.6%	8
UTB	2.0%	8	-0.2%	2	12.2%	24	-18.9%	24
PBL	0.7%	2	0.8%	3	0.4%	5	1.6%	9
Fidelity	2.7%	9	0.9%	4	0.1%	3	1.5%	10
Baroda	5.1%	21	1.0%	5	2.5%	19	0.0%	22
HFC	1.0%	3	1.1%	6	1.6%	13	1.1%	16
SG-SSB	2.0%	7	1.4%	7	2.1%	18	2.4%	5
CAL	4.7%	18	1.5%	8	1.1%	9	1.4%	14
EBG	1.1%	4	2.0%	9	1.4%	12	0.2%	20
GTB	2.9%	11	2.0%	10	2.0%	17	1.4%	13
BSIC	1.7%	6	2.1%	11	0.0%	1	0.0%	22
TTB	5.0%	19	2.4%	12	2.7%	20	1.7%	7
FAMBL	3.2%	13	2.6%	13	1.1%	10	5.3%	3
ABL	9.6%	23	2.7%	14	1.1%	11	2.1%	6
GCB	6.3%	22	2.8%	15	0.8%	7	0.1%	21
SCB	2.7%	10	3.5%	16	0.4%	4	0.6%	18
ADB	11.8%	24	3.6%	17	1.7%	14	1.4%	12
ABG	3.4%	15	4.0%	18	N/A		N/A	-
Intercont	4.3%	17	5.0%	19	1.7%	15	3.3%	4
ZBL	3.1%	12	5.2%	20	0.9%	8	1.3%	15
ICB	1.5%	5	6.2%	21	0.1%	2	1.4%	11
UBA	5.0%	20	8.6%	22	3.2%	21	6.0%	2
MBG	17.6%	25	9.6%	23	5.4%	22	8.0%	1
BBGL	3.8%	16	9.8%	24	6.0%	23	0.8%	17
Stanbic	3.2%	14	10.9%	25	1.8%	16	0.3%	19
NIB	N/A		N/A		N/A		N/A	
Industry	4.7%		4.2%		2.2%		1.5%	

The loan portfolio profitability did not show a marked improvement. Between 2007 and 2010, the loan portfolio profitability improved from 11.1% to 15.9%.

Out of the twenty five (25) banks only eight banks show an improvement in the loan portfolio profitability. These banks, BBG, Stanbic, FAMBL, GCB and MBG, had either in the prior or current year identified and recognised impairment provision for the non-performing loans. It appears this approach to expunge non-performing assets is beginning to yield result and showing profitable loan book.

MBG shows the best loan portfolio performance. In its effort to pursue recovery and manage the current loan book, MBG created a special purpose vehicle and transferred identified non performing loans of GHC 86 million to a non performing asset recovery trust.

Coupled with cautious lending practices by banks, loan defaults are expected to decline in a more stable microeconomic environment.

Impairment allowance/ gross loans and advances

	2010	R	2009	R	2008	R	2007 (I)	R
UGL	0.4%	1	0.7%	1	4.2%	15	6.8%	6
Fidelity	3.2%	5	1.3%	2	0.8%	3	1.6%	17
Baroda	1.6%	2	1.9%	3	2.8%	11	0.0%	22
BSIC	2.4%	4	2.1%	4	0.0%	1	0.0%	22
GTB	5.0%	9	2.8%	5	2.4%	9	1.4%	20
ABL	10.2%	21	3.0%	6	1.8%	6	3.9%	9
ABG	6.2%	12	4.0%	7	N/A		N/A	-
EBG	4.7%	7	4.0%	8	2.3%	8	1.5%	18
GCB	11.0%	22	4.0%	9	1.5%	4	1.3%	21
HFC	4.9%	8	4.6%	10	3.8%	12	3.2%	13
PBL	6.3%	13	4.9%	11	3.9%	13	3.7%	11
CAL	5.4%	11	4.9%	12	4.1%	14	4.9%	8
SG-SSB	7.2%	16	5.0%	13	5.0%	16	6.2%	7
TTB	9.0%	20	5.8%	14	5.4%	17	3.8%	10
SCB	5.4%	10	6.0%	15	2.6%	10	3.5%	12
ZBL	7.3%	17	6.3%	16	1.6%	5	1.5%	19
Intercont	7.0%	15	6.5%	17	1.9%	7	3.0%	14
UTB	8.5%	19	8.1%	18	20.5%	24	30.2%	1
Stanbic	7.0%	14	9.5%	19	5.5%	18	2.4%	16
UBA	7.5%	18	13.1%	20	0.0%	1	0.0%	22
ADB	4.1%	6	14.7%	21	11.1%	22	13.7%	3
FAMBL	18.6%	23	17.6%	22	8.6%	20	17.4%	2
BBGL	20.1%	24	17.7%	23	8.0%	19	2.6%	15
MBG	1.7%	3	21.1%	24	14.1%	23	10.3%	4
ICB	22.2%	25	21.7%	25	10.5%	21	9.8%	5
NIB	N/A		N/A		N/A		N/A	
Industry	8.0%		8.2%		5.2%		4.6%	

Loan portfolio profitability

	2010	R	2009	R	2008	R	2007 (I)	R
UGL	18.7%	7	27.0%	1	21.5%	1	14.1%	5
TTB	15.6%	12	25.3%	2	17.4%	5	16.5%	3
ABL	12.3%	19	22.2%	3	17.1%	6	11.3%	12
HFC	20.5%	4	22.0%	4	17.8%	4	16.7%	2
PBL	19.9%	5	21.4%	5	16.8%	7	14.0%	7
CAL	14.7%	14	20.9%	6	14.0%	9	14.0%	6
Intercont	13.4%	15	20.6%	7	10.9%	16	12.7%	9
FAMBL	24.6%	2	20.2%	8	7.9%	20	11.3%	11
ZBL	12.4%	18	19.9%	9	19.6%	2	9.7%	17
GTB	18.6%	8	19.3%	10	11.9%	14	10.6%	14
Fidelity	16.3%	10	18.1%	11	13.0%	11	5.4%	21
SCB	15.3%	13	18.0%	12	13.6%	10	14.8%	4
UTB	19.2%	6	17.8%	13	4.1%	22	36.2%	1
BSIC	17.3%	9	15.4%	14	3.3%	23	0.0%	22
GCB	22.9%	3	14.6%	15	12.3%	13	9.8%	16
SG-SSB	15.7%	11	14.5%	16	9.9%	18	8.5%	20
EBG	12.7%	17	13.8%	17	9.4%	19	9.3%	18
MBG	28.4%	1	13.2%	18	12.8%	12	10.2%	15
ABG	6.4%	23	13.0%	19	N/A		N/A	-
ICB	8.8%	21	12.2%	20	18.8%	3	13.3%	8
UBA	4.2%	25	11.8%	21	-3.2%	24	-6.0%	24
Baroda	4.8%	24	11.2%	22	6.4%	21	0.0%	22
ADB	7.0%	22	10.9%	23	10.1%	17	9.2%	19
BBGL	11.7%	20	10.3%	24	11.2%	15	11.2%	13
Stanbic	12.8%	16	8.4%	25	16.2%	8	11.7%	10
NIB	N/A		N/A		N/A		N/A	
Industry	15.9%		15.7%		12.6%		11.1%	

Liquidity

Liquidity balancing act, a key to sustaining banks profitability

Over the four year period ending 2010, there is a growing trend for banks to hold funds in less risky assets. The favourable macro economic condition of lower inflation and greater stability of the cedi did not stimulate an increase in lending activity.

At the end of 2010, liquid funds held was 74% of the industry's deposits. Between 2009 and 2010, the rate of increase in the industry's liquidity has been relatively slower. The government reduced its borrowing in 2010 and in consequence, interest on government securities dropped. Returns from placing funds in liquid assets is gradually becoming a less attractive option because depositors are demanding competitive rates.

Half of the banks in the industry remained risk averse and held funds in money market securities. Baroda and ICB traditionally held over 45% of their operating assets in Government securities.

Although ABG leads in maintaining liquid assets, this appears to be more of a stage in the growth cycle. The liquidity ratio relatively declined 8.44 basis points in 2010. The fall is due to growth of its deposits relative to 2009 when the bank entered the industry and was at an early stage of deposit mobilisation.

ADB and ZBL recorded the highest drop in liquid assets to total deposits ratio for 2010. These two banks appeared to be more willing to take on risks by lending, rather than placing funds in less risky assets.

Liquid funds/ total deposits

	2010	R	2009	R	2008	R	2007 (I)	R
ABG	1.85	1	10.29	1	N/A		N/A	
Baroda	1.66	2	2.04	2	2.89	1	0.00	23
ICB	1.35	3	1.52	3	0.84	4	0.74	5
UBA	0.92	5	1.10	4	0.78	6	0.63	9
SCB	0.99	4	1.06	5	0.55	12	0.75	4
GTB	0.88	6	0.87	6	0.75	7	0.63	10
EBG	0.79	10	0.82	7	0.58	10	0.62	12
CAL	0.71	12	0.77	8	0.70	8	0.84	3
ZBL	0.65	15	0.74	9	0.69	9	0.54	16
BBGL	0.86	7	0.68	10	0.44	17	0.43	20
MBG	0.83	8	0.65	11	0.32	23	0.47	19
Stanbic	0.68	13	0.65	12	0.46	16	0.49	18
UTB	0.64	16	0.61	13	0.41	21	0.68	6
ADB	0.55	20	0.59	14	0.47	15	0.58	13
Fidelity	0.75	11	0.59	15	0.80	5	0.86	2
SG-SSB	0.68	14	0.57	16	0.41	20	0.63	7
HFC	0.83	9	0.52	17	2.01	2	0.57	15
TTB	0.59	19	0.52	18	0.43	19	0.63	11
ABL	0.50	23	0.50	19	0.52	14	0.53	17
Intercon	0.53	21	0.49	20	0.35	22	0.58	14
PBL	0.43	24	0.49	21	0.53	13	0.63	8
FAMBL	0.50	22	0.44	22	0.57	11	0.90	1
GCB	0.64	17	0.44	23	0.43	18	0.38	21
UGL	0.37	25	0.41	24	0.28	24	0.32	22
BSIC	0.64	18	0.30	25	1.82	3	0.00	23
NIB	N/A		N/A		N/A		N/A	
Industry	0.74		0.68		0.53		0.55	

ABG and Baroda continue to hold large slices of liquid assets with ADB and UGL among the most illiquid banks.

PBL and UGL continued to have less than 45% of their deposits in less risky assets suggesting a continued strategy of building its loan portfolio.

With respect to liquidity as a proportion to total assets, ABG, Baroda, UBA and ICB continue to occupy the top four spots for the second year in a row. With each bank holding a minimum of about 70% of its total assets in liquid funds, it would appear that these banks simply remain relatively risk-averse compared to their peers and the industry.

The industry ratio of liquid funds to total interest bearing liabilities shows a similar growth trend in holding liquid funds. The increase is at a slower pace compared to prior year.

Ten banks had a ratio above the industry average with ABG, Baroda and ICB recording ratios way above the industry average. However, ratios for UGL, ADB, PBL and FAMBL lagged well below the industry average of 0.67.

Liquid funds/ total assets

	2010	R	2009	R	2008	R	2007 (I)	R
UBA	0.71	3	0.81	1	0.75	2	0.59	2
ABG	0.86	1	0.77	2	N/A		N/A	
Baroda	0.86	2	0.69	3	0.85	1	0.00	23
ICB	0.69	4	0.69	4	0.60	5	0.57	3
SCB	0.65	7	0.64	5	0.42	12	0.56	4
ZBL	0.55	12	0.63	6	0.59	6	0.50	8
EBG	0.62	9	0.60	7	0.44	11	0.47	10
GTB	0.61	10	0.55	8	0.68	3	0.52	7
Stanbic	0.56	11	0.54	9	0.37	14	0.37	16
BBGL	0.67	6	0.53	10	0.38	13	0.37	17
UTB	0.23	25	0.48	11	0.26	21	0.52	6
Fidelity	0.64	8	0.48	12	0.57	7	0.72	1
CAL	0.41	18	0.48	13	0.36	16	0.44	12
MBG	0.68	5	0.47	14	0.23	23	0.32	19
ABL	0.44	15	0.44	15	0.45	10	0.44	13
FAMBL	0.39	20	0.38	16	0.51	9	0.55	5
SG-SSB	0.49	13	0.38	17	0.28	20	0.42	15
Intercont	0.40	19	0.38	18	0.31	17	0.48	9
TTB	0.36	22	0.37	19	0.30	18	0.43	14
PBL	0.36	21	0.36	20	0.37	15	0.46	11
UGL	0.31	23	0.35	21	0.22	24	0.25	22
ADB	0.29	24	0.34	22	0.24	22	0.33	18
GCB	0.48	14	0.29	23	0.30	19	0.29	20
HFC	0.42	17	0.28	24	0.57	8	0.29	21
BSIC	0.42	16	0.24	25	0.66	4	0.00	23
NIB	N/A		N/A		N/A		N/A	
Industry	0.53		0.48		0.39		0.41	

Liquid funds/ total interest bearing liabilities

	2010	R	2009	R	2008	R	2007 (I)	R
ABG	1.64	1	5.96	1	N/A		N/A	
Baroda	1.51	2	2.04	2	2.89	1	0.00	23
ICB	1.07	3	1.12	3	0.73	6	0.68	5
UBA	0.92	4	1.10	4	0.78	4	0.63	6
GTB	0.82	6	0.87	5	0.75	5	0.63	7
SCB	0.80	7	0.80	6	0.53	10	0.68	4
EBG	0.74	9	0.76	7	0.53	11	0.56	10
ZBL	0.65	12	0.74	8	0.69	7	0.54	14
BBGL	0.85	5	0.67	9	0.44	14	0.42	17
Stanbic	0.66	11	0.63	10	0.43	15	0.41	18
UTB	0.62	15	0.61	11	0.41	17	0.68	3
CAL	0.52	20	0.58	12	0.42	16	0.54	13
Fidelity	0.70	10	0.55	13	0.62	8	0.79	2
MBG	0.77	8	0.54	14	0.27	23	0.38	19
SG-SSB	0.65	13	0.53	15	0.36	20	0.54	12
ABL	0.48	21	0.50	16	0.51	12	0.53	15
ADB	0.39	24	0.49	17	0.35	21	0.52	16
TTB	0.54	18	0.48	18	0.39	19	0.61	8
Intercont	0.52	19	0.47	19	0.35	22	0.58	9
FAMBL	0.47	22	0.42	20	0.57	9	0.89	1
PBL	0.41	23	0.42	21	0.46	13	0.54	11
UGL	0.35	25	0.40	22	0.27	24	0.31	22
GCB	0.61	16	0.35	23	0.39	18	0.37	20
HFC	0.55	17	0.34	24	1.24	3	0.34	21
BSIC	0.64	14	0.30	25	1.82	2	0.00	23
NIB	N/A		N/A		N/A		N/A	
Industry	0.67		0.60		0.48		0.50	

Our profile

About us

PwC provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 154,000 people in 161 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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 and Services
- Energy and Mining
- Telecoms
- Infrastructure
- Transport – airports/aviation, seaports, road and rail

In Africa, PwC firms have established 58 permanent offices employing more than 6,000 professional staff located in 31 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 and leading global and national companies.

Our permanent offices in Africa can be found in:

In Ghana, PricewaterhouseCoopers has seven partners and directors and over 200 employees. The firm in Ghana provides the same services as any firm in the network of firms of PricewaterhouseCoopers, i.e. assurance, tax and advisory services, and in accordance with the same professional standards adopted by the worldwide.

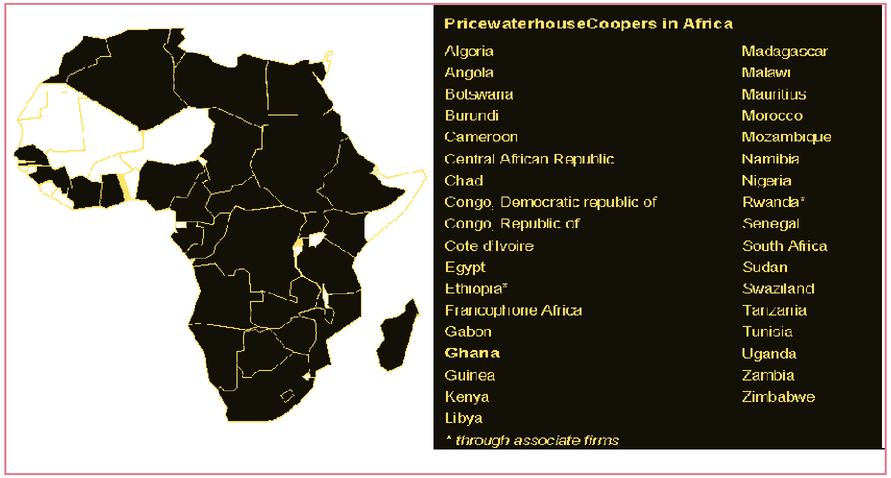
The Ghana firm has unrestrained access to the networks vast resource base of proprietary knowledge and methodologies, and experience.

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 organisational development, public sector reform, liberalisation and privatisation of utilities and infrastructure sectors, liberalisation of financial markets, and modernisation of tax, customs and exchange control regimes.



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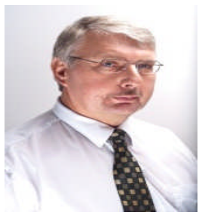

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Glossary

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
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 /
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
Non-interest operating revenue includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service
Non-operating assets comprises net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets,
Operating assets include cash and liquid assets, loans and advances, and any other asset that *directly* 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

List of abbreviations

ABG	Access Bank (Ghana) Limited	IFRS	International Financial Reporting Standards
ABL	Amalgamated Bank Limited	IMF	International Monetary Fund
ADB	Agricultural Development Bank Limited	MBG	Merchant Bank Ghana Limited
Baroda	Bank of Baroda Limited	NIB	National Investment Bank Limited
BBGL	Barclays Bank of Ghana Limited	PAT	Profit after tax
BOG	Bank of Ghana	PBL	Prudential Bank Limited
BSIC	Sahel -Sahara Bank Limited	PBT	Profit before tax
CAL	CAL Bank Limited	PwC	PricewaterhouseCoopers (Ghana) Limited
DPS	Dividend per share	ROA	Return on assets
EBG	Ecobank Ghana Limited	ROCE	Return on capital employed
EPS	Earnings per share	ROE	Return on equity
FAMBL	First Atlantic Merchant Bank Limited	SCB	Standard Chartered Bank Ghana Limited
FBL	Fidelity Bank Limited	SG-SSB	SG-SSB Bank Limited
GCB	Ghana Commercial Bank Limited	Stanbic	Stanbic Bank Ghana Limited
GDP	Gross Domestic Product	TTB	The Trust Bank Limited
GTB	Guaranty Trust Bank (Ghana) Limited	UBA	United Bank for Africa (Ghana) Limited
HFC	HFC Bank (Ghana) Limited	UGL	UniBank Ghana Limited
IBG	Intercontinental Bank Ghana Limited	UTB	UT Bank Limited
ICB	International Commercial Bank Limited	ZBL	Zenith Bank (Ghana) Limited

Participating banks

25 out of the 26 banks currently operating in the country participated in this year's survey as listed in the table below.

Name of bank	incorporati on	Majority ownership	of branches	Chief Executive Officer(as at May 2011)
Access Bank (Ghana) Limited	2008	Foreign	3	Yomi Akapo
Agricultural Development Bank Limited	1965	Local	65	Stephen Kpordzih
Amalgamated Bank Limited	1997	Foreign	20	Menson Torkornoo
Bank of Baroda (Ghana) Limited	2007	Foreign	1	V. Sreedharan
Barclays Bank of Ghana Limited	1917	Foreign	92	Benjamin Dabrah
BSIC (Ghana) Limited	2008	Foreign	11	Robert Kow Bentil
CAL Bank Limited*	1990	Local	15	Frank Adu Jr.
Ecobank Ghana Limited*	1990	Foreign	52	Samuel Ashitey Adjei
Fidelity Bank Limited	2006	Local	24	Edward Effah
First Atlantic Merchant Bank Limited	1994	Local	6	Jude Arthur
Ghana Commercial Bank Limited*	1953	Local	161	Simon Dornoo
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	21	Dolapo Ogundimu
HFC Bank Ghana Limited*	1990	Local	23	Asare Akuffo
Intercontinental Bank Ghana Limited	2006	Foreign	27	Albert Mwegwa
International Commercial Bank Limited	1996	Foreign	12	Sanjeev Anand
Merchant Bank Ghana Limited	1971	Local	22	Joseph Tetteh
National Investment Bank Limited**	1963	Local	27	P.A. Kuranchie
Prudential Bank Limited	1993	Local	32	Stephen Sekyere Abankwa
SG-SSB Bank Limited*	1975	Foreign	39	Gilbert Hie
Stanbic Bank Ghana Limited	1999	Foreign	22	Alhassan Andani
Standard Chartered Bank Ghana Limited*	1896	Foreign	35	Kweku Bedu-Addo
The Trust Bank Limited	1996	Local	14	Larry Yirenkyi Boafo
UniBank (Ghana) Limited	1997	local	13	Ammishadai Owusu-Amoah
United Bank for Africa (Ghana) Limited	2004	Foreign	26	Oliver Alawuba
UT Bank Limited	1995	Local	23	Prince K. Amoabeng
Zenith Bank (Ghana) Limited	2005	Foreign	24	Daniel Asiedu