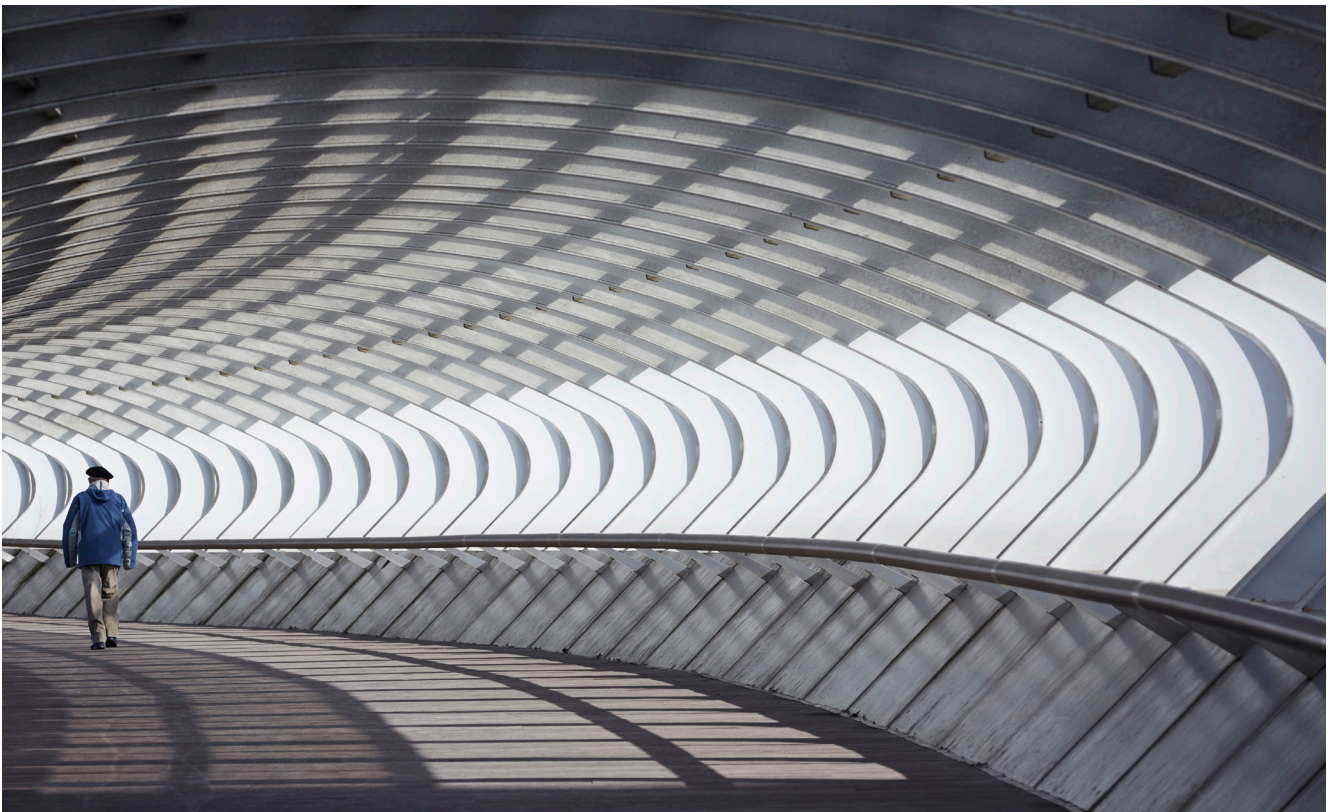


2015 Ghana Banking Survey

“Bank of the Future: What bank customers want to experience by 2020”





Contents

A message from our CSP	2
A message from the Executive Secretary of the Ghana Association of Bankers	4
A message from our Tax Leader	6
1	
Bank of the future...	8
2	
Overview – The economy	32
3	
Overview - The banking industry	36
4	
Overview - Quartile Analysis	40
5	
Overview - Market Share Analysis	52
6	
Overview - Profitability and efficiency	58
7	
Overview - Return to shareholders	64
8	
Overview - Liquidity	68
9	
Overview – Asset Quality	72
A	
List of participants	75
B	
Glossary of key financial terms, equations and ratios	76
C	
List of Abbreviations	77
D	
Our Profile	78
E	
Our Leadership Team	82

A message from our CSP



Vish Ashiagbor

Country Senior Partner

When, together with the Ghana Association of Bankers (GAB), we presented the results of the 2014 Ghana Banking Survey at a very well-attended breakfast meeting at the Movenpick Ambassador Hotel last September, the debate was livened by the effusive contributions of many of the participants. Some of these participants attended on behalf of their organisations, but many more were representing themselves as retail customers of banks operating in Ghana. Participants' comments ranged from challenging the transparency of banks' product and service pricing, to enquiring of banks' commitment to the promotion of financial inclusion in the country.

Upon reflecting on the interesting conversations we heard at the launch, we decided to change – for the 2015 edition – our historical approach for conducting this industry survey. This is the basis of our choice of theme for the 2015 Ghana Banking Survey; we felt it would be instructive for key players in the banking industry (especially banks and the regulator) to gain an insight into what customers' expectations of the

banking industry are, as well as what customers' general assessment is of how close the industry is to meeting these expectations.

The 2015 Ghana Banking Survey, themed “Bank of the Future: what bank customers want to experience by 2020”, asks several questions of bank customers that invite them to paint a picture of what they expect a bank operating in Ghana to look like in 2020. Customers paint these pictures via their responses to scenario-based questions framed around five elements of banks' business and operating models: i.e. products and services, channels, technology, organisation, and talent. After setting out their expectations of the “Bank of the Future”, customers then told us – based on their “outside-in” view formed through their interactions with their personal banks – whether, today, banks operating in the country (a) generally fit the mould of the Bank of the Future, (b) are on track to fit that mould by 2020, or (c) are unlikely to attain Bank of the Future state by 2020.¹

To put the expectations of bank customers in context, we asked them to indicate what matters the most to them in their banking experiences. The following are the attributes that bank customers were asked to rank in their measurement of satisfying experiences: affordability, convenience, availability of credit, familiarity, product variety, security, simplicity and speed in service.

Customers were further asked to indicate their rating of what aspect of banks' business models is the most important for the delivery of “satisfaction” in their banking experiences. We listed the afore-mentioned five elements of a bank's business and operating model for customers to rate: i.e. products and services, channels, technology, organisation, and talent.

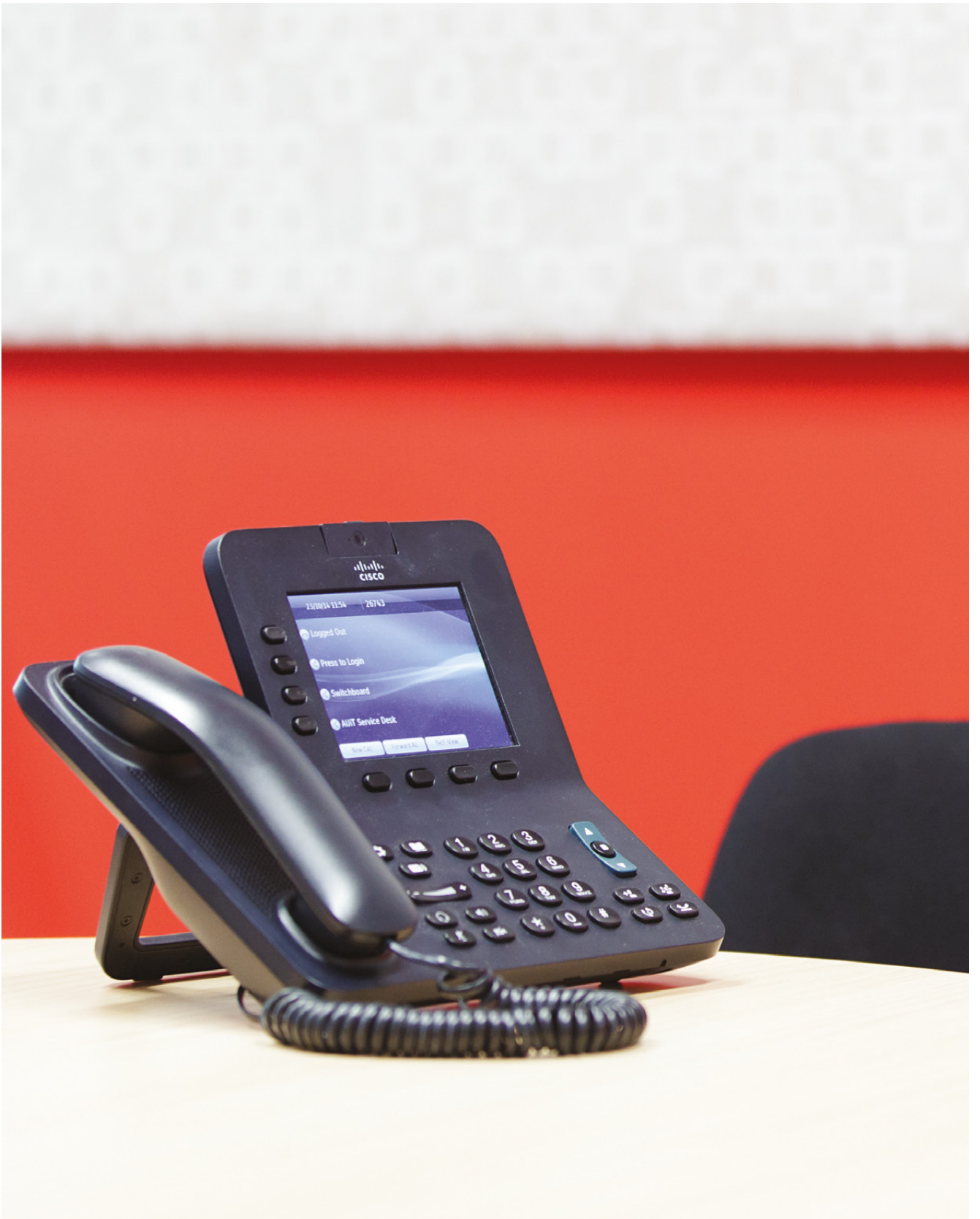
To get a balance in the perspectives of the market, i.e. from both buyers

(customers) and sellers (banks), we also asked banks to provide some insights into the initiatives they are taking around the five different aspects of their business and operating models to provide some insight into what their own priorities are regarding what will contribute to their future success in the market. Additionally, we asked banks to tell us if – one year on – their views of the key drivers of transformation in the industry remain the same as expressed in 2014, or have changed.

Our key findings from the survey have been presented in our survey report. They make very interesting reading and, in our view, hold strategic value for both banks and the regulator; banks, because the information has been captured through the lens of the customer, who represent their revenue streams, and the regulator, who we expect to have the views and interests of the customer in mind in the execution of their supervisory and regulatory functions.

I encourage you to read on. If you wish to discuss some of these findings in some more detail, by all means get in touch with us; our survey team and Financial Services Industry Group will be pleased to engage with you further.

¹ In their responses to indicate their expectations of the Bank of the Future, respondents selected from three choices: high priority, medium priority, and low priority. In their responses to give their assessment of banks' current performance, respondents again selected from three choices: already meeting expectations; most likely to meet expectations; and unlikely to meet expectations.



A message from the Executive Secretary of the Ghana Association of Bankers



D. K. Mensah

Ghana Association of Bankers

We are once again happy to collaborate with PwC for the 2015 Ghana Banking Survey. The theme of the survey this year could not have been chosen at a better time, especially given that the focus last year was what banks expect of banking in Ghana in the future. The Ghana Association of Bankers has received a few complaints from customers on the banking experience and services they have received. Even though many of these complaints are usually directed at the level of fees and charges levied on these customers, the Association believes Ghanaian banking customers have more expectations of their “Bank of the Future” and we look forward to the responses, findings and conclusions of this year’s survey.

Below are some other current issues the Association would like to highlight:

Capital formation, what next for Bank of Ghana in achieving and securing the stability of the Ghanaian Banking Sector?

Since the Bank of Ghana increased the minimum capital of commercial banks in 2010, to which many of the banks complied with this directive by 31 December 2012, there are renewed concerns on whether the Ghanaian banking sector is adequately capitalised to underwrite some of the significant transactions expected post the oil production driven status of the economy. The level of dispensation granted by the regulator for banks to do business above their single obligor limits gives credence to these concerns. However, the focus this time does not seem to be targeted only at the minimum stated capital, but also at the other components of the Tier I capital of the commercial banks. Concerned with the recent level of dividend payout by the commercial banks, Bank of Ghana had to issue additional guidelines for consideration by the banks before paying out dividends.

Section 29 of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) provides a staggered framework under which the commercial banks are to transfer current year profit after tax into a statutory reserve. The framework takes into account the level of provisions already made into the statutory reserve vis-à-vis the stated capital of the commercial bank in determining what extra provision is to be made in the current year.

Among many other reasons, the statutory reserve was to help protect depositors’ interest and secure some financial

viability of the commercial bank itself and the banking industry as a whole.

In many instances the statutory reserves have grown to equal or surpass the minimum stated capital of these commercial banks. Whether the liquidity of the commercial banks actually supports these high levels of statutory reserve is a point for another discussion.

It is in this light that concerns over the capital adequacy of commercial banks with a possibility of a further increase in the minimum stated capital, without a re-look at the statutory reserve fund, is of worry to many stakeholders. Under the Internal Capital Adequacy Assessment Process (ICAAP) under Basel II, the regulator is empowered to call on specific commercial banks to make additional capital contributions if required. There are also plans for the introduction of a deposit insurance scheme soon in the Ghanaian banking sector. These and many other reasons have left many concerned as to why the statutory reserve and its current requirements is not being reconsidered when looking at the capital adequacy of the commercial banks.

VAT on financial services

The Government successfully introduced the VAT on financial services which adds to its revenue streams. In spite of the earlier miscommunication and lack of education to the general public, the volume of banking transactions has not been significantly negatively affected as feared.

Strengthening the credit administration

With the recent economic challenges, commercial banks are increasingly cautious in growing their loan portfolios.



An increasing level of default is a reasonable expectation in given the current economic difficulties, at the heart of which are; the power crisis, the depreciation of the Ghana Cedi (prior to the recent gains and stability recorded), the high inflation and interest rates resulting in the high cost of living and doing business.

Know Your Customer

In addition, the challenges of the physical addressing system of the country continue to hinder the banks' efforts in their Know Your Customer (KYC) activities. The few credit referencing bureaux and collateral registry set up are helping with better credit administration and recovery but if the customer or securities used as collateral cannot be easily identified and traced, the banking sector will continue to have challenges in monitoring the customers with the attendant effect of higher cost of credit to these customers.

Pricing of product and services

Furthermore, the competition in the Ghanaian banking sector continues to deepen with many of the banks competing not only on products but price and distribution channels as well. The import dependency of the economy and current economic challenges have however seen many of the treasury activities of the banks centred around foreign currencies and Government of Ghana bills and bonds trading activities. The Bank of Ghana requirement for the publication of the charges and interest rates of the commercial banks has led to intense price competition among the banks and armed customers with information to choose where to do their banking business. The level of customer complaints relating to charges of the

commercial banks attests to the fact that customers are paying particular attention to their cost of doing banking business.

The competition, not only from the banking sector itself but also from the non-bank financial institutions, the innovations and advances being made on the technological front and the new Banking Bill expected to take care of some of the challenges the sector is currently facing when passed, are expected to help the banking sector continue to play its vital role in shaping the Ghanaian economy.

A message from our Tax Leader



George Kwatia

Partner, Tax Leader

Taxing times for banks in Ghana

Introduction

The Ghanaian Banking industry has been impacted lately by new legislation. We focus on two of the most far-reaching tax changes which have impacted banks in recent years. These are Value Added Tax (“VAT”) on fee-based financial services and Transfer Pricing (“TP”) Regulations, which now require banks to price all transactions executed with affiliated persons at an arm’s length.

VAT on fee-based financial services

VAT is a tax levied on the consumption of goods and services. Governments all over the world including Ghana, use VAT as a tool for generating revenues to fund much needed projects and expenditures.

It is public knowledge that the VAT law which imposed VAT on fee-based financial services should have been implemented in January 2014. However,

due to the fact that it generated so much furore, the Government had to defer the implementation by the banks until a more suitable time. The initial disquiet expressed by the general public and banks upon the introduction of the tax, stemmed from the fact that with the exception of life insurance and reinsurance services, all financial services rendered for a fee would have been subject to VAT at rate of 17.5% on the value of the service. After intense lobbying, a detailed list of financial services which were subject to VAT, was finalised and approved for use, effective January 2015. It is instructive to note that prior to the repeal of the previous VAT law, the provision of financial services was exempt from VAT and according to Government, the inclusion was part of the urgent need to broaden the tax base of the country.

While it was expected that, all things being equal, the introduction of VAT on fee-based financial services would not directly affect the cost of service for financial service institutions, the reality is different. The VAT law prevents banks and other financial institutions from deducting input VAT unless they are able to attribute it to a service supplied by them which is subject to the VAT. Unlike businesses within other sectors of the Ghanaian economy, VAT incurred which is not directly attributable to a supply of service which is subject to VAT, is not eligible for deduction against the VAT collected. This unfairly targets the financial services sector, thereby increasing the tax costs on financial institutions. Government should consider amending the law to ensure that financial institutions are able to deduct both directly and indirectly attributable VAT on the fee-based financial services.

Also, given that banks have always debited customers’ accounts with any fees or charges due the banks, the requirement in the VAT law for persons eligible to deduct input VAT to only do so when they do have a validly issued

VAT invoice, is unfairly resulting in the inability of bank customers to claim deductible input VAT. The banks would have to issue VAT invoices to every single customer for bank charges (which is virtually impossible), or the Government may have to consider amending the law to permit the presentation of the customer’s bank statements as sufficient evidence for VAT claim purposes. This way, the cost of administering the VAT on fee-based financial services for bank customers would significantly reduce.

Transfer Pricing (TP)

In September 2012, Ghana issued detailed TP Regulations which, in substance, are consistent with the TP model framework of the Organisation of Economic Cooperation and Development (“OECD”). The banks and other financial service institutions are affected by the TP Regulations just like the other sectors of the economy.

The TP Regulations require businesses executing transactions with persons connected with the business by way of shareholding, common control/ownership or employment, to price those transactions at arm’s length; keep contemporaneous documentation showing how the prices of the transactions were arrived at, and file annual TP returns together with the corporate income tax returns.

The Commissioner-General of the Ghana Revenue Authority (“GRA”) is empowered to re-price all transactions not priced at arm’s length and this can result in an additional income for financial institutions which underestimate services they provide to affiliates, parent company and employees while expenses considered “excessive” by the Commissioner-General may not be available for deduction against income of entities which overestimate their services.



Given that banks have historically given loans to their employees at reduced or zero interest rates, the TP Regulations, now require banks to prepare TP documentation showing how such interest rates were arrived at and to impute a notional income if those interest rates, if any, are not at arm's length. The TP Regulations in essence compel banks to either price the interest on employee loans as it would to others in the ordinary course of lending or justify the interest rates charged on such loans. It is important to note that it is not only staff loans that are affected but also all other transactions between banks, their parent companies and other affiliates.

TP regulations will pose some challenges to banks' reward systems. Banks should begin analysing how the introduction of the TP regulations impacts staff compensation, talent attraction and retention and review their existing performance management systems to ensure they meet the requirements of the TP regulations. There may be possible governance issues where non-executive directors of the banks are also accessing credit at below market rates. There is therefore the need for banks to also perform a review of their existence governance structures and systems to ensure compliance.

We are aware of pending TP audits from the GRA based firstly on the disclosures on the TP returns that banks and other financial institutions have filed and secondly on the GRA's knowledge of banks and financial institutions that have related party transactions.

In summary, adequate TP documentation and price justifications should be put in place by these institutions to minimize the risk of TP adjustments occurring which may have punitive as well as reputational ramifications.

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“Bank of the Future: What bank customers want to experience by 2020”

Our methodology

Online and offline surveys of customers’ perspectives

Through a combination of online surveys and field administration of questionnaires, we got over 900 people participating in and contributing to the customers’ perspectives survey. We produced a comprehensive questionnaire that presented survey respondents with 23 different scenarios of how banking in Ghana could look like in 2020. These scenarios of the future were framed to describe potential developments in the different aspects of banks’ business and operating models, i.e. technologies, channels, products and services, human resource base, and how they structure and organise themselves. The premise was that, when put together and seen as being present within the set-up of any one bank, that bank could truly represent the “Bank of the Future”, one that is not in existence as yet in the Ghana industry. This noted, we recognise that some of the scenarios can be described as already in existence in some form or to some extent in a few of the banks in operation.

For each of the 23 scenarios, survey participants were asked to indicate its level of importance to them in contributing to a differentiated or satisfying banking experience by selecting from three options: high priority, medium priority, and low priority. Following their indication of the level of a scenario’s importance to them, respondents were requested to give their assessment (through their own outside-in view of their banks) of banks’ state of readiness or preparation for fitting into the bank in the given scenario. In this second question, respondents gave one of the following three responses: bank already met expectation set out in the scenario; bank not yet met the expectation, but likely to do so by 2020, based on evidence of respondents see; and bank not likely to meet that expectation by 2020.

Thus, altogether, we got responses related to 46 scenarios that described various situations in relation to the different aspects or components of banks’ business and operating models, i.e. products and services, technology, channels, organisation model, and talent (human resources).

In addition to the scenario questions, survey respondents were requested to indicate to us what aspects of banks’ business and operating models they consider as significant in making real contributions to the creation of differentiated and memorable experiences that delight banking customers.

Personal interviews with bank senior executives

Parallel to the bank customer survey, we also held brief interviews with a selection of bank senior personnel and sought their views on what they believed would be the key factors driving change in the Ghana banking industry in the medium term, up to 2020. We had asked bank executives this same question last year; indeed it formed the central theme of our 2014 banking survey. Our reason for repeating this question was to ascertain whether, one year on, the industry had changed its views on what would drive change and influence success in this industry and market. The findings make very interesting reading.

In addition to giving us their views on what is shaping the future of the Ghana banking industry, bank executives shared some insights into their plans for succeeding and growing in the industry.

What we have done in this report is to see if there is a convergence or divergence in what banks believe will make them succeed in the market place and what customers are expecting from them to enable them (i.e. the customers) have memorable experiences.

Profile of customer survey participants

Survey respondents were 90% individuals (meaning retail bank customers) and 10% organisations; 64% males and 36% females. 91% of respondents belong to the age range of 20 – 34 years and another 5% are in the 35 – 44 years bracket. Also 48% are employed and 22% are tertiary education students; the remaining are retirees or unemployed/ in between jobs.

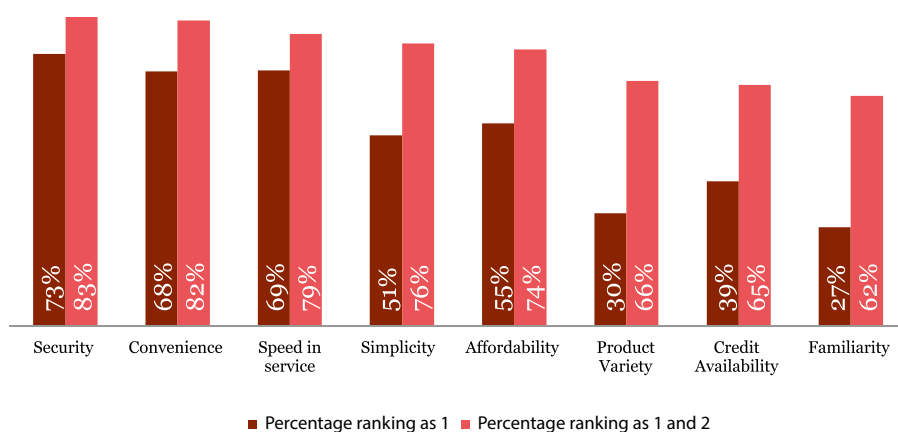
For the organisations that completed the survey, the sector distribution was as follows: government/ public agency (21%), professional services (14%), oil and gas (14%), logistics and distribution (13%), banking and financial services (7%), telecommunications (3%), and entertainment (3%).

Summary of survey key findings

What matters most to customers in creating satisfying banking experiences.

The graph is very telling!

Customers views on contributors to banking experiences



Key highlights:

- **Security** (from technology-related or technology-enabled fraud) topped customers' most desired features that help to create satisfying banking experiences for them. Over 83% of customers surveyed ranked security first or second, among the eight features that – in their view – combine to create great banking experiences. We found this consistent with customers' choice of technology as leading all other elements of banks' operating models in the creation of superior banking experiences. More than 84% of customers rated technology very high (either first or second) in importance in the delivery of satisfying customer experiences. Customers' demands in respect of security is further reinforced by what we found as their expectations regarding how banks should interact with the markets they serve – more and more through technology-enabled channels and mobile devices that afford customers better control of their banking lives. Additionally, over 75% of customers responding to the survey said that they put a high priority on banks' ability to proactively alert them of unusual activity on their bank accounts. This number increases to 95% when customers citing this ability or practice of banks as "medium priority" to them are included.

“Bank of the Future: What bank customers want to experience by 2020”

- Customers cited **speed in service and convenience** as their next important requirements for a superior customer experience. 69% of customers rated “speed in service” first in their assessment of the features of banking relationships that are of an increasingly high priority to them. This is slightly higher than the 68.5% that selected “convenience” for that position, i.e. having the highest rating in the shaping of banking experiences. However, convenience overtakes speed in service when customers rating these attributes first or second are summed up for each attribute. In this instance, more than 82% of customers desire convenience, compared to 78.6% that prefer speed in service.

Again, consistent with the finding that customers are seeking more control, survey respondents put a premium on “anytime, anywhere banking”, expecting that the Bank of the Future be an “Always On(line) Bank”. Customers desire to have round-the-clock access to their accounts and also have the ability to initiate and complete transactions by themselves – while on the move, and with little or no direct interventions from their banks.

Automation, online, mobile devices, out-of-branch, and connectedness were among the keywords that featured the most frequently in customers’ expectations of the typical set-up of the Bank of Future. In one instance, almost 70% of respondents noted that, as a matter of high priority, banks should – in the future – put less emphasis on doing business through the traditional branch outlet; instead, mobile phones and similar hand-held devices, ATMs and Video Teller Machines should be prioritised by banks in their interactions with their customers.

- **Affordability** features prominently in customers’ feedback on what contributes significantly to memorable banking experiences. 54.5% of

respondents rated affordability as of highest significance among the eight attributes that combine to define a great banking experience for them. This number is slightly more than the number (51.3%) that regards simplicity as the most important attribute. However, when both first and second ratings are considered in aggregate, then the scales tilt in favour of simplicity, 76% compared to 74.5%.

What is instructive for us from these findings is that customers are not necessarily planning to pay more for the innovations they expect banks to bring into the arena to enhance their experiences. This is in spite of the fact that banks will need to make additional investments to deploy new (or even transformed) business and operating models to meet customer expectations. Consequently, banks will have to be smart about the choices they make to optimise their capital expenditures (capex) and their operating expenses (opex) in order that they remain profitable and continue to provide good rates of return to their capital providers.

Customers need for simplicity and integration will provide some cues to banks with regard to the choices they must necessarily make about technology and how this is deployed across the breadth of the bank’s operations – front, middle, and back. It is clear from customers’ responses that their preference is DIY (Do it Yourself) banking. This means that processes and features that introduce complexity must be cut out or hidden from view to enhance the quality of customers’ experiences. Customers also noted their expectation that banks’ systems, including their channels, be seamlessly integrated allowing them to easily initiate their banking transactions from one channel and completing them on another, at a pace they determine themselves – all of this within

an environment that guarantees security from especially cybercrime.

Put in a more practical way, banks will be challenged to achieve simplicity in the complex initiatives, they must necessarily make in the area of technology.

- When first and second ratings are considered in aggregate, **product variety** and **credit availability** ranked sixth and seventh, respectively, among the list of eight attributes. When only first ratings are considered, this sequence is reversed. It might seem surprising that credit availability, in particular, comes this low in a survey of customers, especially given that credit availability is often cited as a key constraint in other surveys undertaken on the Ghana banking industry. But a closer look at the demographics of the survey sample suggests an explanation to this situation. Organisations that participated in the survey formed less than 10%. Hence, we can assume that the findings are fairly representative of expectations of retail (i.e. personal) banking in the future.

We found the relatively low emphasis placed on product variety rather intriguing. Could it mean that most bank customers do not expect the Ghanaian economy to change dramatically in fundamental structure over the next five years, hence the absence of a need for personal banking products or services that are much more sophisticated than what are available currently? Still, a fairly significant proportion of bank customers expect some increased innovation in the design of banks’ products and services, as well as how they are delivered to customers. For instance, slightly more than half of the respondents noted as “high priority”, their need for banks to incorporate “incentive” features into the design of products aimed at rewarding customers for the “right banking

behaviours” and creating delightful experiences for them. Additionally, more than 60% of respondents rated as “high priority” their expectation that the Bank of the Future delivers value added products and services that it co-creates with other companies, e.g. insurance companies and consumer goods companies.

- **Familiarity** was ranked by survey respondents as having the least impact in producing great customer experiences. Just over a quarter of respondents felt that familiarity was of significant importance in creating memorable customer experiences. In our view, this further corroborates what we refer to as customers’ preference for DIY banking. This is not surprising considering the demographic profile of respondents. Over 80% of persons that participated in the survey indicated that they belong to the 20 – 30 years age range. People in this age category, typically, have a strong affinity to mobile devices and the Internet. In another five years and beyond, most of these will feature in the workforce in a way that cannot be discounted in importance by the banking industry, earning income, spending, saving and investing it, and generally demanding banking services.

The fact that these people do not place a premium on familiarity does not mean that “personalised” banking will not be in demand. Banking services targeted at high net worth individuals (HNIs) will remain a lucrative revenue stream for banks. In our view, what it suggests is that, increasingly, the market will demand that switching be easy and that the associated cost is low. Indeed, more than 90% of respondents said, in the future, they expect bank accounts to have the same “portability” attribute as mobile phone numbers today. These expectations should inform banks on what they should prioritise

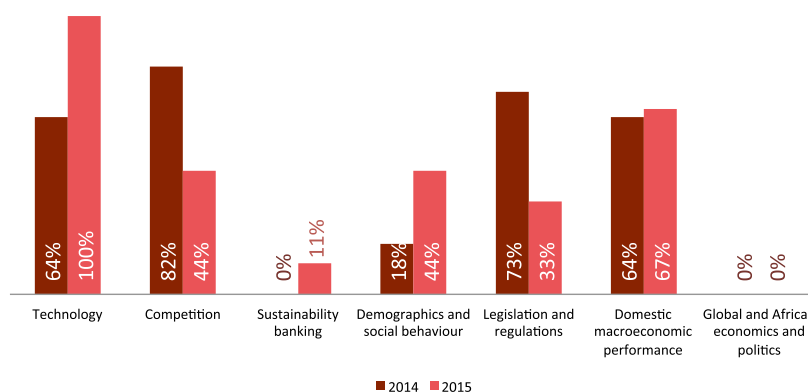
in their investment and operating (cost) decisions, to ensure that they optimise returns on their spend, while satisfying the majority of their customers.

One year on, banks’ views on what will drive the future of the industry have changed

In our 2014 survey, banks had stated that the four drivers that were going to be at the forefront of change and transformation in the industry were the following in a ranked order: i) competition (82%); ii) legislation and regulations (73%); (iii) technology (64%); and iv) domestic economic performance (64%). These four factors were selected among seven drivers, the three others being demographics and social behaviour, global and African economics and politics, and sustainability banking.

One year on, as part of the 2015 banking survey, we asked senior banking executives to again rank these seven drivers to determine if their views have changed – and they have changed indeed! The results are as shown in the graph below.

Bank executives selecting factors among their top three drivers to impact business of banking in the future



Competition, and legislation and regulations have dropped out of the first and second respective positions. Indeed, legislation and regulations dropped off the list of top four drivers entirely, and demographics and social behaviour got on to it.

Now, it would seem that bank executives have very little or no difference in opinion that technology is the single leading driver that would have the biggest impact in the transformation of their industry. What is heart-warming is the convergence between this feedback from senior bank executives and the results from the customer survey as highlighted above.

Domestic macroeconomic performance moved from fourth place on the list to second place, with a few more bank executives noting that this would continue to have a very big impact on the future of banking business. Using the continuing lacklustre performance of the monetary sector, this view of the banks is not surprising.

Interestingly, banks’ interest in the demographics and the social-cultural behaviour of the markets they serve is beginning to come to the fore, although we are still of the view that the industry in Ghana remains relatively “behind the curve” in its consideration

“Bank of the Future: What bank customers want to experience by 2020”

of the needs and preferences of their customers. We think that this is because, in the past, banks concentrated more on the corporate end of the banking market, but their perspectives are changing, as they increasingly recognise the importance of the retail market.

Furthermore, the drop in bankers’ view of the significance of competition in having a big impact in the future of the domestic industry is remarkable. Only half of the executives who in 2014 believed that competition would lead in changing the face of the industry in the future continue to hold this view. This may be the result of universal banks having regained their confidence in the deposits market, after the scare posed by other financial institutions, especially Savings and Loans companies (S&Ls) which waded deep into deposits markets that were traditionally the territory of universal banks.

The relatively low rating of legislation and regulations would suggest that banks have factored most of the expected changes in legislation and regulations into their business and operating models and projections. Still, we expect banks to keep their eyes trained on the horizon, as the monetary sector has not fully settled from recent shocks, which have been known to be the cause of some of the recent changes in monetary policy and associated regulations.

Sustainability banking seems to remain low on banks’ agenda for the future, though we are happy to see a slight increase in interest. We expect this interest to continue to rise as Bank of Ghana (BOG) builds momentum with its plans to introduce some principles/ regulations of sustainability banking to the industry.

Finally, it is noteworthy that bankers in Ghana still continue to think that their industry remains fairly insulated from the happenings in the economic and political realms of Africa and the world in general.

Detailed analysis

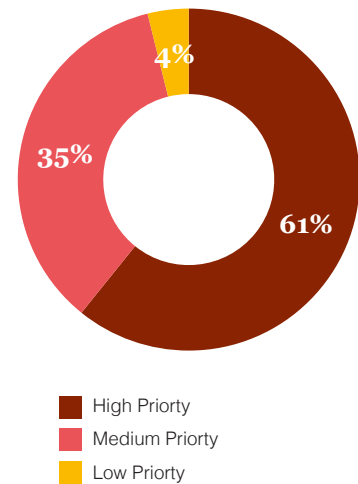
In the rest of this section of the report, we have presented analysis of the results from the customer perspectives survey. The survey presented participants with various scenarios that were framed around each of the five aspects of banks’ business and operating models, and sought to test for how bank customers related to the eight elements we had identified as contributing to the shaping of customers’ banking experiences. For each scenario, we have presented two graphs: one that presents the breakdown of respondents’ assessment of the scenario’s importance in creating a differentiated experience; and another that presents the breakdown of customers’ appraisal of banks’ readiness or preparation towards delivering the service described in the scenario.

Customers’ perspectives on products and services

The survey presented different scenarios around the future of bank products and services and invited respondents to give an indication of how important each of such futures will be to them in their banking lives and also provide their assessment of banks’ readiness/ preparedness in delivering such futures to them. This section discusses the feedback from bank customers.

Scenario 1: Detailed information about bank products and services (including the composition of their charges) are available online, allowing customers to make comparisons across different banks.

This scenario tested for convenience, speed in service and simplicity.

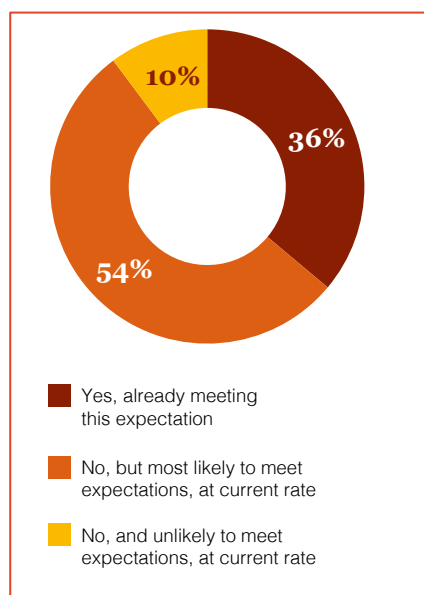


Almost two out of every three bank customer participating in the survey noted that this scenario was a “high priority” for them. Adding the 35% that marked it as a “medium priority” to this proportion, we have 96% of customers indicating that this scenario is highly desirable. This feedback resonates very closely with the contributions of participants at our 2014 Banking Survey Launch. Without doubt, the calls by the market (especially retail customers) for more transparency in how banks price their products and services cannot be muted, and should give the industry a signal that the market is getting weary of how expensive they find banking services in Ghana.

Banks have their own reasons for their inability to lower their charges (interest rates and fees), key among them being the cost of funds/ deposits, which is driven up by high domestic borrowing by the Government, and also high default rates in a country, where address systems are unreliable. Still, the calls from the buyer-side of the market cannot be ignored – at least not for very long.

In addition to wanting transparency, customers want such detailed information to be available online and accessible through a few clicks on different screens or buttons, including mobile (smart)

phones, so they can make comparisons across different banks and inform their choices on who to do business with. This feedback ties in closely with other survey findings about customers' preference for banks to move to mobile and other out-of-branch channels as they key touch points for customer interactions. It also backs the presumption that increasingly customers are expecting switching to be easy in the industry and the associated cost to be low.



When asked to give their assessment of banks' state of readiness in delivering such a future of "easy online accessibility of relevant product and service information" based on their outside-in view of their banks, only one out of ten respondents said banks were unlikely to meet expectations of this future by 2020, judging from their current rate of innovation.

Over half of respondents noted that players in the industry are currently not delivering this future, but expect them to do so at the current pace of innovation in the industry. Without doubt, the amount of information available via banks' websites has increased over the past few years, evidence that banks have been

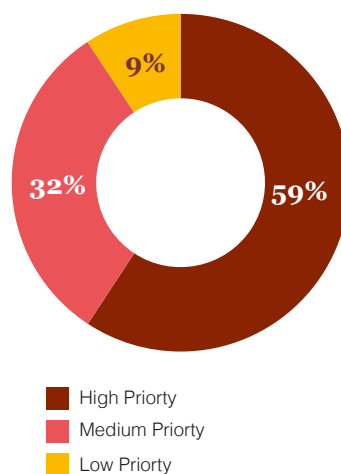
very proactive in their marketing and public relations engagement.

However, bank customers believe that banks could do more by investing in new user-friendly technological tools that are familiar yet robust and address their security interests.

The increased calls and focus on transparency about pricing could mean that in a few years to come, banks could come under new pressure to show a lot more price information on their websites. And this could introduce a different kind of competition into the industry, as well as lead to some disruption in the industry.

Scenario 2: Banks operate 24/7 call centres via which customer enquiries are responded to, and which enable customers to take banking decisions quickly.

This scenario was a test for convenience and speed in service.



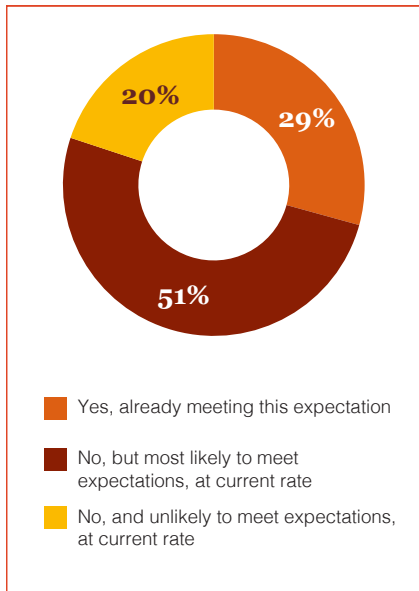
91% of bank customers surveyed noted as "high or medium priority" their expectation of banks to operate call centres that operate on 24/7 availability basis. Of note is their expectation for these centres to have the following features:

- Be more automated than manned; have prompt, ready answers to customers questions;
- Correctly anticipating customer enquiries, based on intelligence based on data and information gathered through customer footprints on social media platforms; and
- The few personnel manning such centres are abreast with key features of their banks' products and services and are able – on the spot – to assist customers with information to enable the latter make decisions promptly.

While this may sound rather exacting, it is entirely possible with investments in the right technology platforms and tools that support the use of social media, not only for marketing products and services or seeking customer feedback about quality of services, but are also deployed to collect and decipher big data generated by their customers as they use popular social media platforms, such as Facebook, Twitter, and Instagram. Having FAQs (Frequently Asked Questions) on their websites is a good start, but seems inadequate to the future bank customer. This type of customer is getting increasingly e-savvy, mobile-addicted, and impatient at slow service. In addition, the horizons of their socio-cultural environment are getting broader through social media.

When invited to give their assessment of banks' preparedness or ability to deliver this future expected by the market, a slightly lower number of bank customers noted that today's banks "are already in that future" or are on course to meet their expectations. But while almost 59% described this future as of high priority for them, only half that number stated that banks have already met this expectation, with another 51% observing that their banks may be on course to meet this expectation by 2020.

“Bank of the Future: What bank customers want to experience by 2020”



Some bank customers that responded to our survey, however, expressed concern for the need to achieve an acceptable balance between security and privacy on the one hand, and banks’ aspirations to meet the service demands of customers on the other hand. This is in particular consideration of the fact that, in other industries where the concept of call centres have been tried and operationalised over very long periods, these units had been outsourced to third party entities.

Our point of view, with regard to this particular expectation of the market is that banks must have a broader view on how they are transforming their customer interactions touch points. And this they will have to do this within the boundaries of a broader channel strategy that includes how they are optimising return on investments from their branches, as well as how they organise themselves through a network of conventional and non-conventional outlets, e.g. S&Ls, rural and community

banks (RCBs), insurance companies, insurance brokers, selected retail stores, etc. for increased market reach.

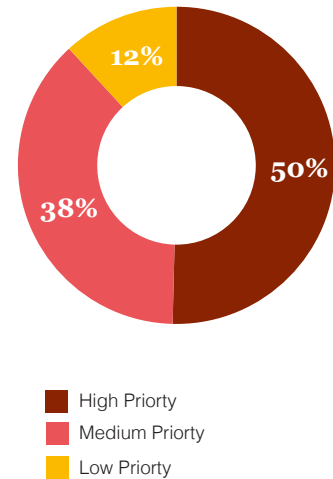
Such an initiative is important as the market continues to evolve in its demographic and socio-cultural composition and expect improved services, available when needed, and provided at lower charges.

Scenario 3: Bank products incorporate “incentive” features designed to reward customers, leading to enhanced customer satisfaction.

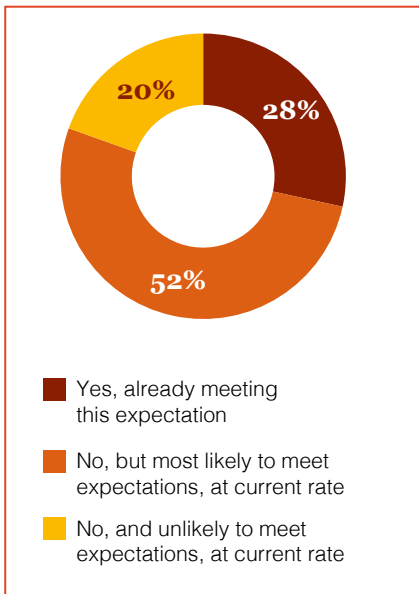
This scenario tested for strength of customers’ affinity to product variety and affordability.

The concept of customer rewards and the linkage with satisfying banking experiences came up forcefully in the survey as 50% of the respondents regarded it as high priority and 38% as medium priority, totalling 88% of respondents that place an important premium on “rewards” as an integral feature of banks’ value proposition, which is not simply reserved for promotional campaigns.

The future bank customer expects that banks incorporate interesting incentives into their products, such as cashbacks, interest abatements, interest “forgiveness”, gift coupons, etc. to encourage the right banking behaviours, promote loyalty among customers, and add some panache to the “everyday” banking experiences of their customers. It is apparent, from this and other feedback that the 2015 customer survey has drawn, that the customer in Ghana’s banking industry is increasingly looking at other industries – notably telecoms – and expecting banks to be as innovative and responsive in their customer engagement.



More customers (64%) are also looking to banks to provide simplified financial education to their customers, using platforms and channels that customers are familiar with, such as SMS alerts, WhatsApp, and other popular social media tools, to guide them to get more out of their banking decisions. What we find interesting is the suggestion that customers expect a lot of innovation, yet they also expect banks to service the market at reduced charges. Some of the customers argue that the high cost structure of banks is attributable in significant part to their high overheads, associated with their “extensive” branch network and related personnel costs. From their “outside-in” view of banks’ operations and considering the growing role of mobile devices in the lives of the average bank customer, survey respondents believe that banks should put less emphasis on Brick and Mortar (B&M) outlets and explore the possibilities with mobile some more.



Linked to their expectations that banks charge the right (reduced) prices for the services they provide to their customers, survey respondents noted that banks should be looking to creatively mop up deposits from markets that they have not played in historically. This includes persons in low-to-moderate income brackets, the under-banked and the unbanked – markets that have historically been the preserve of Microfinance Institutions (MFIs). Indeed, this is something that current banks have already begun to execute as a core plank of their competitive strategies.

When requested to assess banks’ readiness for providing such incentives, customers were generally positive. 28% of customers surveyed responded that their banks already incorporate incentive features into their products on offer. Another 52% expect their banks to be in the position to fully offer such incentives judging from their current rates of innovation and the compelling business case that would be presented by the actions of their competitors.

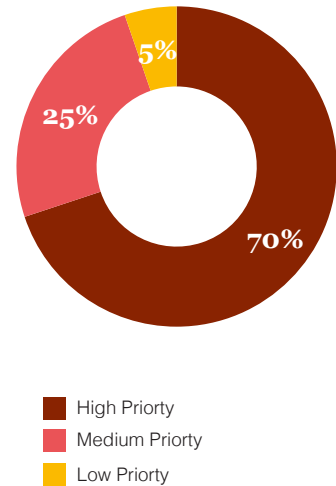
In our view, banks already have the capacity to meet this expectation – a variation of this feature is already embedded in the occasional deposit mobilisation campaign, which often turns out to be very expensive for banks, sometimes problematic too. To profitably convert such incentives into permanent features of selected bank products that are more broadly accessible, banks simply need to gain a richer understanding of their markets, get to know what customers want now and, even more importantly, in the future.

Customers’ perspectives on channels

We presented scenarios of how bank channels could look like in the future and requested survey respondents to indicate how useful and important channels with such capabilities will be to them in facilitating the kind of banking they prefer. Customers were generally asked to respond if they would assign such “futures” a high priority, medium priority, or low priority to show the level of importance to them. We asked them to further denote, if in their view, banks were on course for the attainment of such future scenarios. We have discussed the findings from customers’ responses in this section.

Scenario 4: Mobile phones and similar hand-held devices, ATMs, and Video Teller Machines are among the topmost options that banks offer for doing business with customers, putting less emphasis on branches.

This scenario was a test for convenience, speed in service, and simplicity.



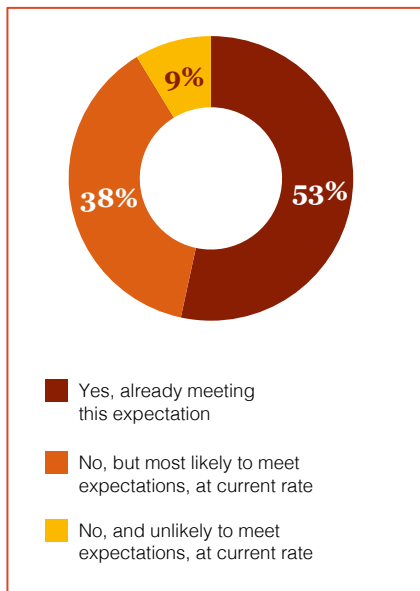
70% of survey respondents marked this scenario as “high priority”. What makes this scenario even more interesting is that it received the second highest approval ratings of “high priority need” from customers. The 25% of respondents that marked the scenario “medium priority” brings the total proportion of potential bank customers considering this future highly desirable to an appreciable 95%.

This statistic continues to reinforce a thread that has emerged throughout this survey, and it is not altogether strange considering that the National Communications Authority (NCA), in March 2015, reported that mobile phone subscriptions now exceed 31 million, while there has been a surge in data usage resulting in more than 16 million mobile data subscriptions.

It is therefore not surprising at all that bank customers are seeking more and more opportunities to engage with their banks via their mobile devices, and through other channels that will enable them to circumvent the queues and the sometimes claustrophobic environments in bank branches. The increasingly youthful bank customer wonders why it

“Bank of the Future: What bank customers want to experience by 2020”

is not possible to replicate experiences available in parallel or unrelated industries, key among them being telecoms and retail, and more recently healthcare. For example, a person that can decide on a purchase of a particular item being sold in a retail store located in the busy, traffic-jammed Central Business District (CBD), based on their review of images sent of that item via WhatsApp or similar social media platforms, wonders why this convenient experience should not be available to them in every aspect of their life.



The pleasant news is that more than half the people surveyed (53%) said that their banks were already providing this “future”, and more than a third (38%) said their banks were on course to be delivering this future to them by 2020. It is therefore disconcerting that almost 9% of survey respondents noted that their banks were unlikely to be able to offer non-branch channels among the topmost touch points with the customer.

Our view is that this particular offering has become so basic and actually benefits banks that execute the related strategy well. Banks, historically, scout for physical deposit pools and plant

branches at or near such locations. But, similar to firm behaviours in oligopolistic industries, soon competitor banks establish branches too and the average deposits/ branch rapidly falls. Banks would have incurred significant investment costs to establish their physical footprints, but more often than not, the targeted returns curve fall too quickly as branch profitability remains lower-than-projected.

The expectation into the future is greater sophistication in the capabilities of these channels that have become baseline within the industry. As have already emerged in the industry, ATMs should take deposits, provide screens that support funds transfers, bill payments (for an extended range of services), top-up airtime, print account statements on demand, communicate balances, enable card-less transactions, etc. A scan of the industry would identify a few banks that have blazed the trail in creating this future today. However, in addition to these functionalities, customers want more from ATMs and similar non-branch channels.

Scenario 5: Bank branches are not the only option banks give for the capture and or update of customer details. Other options like mobile platforms, ATMs, video teller machines and retail store outlets, are available and promoted.

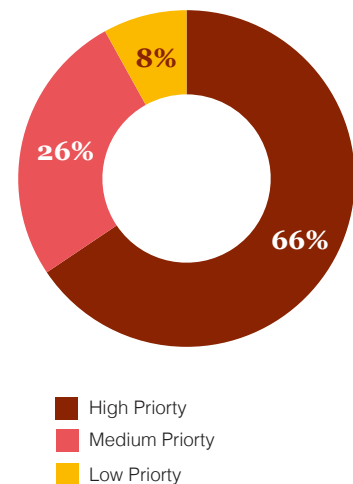
This scenario was a test for convenience, speed in service, and simplicity.

The expectations that a few of the respondents shared with us during the survey have opened up some fresh perspectives on what innovations the banking industry could excite their markets with. Customers trust that, with the involvement of technology, non-branch customer touch points have the potential for being imbued with so much versatility.

For instance, in addition to the afore-described functionalities they expect of ATMs, customers want ATMs to be fitted with face recognition (or other biometric

verification) capabilities as an additional security measure. Also, ATMs should have the ability to take photographs, allow users access to their email accounts, and support more complex two-way communication that will also aid speedy and customer-convenient data capture processes for account opening and customer data change requirements.

Customers also expect the industry to forge broader partnerships/ relationships with other entities that are the haunts of the average bank customer in their everyday lives, e.g. retail shops, with such non-branches allowed to capture relevant data and information on (potential) bank customers for use by the banks themselves.

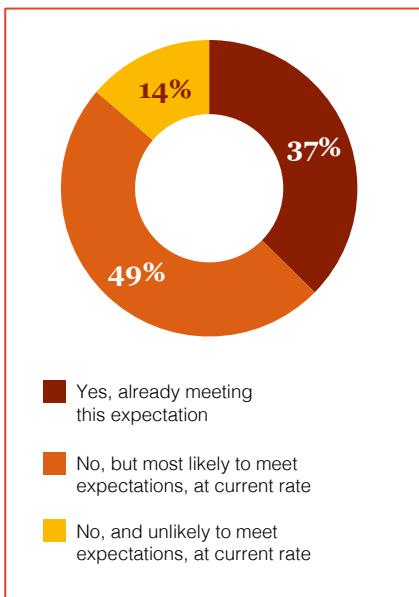


Invited to give an indication of how important this scenario is to them, 66% of survey marked it “high priority” with another 26% assigned it a “medium priority” rating, totalling 92% of respondents agreeing such a scenario is highly desirable.

The bank that delivers ATMs or other non-branch channel with such “advanced” functionalities as being desired by a section of their market would unarguably be leading on innovative channel strategy. Without a doubt, there will be the need to test this with the regulator

to see if it would be supported by the current regulatory framework, or if new legislation would have to be developed to promote such innovation in the industry.

In giving their assessment of their banks' readiness to provide the service described by this scenario, it is interesting to note that 37% responded that their banks were already doing this. Almost half of the sample that participated in the survey remarked that their banks were on course to be doing this by 2020, and 14% said their banks were unlikely to achieve this, based on their outside-view of their strategy and innovations rate.



While we are unsure that banks are currently using the specific media described in the scenario (i.e. mobile devices, ATMs and video teller machines, or retail store outlets) to capture and/or update customer account details, we recognise that responding customers could be referring to situations where some banks carry out customer data/information capture for account opening purposes in settings other than the branch during customer acquisition and deposit mobilisation campaigns.

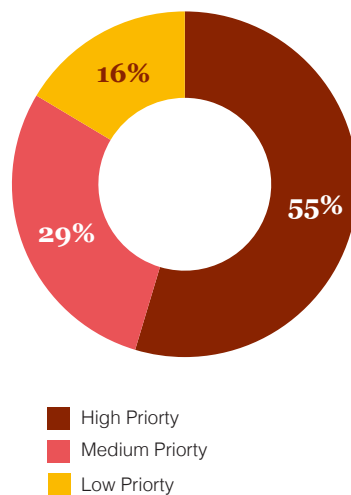
The expectation is that, in the future, this will be a permanent feature of banks'

channel strategies and not limited to the occasional deposit mobilisation drive. The aim is to create the setting where the customer is the one that decides where (i.e. on their phone, in a store, etc.) to initiate or complete an activity such as personal data changes; a setting in which customers do things at their convenience and comfort.

Scenario 6: Bank channels recognise customers as unique individuals using advanced, sophisticated and biometric based methods such as finger printing, face and/or eye scanning, voice recognition, etc. to authenticate access to their accounts.

This scenario tested customers' attraction to security, convenience, speed in service, and simplicity.

Survey respondents' responses consistently suggest that bank customers expect banks to infuse a lot more technology-enabled sophistication into their channels than is currently available.

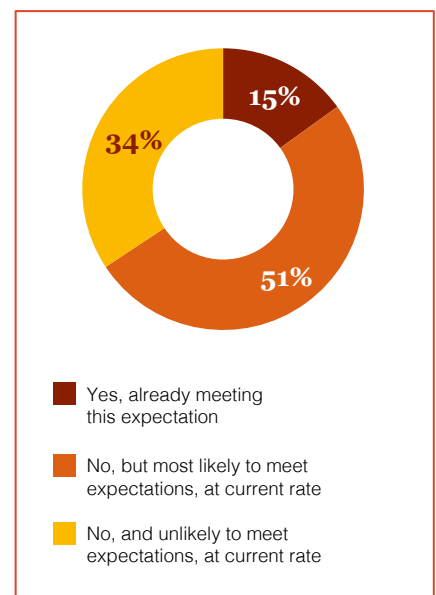


It is interesting to note that more than half of the survey respondents (55%) responded positively to a future in which non-branch channels actually use biometric verification methods to

authenticate customer identity before authorising access.

Of significance is the fact that, while the other scenarios framed around the future of bank channels emphasised convenience of the customer predominantly, this scenario includes the additional layer of enhanced security requirements.

As we have observed in an earlier section of this report, bank customers are increasingly looking at the banking industry to apply lessons from other industries, such as telecoms. A specific case in point is technological advances having resulted in most smartphones currently employing biometric clearance as their first line of security, and some companies having employed biometric login systems at their work place to strengthen security. In our view, as banks warm up to the idea of proactively seeking customer big data from different digital and social media touch points, and subjecting such data to analytics, they will begin to see the big picture of the benefits accruable to them as well as to their customers, and see the business case to make the requisite investment in the new technology.



“Bank of the Future: What bank customers want to experience by 2020”

In spite of the 55% of respondents marking the scenario as of a “high priority”, only 15% of survey respondents regard their banks as already meeting this requirement. Half of respondents said, banks were not delivering on this expectation at present, but tipped them to do so by 2020, taking innovation rates into account. Still, a significant third of persons participating in the survey felt that banks were unlikely to deliver this future to their customers.

On one hand, however, we could argue that some products/ channels that utilise biometric data for identity verification and security clearance already exist in the industry and are used for payment services. A key example is e-zwich, which is the brand name for the national switch and smart card payment system, a product of Ghana Interbank Payment and Settlement Systems Limited (GhIPSS). This uses biometric data collected from the fingerprints of card owners.

We reiterate the importance that bank customers are according to security in creating a differentiated banking experience for them, and urge banks to pay attention to investments that will increase the level of confidence that customers have in their systems and operations.

Customers’ perspectives on technology

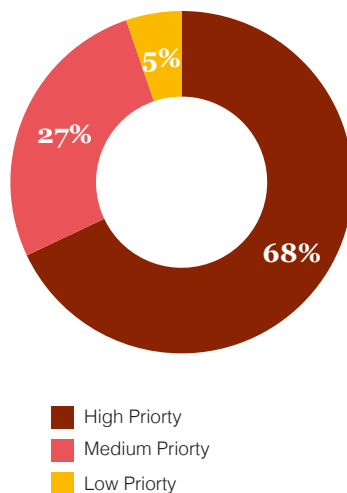
Technology now touches virtually every aspect of daily life and has made a huge impact on the relationships between service providers and their clients. In banking, it could be safely argued that technology has been the key driver of the transformation that has been experienced in the industry over the past two decades, which has resulted in the extinction of a raft of manual processes that used to be at the core of business models and service delivery. With the rise of mobile, technology continues to power innovation in response to customer desires, and all

across the world, this transformation is happening at different speeds. Some of the consumer benefits at the fore of advantages resulting from technological advances include increased convenience, speed and security.

To capture the degree of technology’s importance to customers in their banking experiences, we presented them with various scenarios in which technology shaped bank product design or service delivery, delivering convenience, speed, and/or security. We invited survey respondents to inform us of the level of priority they would assign to that scenario for its potential in the creation of a differentiated and satisfying banking experience. Survey respondents were also asked to indicate their assessments of their banks’ state of readiness in delivering the experience portrayed in the scenario. The graphs presented in this section summarise customers’ feedback on the degree of importance of each scenario and their assessment of the industry’s preparation for such futures.

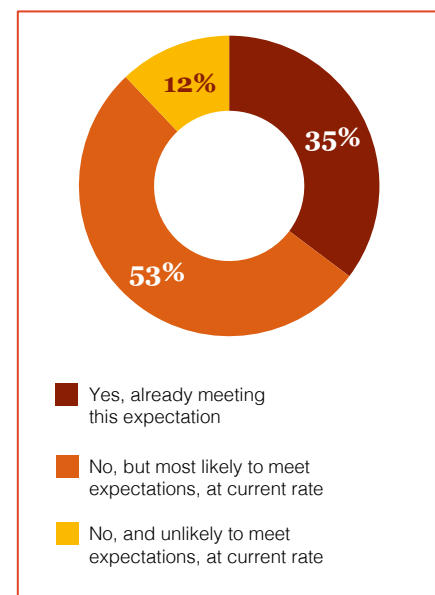
Scenario 7: Banking technology is supportive of a system of fully integrated channels that enables bank customers to have more control over their banking.

This scenario tested for convenience, speed in service, and simplicity.



A large section of the survey respondents are in favour of a scenario in which banks present the market with a system of fully integrated channels across in-branch face-to-face, out-of-branch physical, voice, and digital, that allows customers to have greater control over their banking, and determine when, where, how, and how fast they complete transactions. A total of 95% of the respondents noted that this is of a significant importance to them: 68% reported that it is of a high priority to them, and 27% described it as medium.

In giving their assessment of banks’ preparedness with regard to full integration across their service channels, a third of survey participants indicated that their banks already have their channels being integrated in a way that puts a lot more control in their (customers) hands. Another 53% of respondents noted that, considering the innovations happening within their banks, they expect their banks to be on course to have fully integrated service channels by 2020, affording them the level of control they desire.



Considering the high desirability of this scenario, these results should provide impetus to the banks represented in the 12% of survey respondents who do not believe that their banks are on course to have fully integrated channels to begin to think about their branch/ distribution strategy in order not to be put at a competitive disadvantage.

In addition to being integrated, customers expect that banks would be connected to outlets, which traditionally do not form part of banks' channels, to extend the distribution footprint and service reach of the banking industry.

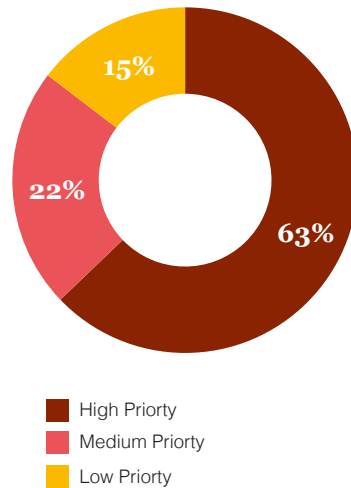
Examples of such non-traditional outlets that have been suggested include insurance companies, retail stores, fuelling stations, telecom agents, RCBs, etc. Bank customers expect that banks should be able to realise this possibility through the organisation model choices they make.

This has been discussed further in the analysis of survey responses for Scenario 10.

Scenario 8: Alongside SMS alerts sent to mobile devices, bank ATM technology has the capability to send photographs of the person accessing or transacting on ATM.

The test for this scenario was security.

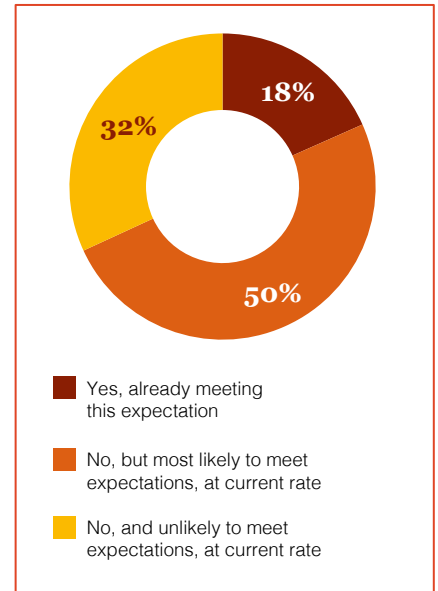
At the moment, one of the means by which banks fight ATM fraud is by sending customers SMS alerts on their mobile devices after an ATM transaction occurs on their bank accounts. This scenario seeks to determine customers' appetite for new technology that is capable of taking and sending photographs of the individual accessing or transacting on their account via an ATM to help reduce the incidence of theft, and – if they occur – assist in their quick resolution.



In their responses, 63% of the respondents categorised this scenario as one of high priority. Another 22% brings the total proportion of respondents indicating this scenario as having a significant importance for them to 85%.

Considering that this scenario is aligned to the security aspirations of bank customers, we expected the proportion of respondents scoring it as of significant importance (high and medium priority) to have been a lot higher than 85%. 82% of survey respondents had identified security as the single factor that contributes in the most significant way to the shaping of satisfying customer experiences, ranking it either first or second, and put it on the top of a list of eight factors.

When asked to indicate their estimation of where banks were in the ability to provide that service, 50% of the survey respondents believe their banks are likely to meet this expectation by 2020. 18% noted their banks already have this capacity and/or are meeting this expectation, while another 32% indicated that their banks are unlikely to meet expectations by 2020.



At present, ATMs are fitted with security cameras anyway and so it is unlikely that this service will be an insurmountable challenge to the industry. To make it value added, the imaging technology should probably have the capacity to check with relevant images on a customer's file before sending customers photographs of themselves anytime they transact on their account via an ATM.

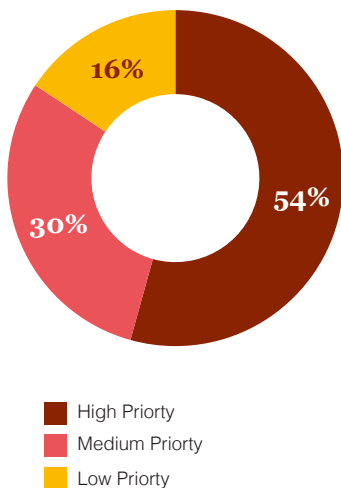
It is conceivable that such a development would drive persons that commit ATM fraud/ crime to ply their trade at other channels of the bank, such as mobile and personal computers. Hence, the banking industry and its supporting industries that incubate and produce technological innovations for the banking industry, must necessarily continue ongoing research and development (R&D) to ensure that security is at the core of their investments and central to their value proposition too.

“Bank of the Future: What bank customers want to experience by 2020”

Scenario 9: Banking technology is sufficiently advanced and enables banks to use biometric data (including eye-scanning, voice recognition, etc.) to authenticate IDs, before authorising transactions.

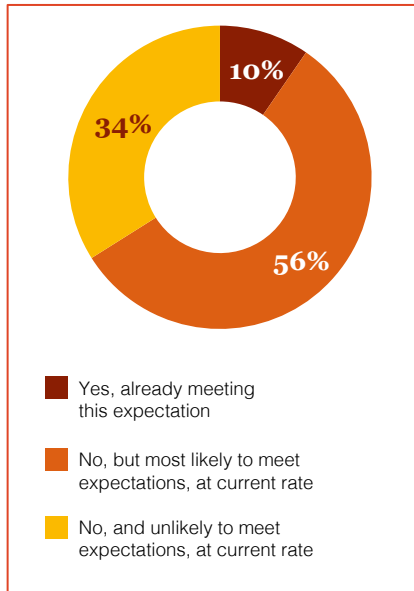
This scenario tested for security, speed in service, convenience, and simplicity.

Biometric systems are already widespread in other areas of bank customers' lives – from smart phones to social media accounts. This scenario attempts to find out if customers would prefer that their banks consider the use of biometrics to deliver greater reliability and increased ease of use of bank platforms.



54% of the survey respondents have indicated that they are highly desirous of this scenario. These survey respondents described this scenario as of a high priority for them. Another 30% answered “medium priority” bringing the total proportion of respondents placing a premium on this situation to 84%.

The above-stated result reinforces the message delivered through respondents' appraisal of Scenario 6 discussed under customers' perspectives on channels. That scenario also sought respondents' feedback on bank channels deploying biometrics to authenticate customer identities and authorise transactions.



In comparison to Scenario 6, fewer (10%) survey respondents noted that their banks have already acquired the capacity to provide such services or, indeed, are already creating such a future for their customers. In Scenario 6, 15% share that view.

Another 56% of respondents are hopeful that, at the current rate, banks are most likely to meet this expectation by 2020. Still, considering that almost 84% of survey respondents place such a premium on this kind of future of bank technological capability, it is disappointing to note that a third of survey respondents have the view that their banks will not be in the position to deliver this kind of technology for their customers' benefit by 2020.

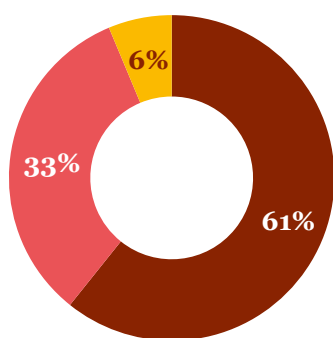
To place within clear context, the features that this scenario sought to test for rank as the top four of the list of eight features that contribute to shape customer experiences. Consequently, banks should pay this scenario some serious attention as they continue to invest in innovations that delight customers in the relationships they maintain with their banks.

Customers' perspectives on organisation

As we did for other areas covered in the survey, we had presented the targeted group with brief but clear descriptions that sought to depict the future of the organisation of banks. We had defined/explained bank organisation to refer to the various structural configurations (partnerships, collaborations, and other forms of organic structures) and communication methods banks may adopt in their bids to survive or grow in their chosen markets, and serve their customers. Key benefits resulting from introducing innovation into banks' organisational models include affording customers greater satisfaction through enhanced product variety or design, and offering them higher convenience through one-stop shop “solution centres”. Survey respondents were requested to say how important these futures of bank organisation models will be in ensuring differentiated experiences and also give an assessment of their banks' state of readiness for such futures.

Scenario 10: Banks are in partnerships with other financial service providers (non-banks) e.g. insurance companies or consumer goods companies to provide more value added services to their customers.

This scenario tested for convenience and product variety.



- High Priority
- Medium Priority
- Low Priority

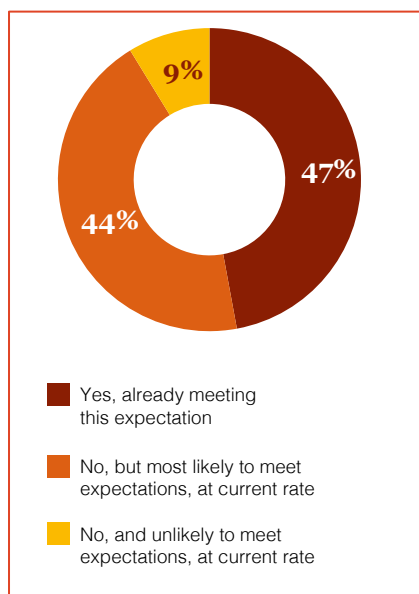
Just fewer than two out of every three respondents answered that this future is of a “high priority” to them. A further third of the sample noted that such a future is of a “medium priority”. Some respondents had explained that they will expect to see better collaboration between the banking and telecom industries, as they believe that such cooperation will enable the banks to present the market with an enhanced suite of products and services, e.g. mobile money, for enhanced customer experiences.

Many of such respondents were quick to cite the example of M-PESA (in Kenya) as a success story in the history of mobile money and evidence of successful collaboration between the banking and telecom industries, and wondered why that experience cannot be replicated in Ghana.

We acknowledge that there are valid concerns about existing legislation and/

or regulations governing practices in the two different industries that have mainly been at the centre of the “mobile money/ financial inclusion” debate, and agree that the two regulators would need to make haste slowly. That noted, we emphasise that industries exist and thrive on their ability to address consumers’ needs and wants. Regulations and regulators are also created with the protection of the interests of consumers in mind, generally. Reflecting on the responses by survey participants, we get the view that the average bank customer expects their bank to get into new forms of partnerships that are historically “non-conventional”, as they see such structures as one sure way via which the industry could easily create delightful experiences for its consumers.

When asked to indicate their views on whether banks would have created such non-conventional partnerships and collaborations by 2020, it was pleasing to learn that less than 10% of bank customers surveyed believed that such organisational/ structural arrangements will not be commonplace in the industry. Indeed, almost 50% feel that their banks already operate using such structures.



- Yes, already meeting this expectation
- No, but most likely to meet expectations, at current rate
- No, and unlikely to meet expectations, at current rate

And by many measures, it is evident that development of this future is well under way, at least in some respects. A rapidly emerging version of this type of organisational mould features collaborations between banks and insurance companies. Quite recently, we have seen a few universal banks venture into the bancassurance space through collaborations with insurance companies. Examples include the partnerships between SG Ghana Limited and Allianz Insurance Company Limited, Ecobank Ghana Limited, and Old Mutual, and uniBank Ghana Limited and StarLife Assurance Company Limited.

What has been relatively slower to evolve is the kind of partnership that survey respondents had noted they would appreciate gets spawned between the banking and telecom industries, i.e. an organisational configuration that supports the birth and development of a mobile money sub-industry of proportions similar to M-PESA. We anticipate that, with Bank of Ghana’s recent issuance of guidelines for issuers of electronic money (e-money), we will see the speed of evolution gradually gain momentum.

Customers’ perspectives on talent

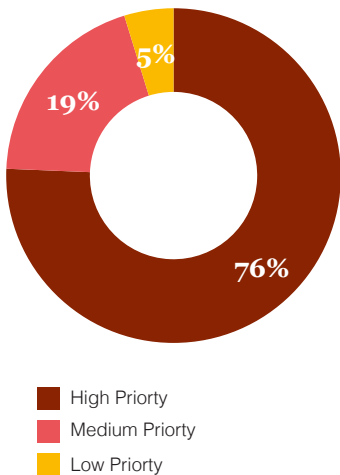
We again asked customers to indicate the importance of talent to them in their banking lives, by reviewing various scenarios we created to highlight the different aspects of talent and how each aspect contributes to the delivery of banking services. More specifically, the scenarios sought to project different aspects of talent: deep technical knowledge of bank products and services and their potential fit with/ suitability to customers’ needs; broad and general knowledge and awareness of trending topics in economics, politics, and sustainability; familiarity on a personal basis, aware of or retaining memory of things of personal sentimental value; and consciousness of the importance of security in customers’ banking lives.

“Bank of the Future: What bank customers want to experience by 2020”

In reviewing the different scenarios, survey respondents recorded the level of significance they attach to different talent scenarios’ ability to deliver differentiated banking experiences, and also gave feedback on their perceptions of banks’ current state of readiness or preparations towards realising such talent scenarios. We summarise the anonymised results from customers’ responses here.

For context, we observe in summary that survey respondents had rated talent the least among the five elements that constitute a bank’s operating model. Additionally, survey participants had identified familiarity as the factor or attribute that contributes the least to the creation of memorable banking experiences for them.

Scenario 11: Bank personnel proactively alert their customers of unusual activity on customers’ accounts to ascertain their awareness or knowledge.



Three out of every four survey respondents ticked this scenario off as of a “high priority” to them. What makes this particular result even more remarkable is that, although respondents rated talent to be the least important among the five elements comprising banks’ typical operating models relative to the creation of good experiences,

this is the scenario that got the highest number of respondents agreeing that it is of “highest priority” in creating a differentiated banking experience. Another 27% rated it to have “medium priority” importance to them.

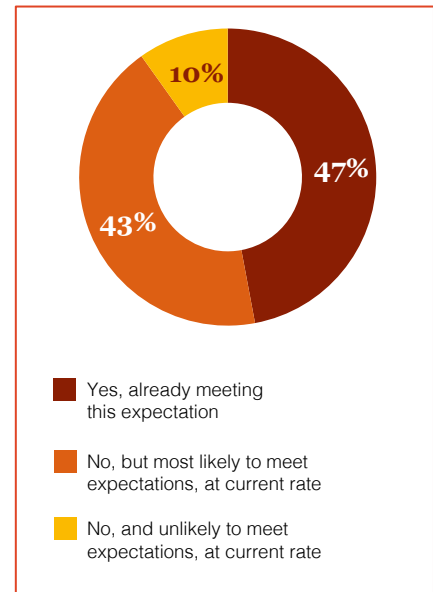
And this statement by respondents resounded loudly with their choice of security as their biggest concern in the creation of memorable or satisfying banking experiences; 73% of all respondents had rated security as the number one attribute contributing to superior banking experiences, while 83% rated it first or second.

In light of the seeming inconsistency in the feedback on this scenario, we interpret it within the context of customer expectations around how banks should deploy their technology to empower their personnel in order to bring delightful and satisfying experiences to their customers. And we think that this hypothesis permeates most of the feedback respondents gave about bank talent.

Investing in suitable technology that allows real time collection of data resulting from interactions at different touch points of the bank, and which facilitates the transmission of “interesting” information to bank personnel for their interpretation and action, or directly to customers, is of utmost importance. A good business intelligence software of appropriate scale with tailored dashboards, if implemented properly enterprise-wide, can harvest pre-determined data from specified touch points, and process these into intelligent information, which well-trained bank staff can interpret in a manner that will produce the “wow” experience for customers.

In giving their assessment of banks’ state of readiness or preparation toward their staff giving the average bank customer such desirable experiences of a secure banking relationship, it is good to observe that, based on their outside-in view, nine out of ten respondents

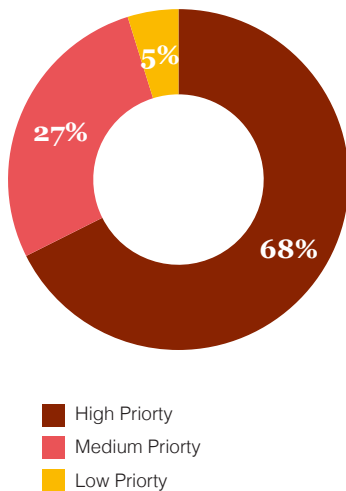
commented that bank personnel already do this meaningfully or banks are clearly taking measures to give their personnel that ability and should fully be in a position to do so by 2020.



In these times when SMS and email alerts of bank transactions are fairly commonplace in the industry, and the occasional call by bank staff to their customers to ascertain their awareness of some over-the-counter cheque or cash withdrawals, it is not surprising to have this high proportion of respondents having this opinion about industry readiness.

In our view, the medium-term objective for banks, probably, should be how to build a lot more intelligence into the capacity of their technology for it to be able to decipher what “unusual” or “suspicious” activity is and report such exclusively, using the familiar tools and channels customers are comfortable with or have confidence in. This type of reporting, designed to focus on the non-routine, could perhaps save banks some airtime costs associated with the automatic alerts that their current technologies are configured to produce on customer account activities.

Scenario 12: Customer-facing personnel of banks are able to correctly anticipate the banking needs of customers and suggest agreeable and satisfying ways to address such needs.



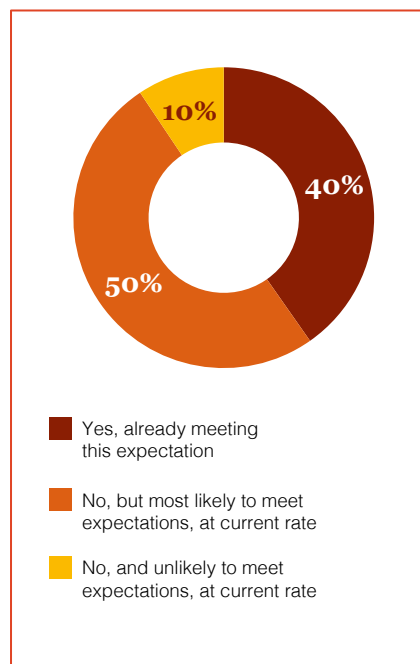
By count of the proportion of survey respondents that agree that a specific scenario is of a “high priority” importance to them in the future of their banking lives, this scenario ranked among the top five future scenarios of the highest important to customers. The other four are as follows:

- Bank staff are able to detect unusual account activity and alert customers on a timely basis. 76% of survey respondents said this was high priority – talent
- Mobile devices and other digital channels are utilised more in customer engagement rather than B&M branches. 70% said this was high priority – channels
- Banking technology is supportive of transferring more control over their banking to the customer. 68% said this was high priority – technology
- Traditional branches should be de-emphasised by banks’ as their

principal arenas for business, and other channels e.g. mobile devices and non-conventional projected. 68% said this was high priority – channels

This particular survey finding might be a further reflection of the socio-cultural disposition of the people that are likely to constitute a significant proportion of bank customers in the future, underscoring their expectations of quick service that is enabled by the presence of relevant technical knowledge of banking products and services among bank staff, and is hinged to banks’ ability to use large data intelligibly.

Customers were very positive in their assessment of banks’ state of readiness and preparation in respect of this scenario, which is very heart-warming. About 40% of survey respondents had noted that their banks already meet this scenario requirement while an additional 50% stated that they were confident that their banks were adopting the right measures to empower their staff to provide services in the manner described in the scenario.



This speaks very positively of banks, as it suggests that they are already successful in their talent development efforts; that frontline staff know bank products well enough and are able to suggest alternative products available to customers, given their respective personal circumstances and needs.

We however envisage that the expectation of customers will increasingly get complex, as they become progressively aware of the potential of large data and begin to expect that banks will, by default, employ large data and analytics to know their customers a lot more intimately, and to be able to provide even more value-added service with seemingly less effort.

“Bank of the Future: What bank customers want to experience by 2020”

Banks’ preparations towards 2020

As part of the survey, we also had interviews with some bank senior executives to learn from them the key initiatives they are planning or executing to ensure their banks remain or grow into a winning position in an industry that we believe will experience further increases in competition, either from within itself or from disruptors emerging from other industries. From these interviews, we have gleaned a few major areas that banks generally seem to be focussing on and we have summarised these here.

Highlights of some key bank initiatives around products and services

In an industry that has just come out of one year of stiff competition posed by non-conventional sources (specifically from S&Ls and MFIs), and in which the cost of funds remains relatively high, driven up by significant borrowing by government, banks have been forced to think a lot harder about product and service innovation. Banks now feel even more pressure to court customers, using credit and deposit products that resonate better with their present and emergent socio-cultural aspirations as well as circumstantial needs, while avoiding driving up their costs undesirably.

Banks have a fair amount of liquidity on their books and are willing to lend, but loan interests have been high, and, therefore, demand has been relatively weaker. Thus, for many of the banks who assert that they have made progress in new product development, they emphasise that the keyword or key phrase has been convenience for the customer.

Even so, many banks acknowledge that the industry has been relatively slow to innovate around products, probably done better in the area of services. They admit that the high interest rate environment tends to stifle innovation and ingenuity, as it dampens demand for credit too. Some of them concede that what has happened in the industry is generally more of a repackaging of existing products, often spiced up with a few design features that target a specific lifestyle need of the customer (e.g. solar power solutions, or consumer goods financing), and marketed in a way that highlights some enhanced service qualities that provides the customer with more convenience (e.g. shorter turnaround times).

There are also the “new” products mentioned by a fair number of banks that target much younger persons and purport to engender a savings culture among Ghanaians at very young ages. Some banks explain that such products such as trust accounts will, over time, afford them access to relatively cheaper deposits with longer, more predictable tenures, and

along with such stability, a deeper inventive culture is expected to be stimulated.

Nonetheless, it is important to note that, some banks have introduced or are in the process of introducing some real innovations into the industry’s products and services space. We have highlighted a few below:

- A few banks have begun to introduce bancassurance products through forging some collaboration with insurance companies
- Mobile banking along with other forms of electronic banking, including the establishment of digital financial centres equipped with modern communication gadgetry, including self-service kiosks/ booths, and facilities for video chats with personal bankers, etc.
- Mobile money remains an area that so much innovation potential exists, but has so far been held back as the debate regarding a suitable legislative and regulatory environment progresses. A few banks have taken the plunge and have in some instances assumed “agent” status, providing customer sign-on services for selected mobile network operators (MNOs), and presenting channels for mobile wallet funding
- Deposit-taking ATMs, ATMs that support card-less transactions, and the “automated” forex bureau are all new product additions in the market place positioned to provide the bank customer with desired convenience, hopefully, resulting in an enhanced experience
- SMS alerts have become commonplace, such that its ingenuity is being taken for granted.

Highlights of some key bank initiatives around channels

From the general perspective of bank senior executives that interviewed with us, the industry is doing well in the transformation of its channels. They pointed to a number of initiatives that the industry has recently embarked on that are aimed at increasing the profile of electronic channels in the industry’s service reach and distribution footprint.

However, considered within the context of the aspirations and expectations of the future retail bank customer, we are of the view that the industry has just about started on the spectrum of innovations required to transform the industry’s channel strategy in the manner envisaged by the market. That noted, there are some significant differences in the progress that individual banks have made. What we observe generally is that

banks' earlier introduction of electronic banking were targeted at corporate customers and have not been mobile friendly. Such electronic channels enabled corporate customers to, initially, have non-transactional viewer access to their accounts and used that to support "offline" treasury and cash management decisions. Then, further developments in technology enabled transactional functionality, but still with a focus on corporate customers.

But more rapidly than ever before, the industry is witnessing a rapid rise in mobile as a popular channel for delivery of retail banking services. Previously (and still very much a dominant service in the industry), mobile was principally used to alert, especially retail customers of account activity, both deposits and withdrawals. Now, some banks have made it possible for their customers to conduct some transactional-based banking business from their mobile devices. For example, some banks have enabled their customers to move funds in between their accounts with them, or transfer funds into another account located with a different bank, facilitated by the Automatic Clearinghouse (ACH) system of the Central Bank. This they can comfortably and conveniently do at home, at work, or on the go, using their mobile devices.

In a few instances, some banks have collaborated with Mobile Network Operators (MNOs) and are providing mobile money services, using the mobile phone as a channel. Going into the medium-term, this service in particular is poised to grow significantly with the recent issuance of a directive by the regulator giving some clarity around the permitted business models for provision of mobile money services.

Some banks also drew attention to the "intelligent" ATMs they have introduced to collect as well as dispense cash to the banking public. That noted, most ATMs have also been turned into luminous screens where customers can do more than just check their account balances and/or withdraw cash. At ATMs, customers can pay bills, top up airtime, and perform some card-less banking activity such as cash out of mobile money wallets. In collaboration with GhIPSS, some banks have begun piloting ATMs that have the capability for biometric identification and authentication of users and transactions, respectively.

A few banks also mentioned programmes to introduce some well-known international card services providers, including Visa and MasterCard, which will help to extend their service reach, as holders would have access to a much wider network of ATMs and Point of Sale (POS) terminals.

All the above noted, it is also worthwhile to record that banks still have major plans that include B&M branches playing a major role in their market penetration strategies.

Highlights of some key bank initiatives around technology

Closely linked to banks' initiatives around channels, some of the senior bank executives we interacted with noted that their focus has been on introducing mobile-friendly technology into their technological assets to facilitate their channel strategy. They explained that they were in the process of upgrading and standardising systems across their organisations to be able to support the channels they would be supporting for retail banking experiences, in particular.

Some banks noted plans for streamlining and automating some processes enterprise-wide to enhance work efficiency, across the front, middle, and back offices of the bank. Others also noted that key objectives for their technological initiatives are improved turnaround times (TATs) with respect to customer transactions, enhanced security for customers too, and enhanced availability and effectiveness of help desk functions/services.

Banks are also implementing or planning to implement robust technologies to boost operations at bank branches, which is where some banks believe will continue to serve as their major customer acquisition and service centres. Additionally, some bank executives noted a multitude of initiatives around risk management and branch operations, which hopefully would provide some comfort to the future bank customer that the new developments in bank technology will address their prioritised needs.

Highlights of some key bank initiatives around organisation

A few of the banks that engaged with us were quite enthusiastic about the initiatives that they plan, and in some cases, have begun to implement around organisation, but pointed out that the pace of developments would generally be slower, as such organisational initiatives will have to be compliant with existing legislation and regulations applicable to the banking industry. Still, a good number of bank executives were certain that legislation and regulation will evolve fairly rapidly to create the room for the sort of innovative collaboration and partnerships that are needed to create and introduce some of the delightful products and services that customers so obviously wish for. The case of mobile money services was cited by many bankers who said that once there was clarity around the organisational model that is preferred or permitted by the regulator, the industry is likely to witness a frenetic wave of partnerships between banks and MNOs, as banks (and telecom companies too) jostle each other for competitive positions.

“Bank of the Future: What bank customers want to experience by 2020”

Banks also mentioned the recent partnerships that are being forged with some major life and non-life insurance companies. They are sure that this is an area that is only just starting, and that the industry is very likely – in the lead up to 2020 – to witness some more of such partnerships with different innovative versions evolving, this being the case especially as greater convergence is expected over time between the banking, telecoms, insurance, and retail industries. Bankers trust that the Regulator will respond to the needs and expectations of the banking public and develop legislation to pave way for these developments, as have happened in other jurisdictions.

Organisational arrangements/ developments involving Savings and Loans companies (including acquisitions) that have led banks to venture into territories that they were, hitherto, wary of are among the significant occurrences in the bank organisation arena. Such strategic moves by banks, more of which are most likely between now and 2020, are helping to extend the footprints of banks into markets with very different income, cash flow, and savings profiles and benefits, but which carry within them a great potential to contribute to general economic development, with effective financial inclusion. Indeed, customers expect banks to drive the agenda of financial inclusion more forcefully through the adoption of appropriate organisational models.

The specific kind of collaborations that customers have indicated as wanting to see between banks and retail stores and the associated services that they will enable have not materialised yet. Nonetheless, some bankers pointed to the establishment of temporary implants at malls, especially on days when footfalls at the malls are expected to be very high. While many banks have branches located at or inside the different malls that have been built in the bigger cities, these are no different from their other B&M branches. Still their proximity to malls makes them convenient for customers who can then combine their banking and shopping more conveniently.

Many banks also pointed to the changes they have made to their websites to give a more “social media friendly look” and increase appeal as a customer engagement touch point. They acknowledge that they can do a lot more and have plans in the pipeline to use their websites in a lot more interactive way to delight their customers and offer them a differentiated experience.

In the midst of all of these, we trust that innovation in bank organisation will happen soon, as disruptors enter the industry and force the Regulator to make changes to existing laws and rules to accommodate the value that these new entrants would offer to the average consumer of banking and financial services.

Highlights of some key bank initiatives around talent

Banks generally agree that talent will make a big difference to the success of the execution of their strategies, and are wasting no time in building a workforce that is suitably educated in the technical discipline of banking, informed, equipped, connected, and sufficiently motivated to perform and delight bank customers. Consequently, most banks that spoke with us and shared their experiences and plans with us remarked that they have considered and/or implemented initiatives around the following areas: talent development; performance and reward; and diversity.

Talent development: Banks generally are making investments into their talent pool, encouraging them to acquire new knowledge, new qualifications, and new skills. They also support them to build new attitudes that they hold the view will reinforce their own internal values that in turn will enable them to win with customers in the market place. The approaches being used in the industry differ by as many banks in the industry. More commonplace talent development initiatives include sponsorship to business school for post graduate courses; carefully selected short-term training programmes designed to rapidly expose bank personnel to crucial skills in identified areas of need, including soft skills; and the establishment of academies, where banks cause specific curricula to be developed and taught to persons they identify for various career paths within their organisations. For banks that have regional and/or international linkages, they also have mobility programmes that enable selected resources to spend time in different jurisdictions and get exposed to different environments, cultures, practices, etc. with the aim of getting returning resources to enrich learning in the Ghana operations .

Performance and reward: already, banks hold the view that staff costs contribute significantly to their high cost-income ratios (CIR). The industry’s CIR averaged 0.49 in 2013 compared to 0.55 in 2014, and workforce related costs for both 2013 and 2014 approximated about a quarter of total operating expenses. Still, they recognise that good talent is not in sufficient numbers at present, with the industry continuing to face a deficit in the medium term, until sufficient innovations around technology, channels, products and services, etc. lead banks to use different operating models in serving their markets – models that will emphasise requirements for different types of skills and, probably, fewer resources on permanent payroll.

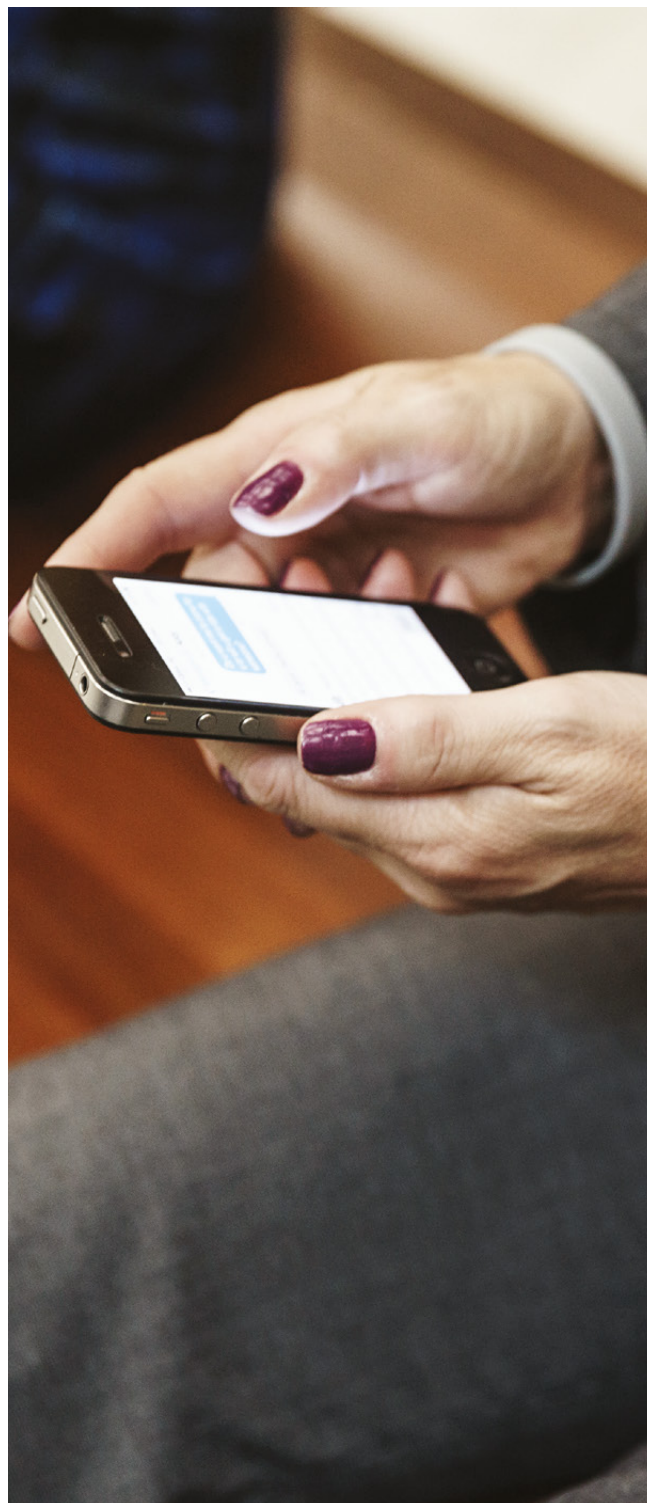
In the short and medium terms, therefore, banks are focussing on how to optimise their expenditure on talent with a key area being to develop a clearer and more visible link between

corporate and business unit targets and performance, individual targets and performance, and reward. Some banks noted that these initiatives, in some cases, have introduced some cultural shock and resistance, but these are internal challenges that are expected and must be dealt with to achieve long term benefits. Key areas of interests have included how to incorporate less quantitative metrics, such as customer satisfaction, along with the more traditional, quantitative metrics of deposit growth or reduction in cost of funds, and evaluate personnel's performance against these. All the banks that spoke to us about these initiatives are determined to crack the code.

Diversity: Banks are recognising the need to implement a deliberate “diversity and inclusiveness” agenda to be a competitive employer of choice. This means having a deliberate focus on the needs of different minorities at the workplace. This is an area where initiatives are generally at formative stages with a lot of advancement expected as concerns around diversity and inclusiveness gain even greater momentum globally. For some of the banks that described the mobility programmes they have for talent development, they explained that diversity is a key basis for selecting talent to benefit from the mobility programme.

Our general observation, in listening to bank senior executives talk about their initiatives around talent, is that there seems to be very little collaboration between the banking industry on one hand, and the education sector as well as other industries comprising the financial services ecosystem on the other hand, that is aimed at creating and honing new skills to catalyse the kind of creative mindsets that lead to the production of innovative solutions that, in turn, will drive the transformations in products and services consumers of banking and financial services expect.

There is talk – and some evidence – of collaboration between the banking industry and academia, as both stakeholders seek to bridge the gap in the knowledge and skills of graduates of tertiary institutions entering the workforce. This collaboration with academia is good and must, in fact be enhanced over time. Still, it is critical that the banking industry drives the establishment of appropriate platforms in which the telecoms industry, payment services companies, and even retail participate to co-create solutions that delight the average consumer of services and in which all stakeholders win.



“Bank of the Future: What bank customers want to experience by 2020”

Our point of view

Preparing to deliver the future to the next generation of bank customers

Without doubt, this survey has uncovered some very interesting perspectives about what the average bank customer in Ghana wants to experience in their daily, routine interaction with their banks. The remarkable thing about the findings from this survey is that these desires are not very different from the customer aspirations driving changes in more developed markets/ industries. We believe that banks operating in Ghana – even those rated by survey respondents as not likely to meet expectations by 2020 – would find it beneficial to pause and think deeply about the various viewpoints that have been shared in this report. While 2020 is a fair time frame for medium-term planning, we urge that banks go to work immediately, to try and create the business and operating models that can deliver the type of future expected by the next generation of bank customers.

To conclude, we have shared some very brief points about what banks could do with each of the five components of the operating models discussed in this report so they can deliver the great banking experiences that customers so obviously desire. In our view, banks would derive optimum benefits, if they approached implementing the required changes to their business models in a holistic way. This does not necessarily need be in a “big bang” way. What is important is to have a strategy that incorporates all elements and execute in phased, but disciplined manner.

Products and services

Banks should accept that the changes that have begun in the demographic and socio-economic profile of the banking population in Ghana will continue even beyond the medium term. The banking population, generally, is likely to get relatively younger. A section of this population might be better world-exposed through better education and greater exposure to Internet content, more urbane, employed with well-established multinational and local businesses and earning regular decent incomes, less loyal, etc. Another section might not be as well-educated, but might be entrepreneurial and earning equally good incomes, although probably not with the same pattern of regularity. Across the entire banking (and bankable) population, however, there might be a high level of mobile device familiarity and addition, with different segments using different types of social media platforms, but with usage frequency being very high across different sections of the banking population, nevertheless.

Segmented differently, the banking (or bankable) population would comprise both a sizable middle-income class and a

Base of Pyramid (BOP) group, with the latter collectively commanding a significant amount of resources that should interest the banking industry, and both these populations are more likely to be found residing in cities, in well planned/ developed spaces, as well as in poorly planned developments. Marked differences in family structures will emerge and/or continue to evolve, and these pose very different needs for banking and payment services.

We believe that all the banks are aware of the different segments they could slice their (potential) markets into. What we encourage banks to do, heading into the medium term, is to determine what section of the value spectrum of banking service delivery they have chosen to play in as aligned to their broader medium-term corporate strategy. Clarity in this choice will help bank to determine what segment(s) of the market they should be aiming to pitch their tents and what customer types they should be targeting.

Undertaking deeper, more focused studies of these customer types to understand their (current and emergent) needs, contextualising such studies within the general findings reported from this study will help banks to distil further what product and service varieties could be introduced and what forms of loyalty programmes can be designed. Banks will have to mine the big data that is generated from their customers’ interactions with their touch points, analyse this data and look for patterns.

It is when they identify patterns that they can explore further to come up value propositions that will catch the attention they seek and lead to value creation for them.

Channels

Judging from the survey results, it would seem that the bank customer, in future, generally wants to be presented with a variety of channel choices from where they can conduct their banking business at their own pace. A key highlight of the survey is that mobile is increasingly receiving attention, from the perspective of both the customer and the bank, as a major component of banks’ distribution network. Consequently, the question of “branch or mobile” should be looked at very carefully to avoid hasty decisions.

Indeed, though branches are generally regarded as belonging to the “higher cost end” of the spectrum of banks’ alternative channels, it remains a fact that branches will continue to play a role in banks’ business models – serve as a point for customer acquisition, provide an avenue for deposits and withdrawals, physically project the brand of the bank, present a “familiar, friendly face” to customers, etc. However, it is also a fact that

the role of the branch is changing (or set to change in the future) and banks should review how they re-position branches in their overall service distribution strategy.

As with products and services, banks will have to consider their distribution strategy within their broader medium-term corporate strategy. Having clarity around where the bank wants to go, which market segment to play in, etc. will help it crystallise properly what decisions it would take about its channels. That said, the fact that customers want an integrated and connected channel network should not be lost on banks and they should begin to give thought to the innovations and investment to make such a network reality.

Technology

It is not just by happenstance that both bank customers and bankers agree on the importance of technology in the creation of a differentiated banking experience. All of the bank senior executives that we interviewed were emphatic that technology counted among the top three of the seven factors that were expected to drive future transformation in the banking industry. Customer perspectives survey participants also ranked technology as the leading component of banks' business and operating models that were expected to contribute in a most fundamental way in creating memorable banking experiences. Furthermore, survey respondents rated security, convenience, speed in service, and simplicity high among the eight attributes that had been identified to influence the quality of banking experiences. These are attributes that can easily be moulded by the nature of technology that is deployed. Also of importance is the suggestion that the future bank customer desires an experience enabled by mobile, integration, and connectedness.

So what should banks do? We think banks have already begun on the right initiatives. Generally, Internet banking (via PC) is a standard service in the industry. Additionally, mobile banking has been significantly advanced in the industry, with many of the players offering not only "view only access functionality" via mobile devices, but also transactional capability.

The next stage in the technological advancement process should be integration across all bank channels, as well as across the breadth of the enterprise, i.e. the front office, middle office, and back office of the bank. Banks should consider how they would use cloud technology, while assuring customers of their greatest need – security. Banks should also reflect on plans for connectedness and interoperability with other industries that also occupy centre stage in bank customers' lives. Of course, we acknowledge that, in some cases, banks would have to study what existing legislation and regulations allow them to do and what they are prohibited from doing, but we trust that there exists considerable opportunity for banks to innovate

When evaluating alternative technologies, banks must necessarily take into consideration a raft of factors. These would include, among others, security, digital, scalability, integration, interoperability, cloud-ability, social, mobile, supporting of big data analytics, stability/uptime, etc. The exercise of putting together the appropriate technology strategy and implementing it could be very exacting and debilitating on bank executives' focus on the market, making it of value to consider the use of specialist technology consulting service providers to squeeze optimum benefits from the process.

Organisation

Survey respondents identified bank organisation models as the second most important element of banks' business and operating models – after technology – that contribute to the shaping of remarkable experiences. For the customer perspectives survey, we had explained to respondents that "organisation" referred to the various structural configurations (partnerships, collaborations, and other forms of organic structures) and communication methods banks adopt in their bids to survive or grow in their chosen markets, and serve their customers. The customer experience-shaping factors that can be most influenced by bank organisations include convenience and product variety.

The options available to banks for transforming their organisations to extend their product and service reach and achieve accelerated market penetration and/or financial inclusion range from mergers and acquisitions (M&A) through some innovative partnerships with other enterprises across different industries, to relatively straightforward business collaborations. We have seen different versions of these options at play in the market, include M&A to achieve vertical integration and assist banks to reach into markets that are considered desirable, but out of immediate reach to the traditional models used by universal banks. Similarly, we have seen collaborations across more closely related industries, e.g. between banks and insurance companies to provide bancassurance.

Going into the medium-term, we will encourage banks to assess if the market will reward more innovations entailing collaborations with other enterprises in other industries. In particular, we are of the view that there exist potential benefits that banks could derive from very creative "go-to-market" collaborations with telecom companies (especially MNOs). We recognise that due consideration should be given to the existing regulatory framework and we expect that this will also evolve in response to what leads are given by the market, i.e. through customer preferences.

“Bank of the Future: What bank customers want to experience by 2020”

When considering such organisational collaboration strategies, it is important that there is a fit between the values and ethics of the collaborating organisations. Robust logical reasoning and numerical analysis are important to be able to wade through the many “what if” scenarios that could impact the workability and mutual economic/ commercial benefits of alternative organisational models, and once again, we will encourage banks to work with their professional service providers to be able to extract the most value from the process and from their spend.

In the long term, we hope that the banking industry will adopt those organisational configurations that will also engender and promote financial inclusion.

Talent

The retail bank customer of the future has spoken. With regard to bank talent, retail banking customers are not so much interested in having bank staff develop “personable” relationships with them. This requirement, nevertheless, may remain important for success with HNIs and business banking customers, and banks that pitch their tents in these fields must not lose sight of the talent requirements of customers in these market segments.

However, for retail banking, the survey findings suggest that the future bank customer expects bank personnel to serve as perfect complements to the other components of banks’ business and operating models. More specifically, banks are required to have staff that are able to use the different tools at their disposal to provide customers with memorable, differentiated experiences. In essence, when customers make contact with bank staff – through voice calls to manned call centres/ hotlines, posts in chat rooms, personal visits or voice calls to branches, email messages sent to “contact us” email addresses, etc. – they expect to receive prompt attention and provided with clear answers to their enquiries, and within the shortest time as possible.

In this setting, it is not enough for banks to provide their staff with “technical” training on just their products and services. Neither is knowledge of the duration of internal processes and procedures related to selected customers’ applications sufficient.

Personnel working at different points of banks’ value creation and service delivery stage must have appropriate access to, understand, and be able to interpret patterns generated from analysed large data that is produced from customers’ interactions with banks’ multiple channels, and these personnel should be able to use the knowledge buried in such patterns to respond to customers’ enquiries as well as guide

them towards products, services, or channels that are aligned to their demographic and socio-cultural needs and could potentially create delightful experiences for them.

Some banks have already started on this type of journey of talent development. We encourage more players in the industry to consider some of these suggestions, alongside other initiatives that are developed for the transformation of other dimensions or components of banks operating models.

Conclusion

In conclusion, we stress that the commitment of bank senior management teams and Boards will have the biggest influence in the speed with which banks reach decisions on what strategic initiatives they must necessarily consider and/or implement to adequately position themselves as the *Bank of the Future*, in the mould that has been prescribed through the survey responses.

Without doubt, legislation and regulation will have a role to play in the pace of transformation that will be seen in the industry, but it will not stop the forces of change *per se*, in the medium-to-long term.

In our view, banks, generally, have three choices: be a shaper of the future; be a fast follower; or be a defensive manager. Staying the same is not an option, as change within the market place occasioned by the rapid convergence of many factors will leave any player that resists these changes at a competitive disadvantage.



2

Overview – The economy

Ghana's GDP growth of 4% in 2014 was one of the highest in West Africa and exceeded the 2014 global forecast of 3.3%.

To give context to the 2015 Banking Survey, we have relied on and reproduced here, secondary data from the World Bank, Government mid-year review of the 2015 budget, Sub-Saharan African and the Ghanaian economies as referenced below.

The world economy

Weaker-than-expected global activities in the first half of 2014 resulted in a revision of the forecast for world economic growth. The IMF revised its forecast for the world economy by 0.4% from 3.7% to 3.3%. Short term downside risks such as increased geopolitical tensions and medium term risks such as expected stagnation in the growth of advanced economies and decline in the potential growth in emerging markets also contributed to the revision.

The world's economic growth in 2014 turned out to be even lower than forecast at an estimated 2.6%, with most emerging and frontier markets falling short of expectations. The global economy is projected to expand by a moderate 3% in 2015, and maintain this trend with an average of 3.3% growth in 2016 and 2017. During this period high income countries are expected to experience growth averaging 2.2% from 1.8% in 2014. Growth in developing countries is expected to accelerate from 4.4% in 2014 to 4.8% in 2015, and to 5.4% by 2017.

Overall, however, forecasts continue to be downgraded as global recovery remains at a slow pace and with continued uncertainties.²

Sub-Saharan Africa

Growth in Sub-Saharan Africa showed an improvement for the second year



running. The region's economic growth of 4.5% was in line with its average annual growth rate of 4.4% over the past decade. The growth in 2015 is however expected to fall due to downside risks stemming from both external and domestic factors.

The region is exposed to falling commodity prices shocks which have been led by oil since June 2014 and been a contributory factor to weakening terms of trade. As a net exporter of commodities the slowdown in growth of economies such as China could drive down commodity prices even further. Also, recent episodes of capital market volatility suggest that countries with large macroeconomic imbalances will face strong downward pressure on exchange rates. These factors pose an increased risk of inflation to most countries in the sub-region.

The rise of new conflicts in areas of the region poses security risks, and the potential for disease epidemics remains a major concern for the most affected countries, the sub-region and foreign investors as well. These result in the contraction of activities such as agriculture and mining which the sub-region heavily relies on.

The current trend in global economic conditions provides the impetus for economies in the region to diversify away from commodities and oil, and improve their ability to respond with flexibility to deteriorating conditions in the developed world, which remains a significant consumer of African exports.

In the short term, economies that are better-diversified and especially net oil importers, may even gain from the global economic downturn.³

² <http://www.worldbank.org/en/news/press-release/2015/01/13/global-economic-prospects-improve-2015-divergent-trends-pose-downside-risks>

³ <http://www.worldbank.org/en/country/ghana/overview>

Ghana's macroeconomic performance

Ghana's GDP growth of 4% in 2014 was one of the highest in West Africa and exceeded the 2014 global forecast of 3.3%, by 0.7%. The expansion of the economy was however discernibly lower than the earlier estimate of 4.2% for the country and signified a sharp decline in economic activity compared to the 2013 growth of 7.3%. The non-attainment of the 2014 growth target was on account of a decline in growth in all sectors of the economy relative to the projected sectoral growth targets. Also, gas supply volatility from Nigeria and rising inflation due to price adjustments in petroleum and utilities contributed to the slowdown in economic activity. The cumulative depreciation for 2014 was 31.2% against the dollar compared with 14.5% in 2013. The falling value of the Ghana Cedi has generally continued to date in 2015, with the Ghana Cedi depreciating by a further 26.1% against the dollar between January 2015 and June 2015.⁴

Both revenue and expenditure were below their respective targets for the 2014. With the shortfall in revenue exceeding that of expenditure, the resulting cash fiscal deficit was equivalent to 10.2 % of GDP against the revised target of 8.8 %.

The deficit was financed mainly from foreign sources, with total foreign financing amounting to GHS5.9 billion (5.2 % of GDP), including GHS3.2 billion from the USD1 billion Eurobond issued in September 2014.

Ghana's total public debt stock as at December 2014 stood at GHS79.7 billion (70.2% of GDP), representing an increase

of 52.8% from the end of 2013 stock of GHS52.1 billion. Out of this, external debt was GHS44.6 billion and domestic debt was GHS35.0 billion, representing 56% and 44% of the debt stock, respectively. In dollar terms, the debt stock was USD24.8 billion, representing an increase of 3.3% from the end of 2013 stock of USD24 billion. Out of this, external debt was USD13.9 billion and domestic debt was USD10.9 billion. The increase in the total debt stock was largely on account of high domestic net issuance, the USD1 billion Eurobond issue, net disbursement of externally financed infrastructure projects and the depreciation of the local currency.

As at May 2015, Ghana's total public debt stock stood at GHS89.5 billion (67.1% of GDP). This high level of borrowing has huge implications for the economy not only in terms of crowding out local investors with regard to the high domestic borrowings, but also Government's ability to pay for its securities bought by many commercial banks and which are forming an increasing proportion of the earning assets of the commercial banks due to the attractive returns on these securities. The traditional core banking activity of lending only becomes a second investment option to many commercial banks after looking at what these government securities are paying as returns.

Sectoral growth and contribution to GDP

The services sector recorded the highest growth of 5.6% in 2014 compared to 10% in 2013. The agriculture sector recorded a growth of 4.6% in 2014 compared with 5.2% in 2013. The industry sector

recorded its lowest growth since 2007 of 5.7%, down from 6.6% in 2013.

Services sector

The services sector experienced a slight decrease in its share of GDP from 49.8% in 2013 to 49.6% in 2014. The sector grew by 5.7% compared to 9.6% in 2013. The growth forecast for 2014 was 7.2%.

In 2013 the information and communications, hotels and restaurants, financial and insurance services and health and social services sub-sectors accounted for over 60% of the growth experienced in the services sector. The financial and insurance sub-sector and the information and communication sub-sector recorded growth rates of 38.4% and 22.9% respectively in 2014 (2013: 24.7% and 23.2% respectively). The underperformance of the services sector in 2014 came mainly from contractions of hotels and restaurants (1.2%), public administration, defence and social activities (6.3%), and health and social work (1.7%).

Industry sector

The consistent increase in the share of the industry sector in GDP from 2011 continued in 2014, growing from 27.8% in 2013 to 28.4%. The slowdown in growth in the industry sector estimated at 5.7% in 2014 down from 6.6% in 2013 was on account of weak performances by the mining and quarrying sub-sector. Upstream petroleum activity grew by 18.2% in 2014, compared to 18% in 2013. The construction sub-sector, however, registered a growth of 12.8% in 2014 (2013: 8.6%), with the water and sewerage sub-sector recording a marginal growth of 0.1% in 2014 (2013: declined

⁴ Mid-Year Review of the 2015 Budget of the Republic of Ghana

Overview – The economy

The Central Bank’s monetary policy rate was increased from 16% in December 2013 to 18% in February 2014.

by 1.4%). Poor commodity prices leading to forced reduction in output and workforce and labour agitations and unrest may have contributed to lower than expected performance of the industry sector.

Agriculture sector

The agriculture sector continued to experience a declining share of GDP, having reduced from 31.8% in 2009 to 22.4% in 2013 and recording a marginal decrease to 22% in 2014 although the sector experienced 4.6% growth in 2014 compared to 5.7% in 2013.

The performance of the sector was mainly attributable to the contraction of the forestry and logging sub-sector which grew by 3.1% in 2014 compared to 4.6% in 2013 and the fishing sub-sector for the first time since 2011 declined by 5.7% in 2014 compared to a growth rate of 5.7% in 2013 due to declines in both the volume and value of catch in 2014.

The crops, livestock, forestry and logging sub- sectors recorded growth of 5.7%, 5.3% and 3.8% compared to 5.9%, 5.3% and 5.8% respectively in 2013.

Although the crops sub-sector experienced a decline in growth recording 5.7% compared to 5.9% in 2013, it accounted for 16.9% of GDP and maintained its position as the single largest activity in the economy.

The monetary sector

Money supply

2014 experienced increased year-on-year growth in broad money (M2+) of 36.8%, which is significant compared to growth of 19.1% in 2013.

The surge in the supply of broad money for the year was largely driven by

developments in the net domestic assets of the banking sector, on account of strong growth in domestic credit particularly to the energy sector.

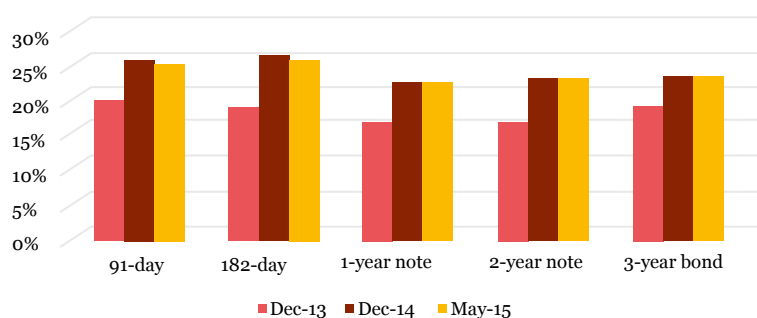
Reserve money also expanded by 30.1% in December 2014 compared to 15.1% in the corresponding period last year. This increase in reserve money for the year was facilitated by significant increases in the Ghana Cedi equivalent of the net foreign assets of the Central Bank which resulted from currency depreciation experienced in the year.

Interest rates

The Central Bank’s monetary policy rate was increased from 16% in December 2013 to 18% in February 2014. The rate was maintained for the four months February to May 2014 and increased by 100 basis points to 19% in June 2014 and subsequently increased to 21% in November 2014. The rate was increased to 22% in May 2015. The increases were to help achieve the average lending and inflation rates set. Average lending rate was 28.9% in 2014 compared to 25.6% in 2013. Average interest rates on time deposits were 25.9% compared to 17.1% in 2013.

The year ended with an average interbank rate of 23.9% compared to 16.3% in 2013. The average rate as at May 2015 was 23.8%. The various types of treasury bills also recorded significant increases in their interest rates.

Yields on Government Securities



Source: Bank of Ghana

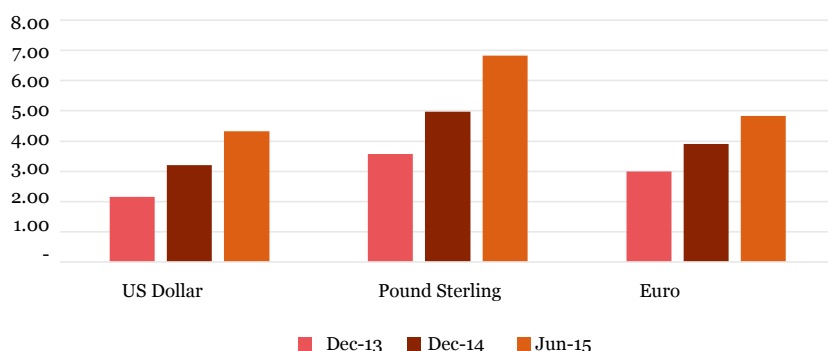
Rates have been rounded to 2 decimal places

Exchange rates

Ghana’s Cedi fell sharply against major trading currencies during 2014. In the first eight months of the year the Ghana Cedi depreciated by 31.9% against the US dollar compared to 4.1% within the same period in 2013. Demand pressures for oil imports amid inadequate foreign exchange supply on the market led to the depreciation of the Ghana Cedi. The Ghana Cedi recovered about 19% of its value in September 2014, however this recovery was not sustained. The cumulative depreciation for 2014 was 31.2% compared with 14.5% in 2013.

The cumulative depreciation of the Ghana Cedi for 2014 was 31.2% compared with 14.5% in 2013.

Forex rates



Source: Bank of Ghana

Rates have been rounded to 2 decimal places

Inflation

2014 ended with headline average inflation of 17% against a target of 9.5% compared to 13.5% in 2013. The rise in inflation in 2014 reflected the sharp depreciation of the Ghana Cedi, which pushed up domestic prices of fuel and, in effect, transport fares, as well as resulted in increases in prices of imported food items. The pass-through of utility price (tariff) adjustments also caused further worsening of the inflationary pressures on the economy.

Although the 2014 inflation missed the target for the year, the main objective for monetary policy in 2015 is to re-anchor inflation expectations. The Central Bank has stated that it will continue to use its monetary policy rate to signal direction and gradually ease inflation over the policy horizon and steer inflation towards the medium term target of $8 \pm 2\%$.

Source: Ghana Statistical Service

Stock market developments

The Ghana Stock Exchange closed the year having traded 413,426 shares and with composite index of 2,261.0 which, represents a 5.4% increase over 2013 close. Comparatively, 2013 ended with 464,262 shares traded and composite index of 2,145.2 points, representing a 78% change over 2012 close. The bullish performance of the exchange in 2013 was not repeated in 2014.

The slowdown in growth of shares traded and poor performance in the index in 2014 reflects the adverse impact of the sharp depreciation in the domestic currency coupled with the relative attractiveness of yields on money market instruments, which could be attributed mainly to a high appetite for domestic borrowing by Government.

Total market capitalisation of listed securities at the end of December 2014 was GHS64.4 million compared to GHS61.2 million at the end of December 2013.

Conclusion

The adverse economic trends of 2013 worsened in 2014 with higher inflation, a Ghana Cedi whose rapid depreciation only slowed down in the last quarter of the year but has resumed in 2015 and an increasing deficit to GDP ratio, all made 2014 a more challenging year compared to 2013.

The business of banking is largely margin driven but the continuing deterioration in macroeconomic performance indicators will no doubt affect the industry's performance. The current power crisis has not only increased the operational costs of the industry but also has necessitated the restructuring of banks' operations which include personnel layoffs. To help sustain the growth in the banking sector, the industry will require not only an improvement but also a much more stability in the macroeconomic indicators to enable banks plan properly and take long term decisions.

3

Overview – The banking industry

The banking landscape

The regulatory and legal framework within which banks, non-bank financial institutions as well as forex bureaux operate in Ghana did not see any significant change in 2014 even though the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) regulating the operations of the commercial banks is currently undergoing a review. The review will lead to the issuance of a new Act with some significant expected changes in line with current bank practices across the globe such as the insurance deposit scheme.

Some other developments witnessed by the industry in 2014 included:

- To enhance transparency in monetary operations and improve the transmission mechanism, the regulator of the Ghanaian banking industry recently merged the monetary policy rate with the reverse repo rate. The merger of the rate was followed by the introduction of a 7-day reverse repo instrument in the money market to offer more flexibility in the liquidity management of banks.
- In order to improve liquidity in the foreign exchange market, the Bank of Ghana and the Ministry of Finance have agreed to open the 2-year Note to non-resident participation. The modalities for this are currently being worked on.
- United Bank for Africa announced Abiola Bawuah as its new MD/CEO. This makes her the banks first appointment of a Ghanaian MD/CEO and she is also the first female MD/CEO of the pan-African financial institution.
- 2014 saw the rebranding of banks such as of Agricultural Development Bank Limited (ADB) and Ghana Commercial Bank (GCB) to better appeal to and serve their customers.
 - » Ghana Commercial Bank Limited (GCB) Limited rebranded to GCB Bank Limited and changed its corporate logo from a standing to a soaring eagle. As part of the rebrand, the bank will upgrade its branches and expand its network of branches in phases for the next five years.
 - » ADB's rebranding was a major part of the implementation of a rebranding and expansion strategy to make the bank more competitive.
- Following Merchant Bank's acquisition by Fortiz Equity Fund Limited in 2013, the bank rebranded to Universal Merchant Bank. The rebranding formed part of the bank's strategy to reclaim its position as the premier corporate bank and expand into retail banking.

New entrants and acquisitions

Despite the ailing economic environment in 2014, banks continue to spend on expansion and acquisition drives. The new entrants and acquisitions in 2014 were:

- Fidelity Bank Ghana Limited acquired a 100% stake in ProCredit Savings and Loans Company Limited in September 2014. The merger consolidates Fidelity Bank's position as the 3rd largest bank in terms of branch network with 80 branches, 300 agencies and over 100 ATMs. The integration of the two financial institutions is expected to

be finalised by December 2015 and is expected to yield dividends for both Fidelity Bank and ProCredit's clients and staff as they come together to support Ghana's business community. The acquisition was also aimed at strengthening Fidelity Bank's deposit mobilisation efforts. The "new" Fidelity Bank is now well positioned to compete with the traditional larger banks given its current branch network and balance sheet size.

- First National Bank Limited, a leading bank from South Africa also obtained its universal Banking licence in April 2014 and started operations in Ghana. This brings the total number of commercial banks in Ghana operating with a universal licence to twenty nine.
- Following its 100% acquisition of International Commercial Bank Financial Group Holdings AG in 2013, First Bank of Nigeria Limited officially launched its operations in Ghana. This makes the bank the largest corporate and retail banking financial institution in Africa (excluding South Africa).
- GN Bank also acquired its universal banking licence in September 2014.
- HFC Bank Ghana Limited is now a subsidiary of Trinidad and Tobago, following a successful Mandatory Takeover Offer (MTO) to the shareholders of HFC Bank Ghana Limited.

Bank financing

High lending rates in Ghana have partly pushed banks to seek for loans outside the country for expansion and support the growth of their earning assets. Institutional depositors are becoming

more sophisticated and demanding returns not less than what is offered on Government of Ghana bills. This, coupled with the competition from the non-bank financial institutions with regard to mobilising cheap deposits, meant that banks are now looking at other sources of funds to increase the liability side of their balance sheets to be able to create the level of earning assets desired to make the required returns to their shareholders. Some of these “external” funds sourced in 2014 included:

- Fidelity Bank Ghana Limited embarked on several fund raising ventures beyond the shores of Ghana. In April 2014, the Bank attracted an additional capital investment of USD67.3 million. This deal provides the bank additional capital to fund its earning assets and be able to underwrite larger transactions given the increase in its balance sheet.
- Fidelity Bank Ghana Limited also signed a USD3.9 million deal in October 2014 with USAID under an initiative that will see loan facilities availed for private hospitals and clinics accredited by the National Health Insurance Authority (NHIA) or those seeking NHIA accreditation.
- Guaranty Trust Bank Ghana Limited signed a USD20 million loan facility with Dutch Development Bank FMO in September 2014. This facility allows the bank to increase its lending to borrowers and provide competitively-priced dollar denominated facilities to customers in the country.
- Access Bank Ghana Limited also secured a USD40 million loan facility from FMO/PROPARCO to support lending to the private sector in October 2014.



Transforming to a cashless society

Cash is the dominant payment instrument in Ghana. Following the presentation of the Strategic Payments Roadmap by Standard Chartered Bank to the Bank of Ghana in 2014, Bank of Ghana unveiled a comprehensive strategic plan to enhance payment systems in the country and eventually, lead to a “cash-lite” economy. There are many players with varied interests and Government intends to align the interests of these stakeholders to support the realisation of goals of the roadmap’s initiatives.

The Central Bank issued a directive for all financial institutions to deploy e-zwich POS terminals at all their branches and agencies and issue cards to every customer in order to increase POS penetration. Commercial banks have contracted with Visa and MasterCard to provide POS solutions to their merchant clients.

The Ghana Interbank Payment and Settlement System also undertook preliminary activities in launching an Instant Payment Scheme which will allow for immediate payments. Other recommendations of the Strategic Payments Roadmap were for the creation of an effective regulation and penalties regime for non-compliance with any payment directives and a more harmonious relationship between the National Communications Authority and the Bank of Ghana with respect to the mobile money agenda.

The volume of E-zwich transactions fell from 814,441 in 2013 to 625,167 in 2014. The total value of transactions however increased by 25.5% from GHS218 million to GHS272 million. The total number of mobile phone subscribers for mobile money transactions increased from 20.3 million in 2013 to 21.2 million in 2014. The total volume of mobile money transactions surged by 190% from 36,796,146 transactions in 2013 to 106,431,007 transactions in 2014

Overview – The banking industry

with values of GHS2.4 million and GHS 11.6 billion, respectively. These trends are indicative of the promise of Ghana's progress to becoming a cash-lite society.

Source: Bank of Ghana & National Communications Authority

Monetary policy rates

2014 started with a Bank of Ghana policy rate of 16% and ended with 21%. Over the year, monetary policy rate was increased to help control the effects of the depreciating Ghana Cedi and inflation on the economy. The revised base rate regime which became operational in July 2013 and took into account banks' cost of funds, operational expenses, general provisions for loans and profit margins meant that the increasing monetary policy rate no longer has much of a direct impact on the banks' base rates as used to be the case.

Ghana listed its third Eurobond of USD1 billion at a coupon rate of 8.125% on the Ghana Stock Exchange and Irish Stock Exchange in September 2014. The bond issue was successful given that it was oversubscribed with orders reaching up to USD3 billion and sold at a lower than expected rate given the fiscal difficulties faced by Ghana. Expectations of the Eurobond helped to strengthen the Ghana Cedi against the US dollar in the last quarter of 2014.

Source: Bank of Ghana





4

Quartile Analysis

For a reasonable comparison and analysis of the industry, we group participating banks into quartiles, based on the value of their operating assets.

Banks continue to measure their operating capabilities by the resources available to earn returns for the shareholders, lenders and depositors.

Together, these resources with earning capacity make up the operating assets of a bank. We also recognise that there are other qualitative aspects; level of technology, specialised skill sets, among others that enhance the operating capabilities of banks.

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. Operating assets are defined to include all assets that are directly deployed to generate interest income or related fee income. These include cash and liquid assets, including investments, loans and advances. It excludes investments in property, plant and equipment that provide a platform to facilitate a bank's business.

For a reasonable comparison and analysis of the industry, we group participating banks into quartiles, based on the book values of their total operating assets as at 31 December 2014.

Total operating assets from 2011 to 2014

(Thousands of Ghana Cedis)

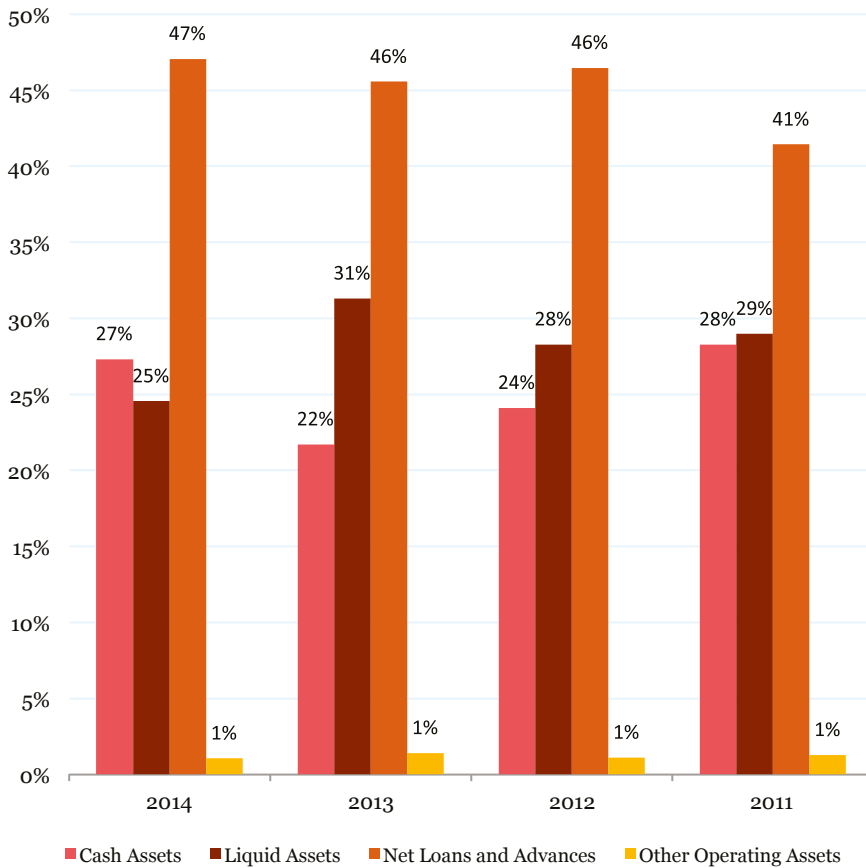
	2014	2013	2012	2011	Change(2013 to 2014)	Δ% (2013 to 2014)	Share % of total industry
EBG	5,428,440	4,422,242	3,199,047	2,031,906	1,006,198	19%	11%
GCB	4,000,452	3,216,912	2,832,573	2,361,404	783,540	20%	8%
STANBIC	3,269,506	2,818,572	1,679,398	1,117,486	450,934	14%	7%
SCB	3,250,248	2,786,580	2,245,992	1,921,987	463,668	14%	7%
ZBL	3,002,566	1,888,213	923,310	681,409	1,114,354	37%	6%
FIDELITY	2,925,356	1,608,586	1,277,192	1,001,270	1,316,770	45%	6%
BBGL	2,856,704	2,184,674	1,889,110	1,803,485	672,030	24%	6%
CAL	2,590,473	1,497,627	1,108,618	747,294	1,092,846	42%	5%
ADB	2,041,925	1,515,569	1,352,162	1,111,326	526,356	26%	4%
UGL	1,970,318	1,190,812	817,515	504,995	779,506	40%	4%
NIB	1,906,715	1,148,197	836,798	767,514	758,518	40%	4%
UBA	1,682,584	1,532,725	692,926	560,422	149,859	9%	4%
ABG	1,574,872	899,666	741,058	263,384	675,206	43%	3%
SG-GH	1,571,585	1,109,703	1,006,112	758,309	461,881	29%	3%
UTB	1,505,850	1,229,823	893,362	600,183	276,027	18%	3%
HFC	1,253,429	930,085	561,174	407,250	323,344	26%	3%
GTB	1,113,866	894,376	651,074	413,104	219,490	20%	2%
PBL	1,057,826	786,894	641,732	517,904	270,932	26%	2%
FABL	848,889	396,283	244,114	168,678	452,606	53%	2%
BOA	843,841	598,471	535,070	367,363	245,370	29%	2%
FCPB	689,751	475,769	-	-	213,982	31%	1%
GNB	407,627	-	-	-	407,627	100%	1%
RBG	362,608	248,998	-	-	113,610	31%	1%
FBN	349,359	294,222	299,665	242,762	55,137	16%	1%
BSIC	331,143	191,334	166,821	87,900	139,809	42%	1%
BARODA	195,172	148,628	114,925	91,313	46,544	24%	0%
EBL	276,084	232,752	217,077	193,907	43,332	16%	1%
TTB	-	-	-	543,956	-	n/a	0%
IBG	-	-	-	671,503	-	n/a	0%
UMB	-	-	828,509	-	-	n/a	0%
TOTAL	47,307,190	34,247,713	25,755,333	19,938,015	13,059,477		100%

Quartile Analysis

<p>First quartile</p>	<ul style="list-style-type: none"> • Total operating assets in Q1 increased by 30.7% from GHS19 billion in 2013 to GHS25 billion in 2014, and approximates 53% of the industry total operating assets. • EBG continues to be the largest bank in terms of operating assets after its merger with TTB in 2012. • SCB showed a steady decline in the share of industry advances since 2013, resulting from significant impairment charge of GHS49 million in 2014 from GHS17.4 million in 2013. • Zenith Bank now holds the fifth largest operating assets in the quartile with total operating assets of GHS3 billion in 2014 from GHS1.8 billion in 2013. • Zenith Bank posted strong profits. This was largely driven by an increase in interest income on loan book by 96% in 2014, compared to 56% in 2013.
<p>Second quartile</p>	<ul style="list-style-type: none"> • The group is the fastest growing as operating assets more than doubled from GHS7.8 billion (2011) to GHS11.7billion (2014); • CAL Bank now tops the second quartile, while UBA has moved from the eighth to twelfth position; • Access Bank moved to the second quartile from 2013 as a result of the significant growth in net loans and advances, resulting from a favourable increase in customer deposit by 73% in 2014, compared to 37% in 2013. • ADB's market share on industry advance continues to diminish since 2012, while UGL continues to show strong penetration into the market arising from deposits mobilisation which enables them underwrite larger transactions.
<p>Third quartile</p>	<ul style="list-style-type: none"> • Total operating assets in Q3 increased to GHS7.4 billion (2014) from GHS5.3 billion (2013). • UTB moved to this group from the second quartile, resulting from competition. The bank's operating assets increased by 22% from 2013, compared to a growth of rate of 37% from 2012. • FABL moved to join the group with a total operating assets of GHS849 million in 2014 from GHS396 million in 2013. • GTB constantly posted higher profit before tax margin over the period 2011 to 2014 in Q3. • In line with Q3 market share of deposits, UTB maintained the largest share of industry advance over the period 2011 to 2014.
<p>Fourth quartile</p>	<ul style="list-style-type: none"> • The Q4 operating assets increased by 155% from GHS1.2billion (2011) to GHS3.2 billion (2014). • BOA moved to the fourth quartile because of firm competition in Q3. • GNB commenced operations after capitalisation during the year and joined this quartile. At the end of 2014 its operating assets of GHS407 million was ahead of existing players; RBG, FBN, BSIC and BARODA. • RBG could not sustain the profitability achieved in 2013 as its operating results slumped to a loss in 2014.

Industry operating assets grew to GHS47 billion in 2014 from GHS34 billion in 2013.

Composition of industry operating assets



Net loans and advances continue to be the most significant component of the industry’s earning assets, accounting for 47% of total operating assets and interest income on loans contributing 62% of the total industry income. The strong growth in 2014 is driven by a reflection of banks’ expectation of short to medium term economic prospects as well as positive results derived from the banks own internal credit appraisal and monitoring processes.

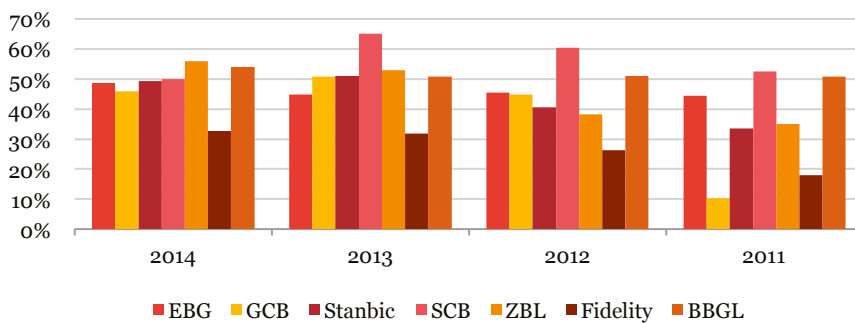
Cash assets contributed 27% (2013: 22%) of the total industry operating assets. The increase was mainly a result of a 36% growth in the total industry deposits with the resultant increase in the primary reserve requirement.

Industry returns on investments continue to show a favourable performance over the period, resulting from investment securities offering favourable yields with limited risk exposure.

Quartile Analysis

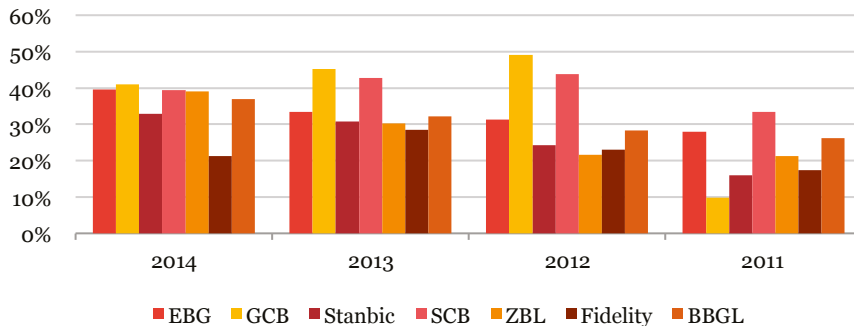
First Quartile

First Quartile-Profit before tax margin



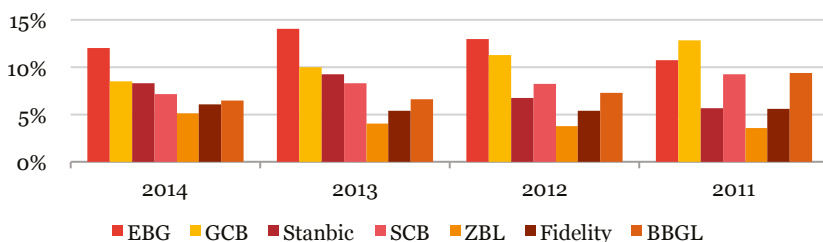
ZBL posted strong profits. This was largely driven by an increase in interest income from Government securities. Fidelity continues to show a lower profit compared to peers because of increase in cost of funding.

First Quartile - Return on equity



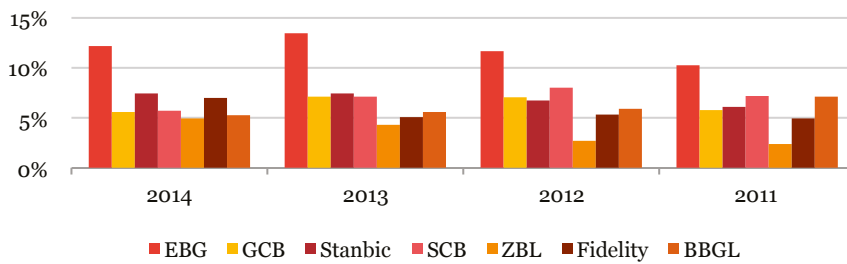
In the midst of the economic challenges, the ROEs in excess of 30% achieved by the banks in the first quartile indicated strong performance of the industry's dominant players.

First Quartile - Share of industry deposits



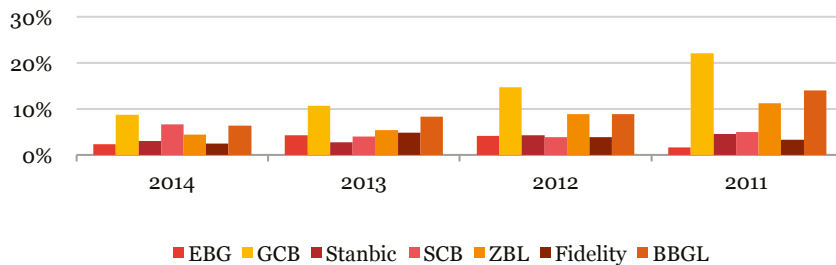
EBG overtook GCB in 2012 to hold the largest share of industry deposits. GCB continued to lose market share experiencing competition from other banks.

First Quartile - Share of industry advances



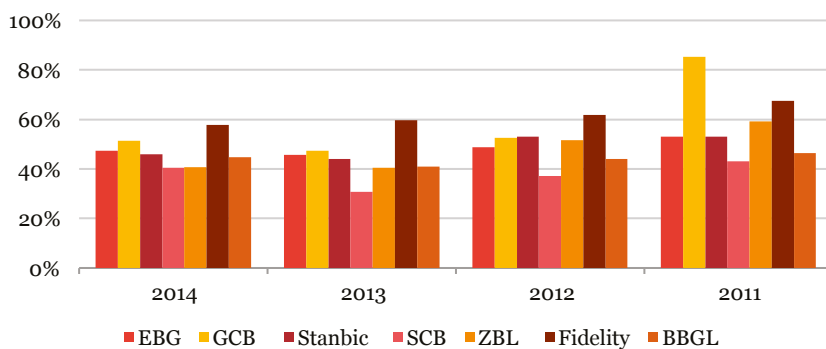
EBG continues to be the industry's largest lender. SCB showed a steady decline in its market share since 2013.

First Quartile - Impairment allowance/ gross loans and advances



Strengthening credit administration procedures have paid off with the banks in the first quartile experiencing improved quality of their loan portfolio. However SCB showed a slight increase in impairment allowance from GHS13 million in 2013 to GHS49 million.

First Quartile - Cost income ratio

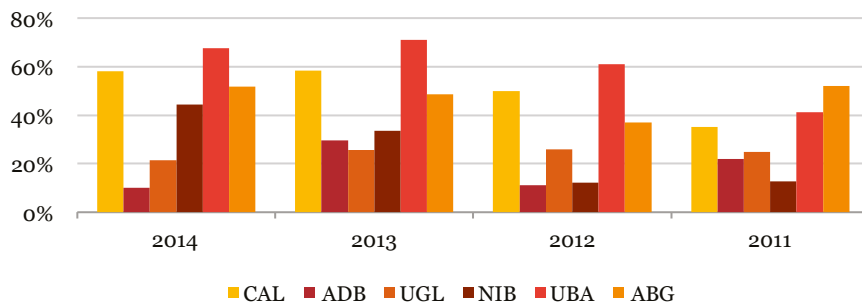


The first quartile banks have been successful with a combination of measures to reduce and control cost. Fidelity's growth continues to take a toll on the bank's operations as it struggles to drive down its cost income ratio.

Quartile Analysis

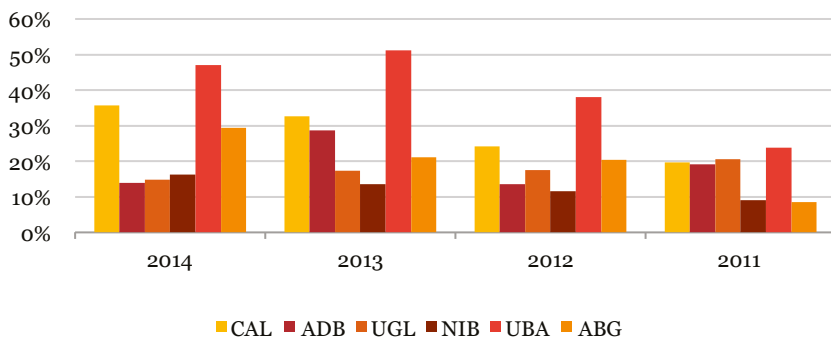
Second Quartile

Second Quartile - Profit before tax margin



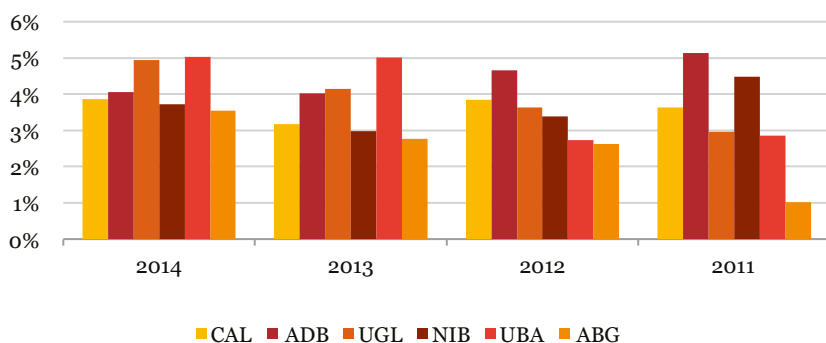
UBA and CAL continue to show strong operating results. A steep rise in interest expense, loan impairment and operating expenses had an adverse impact on ADB's performance for 2014.

Second Quartile - Return on equity



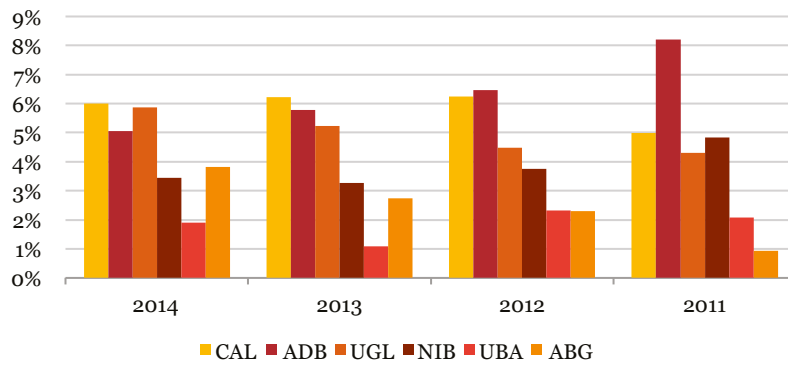
ABG's realignment its operating model by growing its loan book has yielded good returns to the shareholders. ADB's ROE diminished because of the decline in total operating income.

Second Quartile - Share of industry deposits



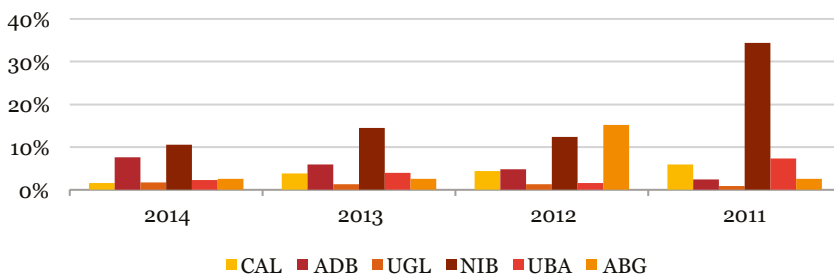
UGL has been consistent in growing its market share . This growth was driven by growth in current account and term deposit balances by 61% and 109%, respectively compared to 2013 and may have been driven by an intensive marketing and deposit mobilisation effort.

Second Quartile - Share of industry advances



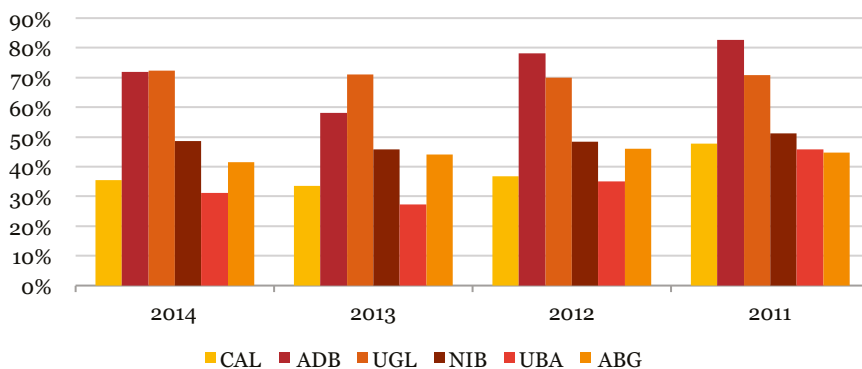
ADB's market share has continued to diminish since 2012, while UGL has continued to show strong penetration into the market arising from deposits mobilisation, which enable them underwrite larger transactions.

Second Quartile - Impairment allowance/gross loans and advances



Strengthening credit administration procedures at NIB in 2012 have paid off with the bank experiencing improved quality of its loan portfolio.

Second Quartile - Cost income ratio

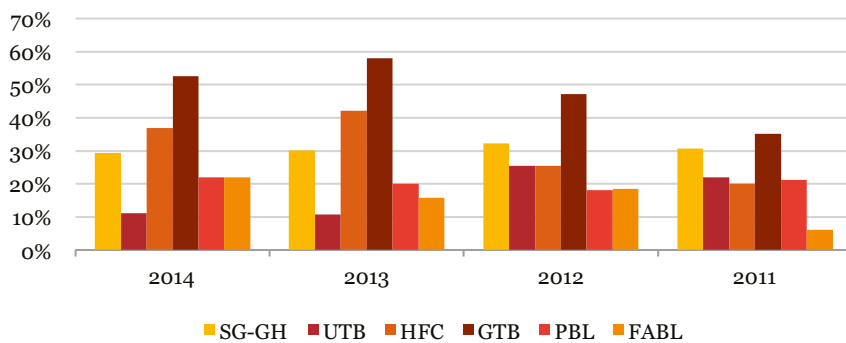


All banks except ADB and UGL showed an aggressive drive on cost reduction.

Quartile Analysis

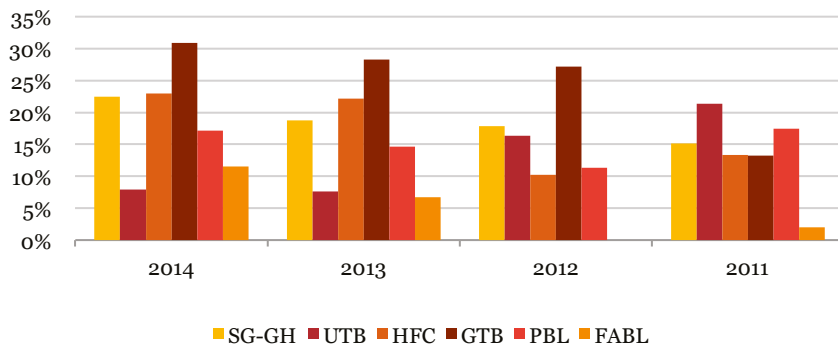
Third Quartile

Third Quartile-Profit before tax margin



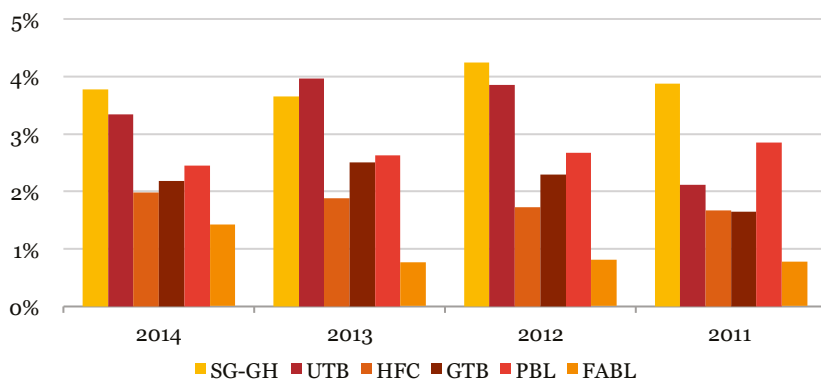
GTB constantly posted high profit before tax margin over the period 2011 to 2014. This trend is perhaps indicative of the Bank's consistent progression on its strategy of reducing cost.

Third Quartile - Return on equity



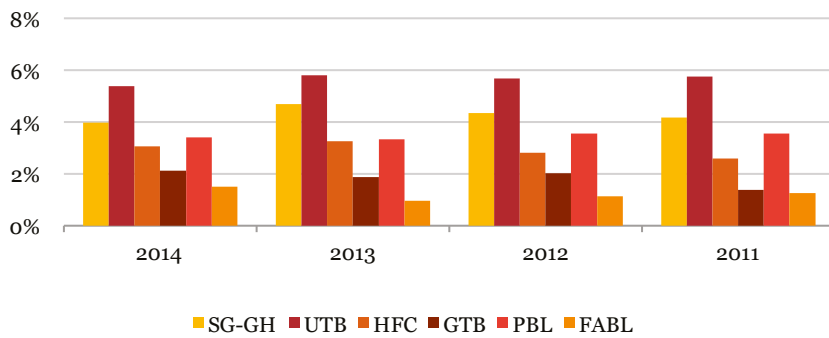
GTB continues to post the highest return on equity having made the highest profit before tax margin despite intense competition from the group.

Third Quartile - Share of industry deposits



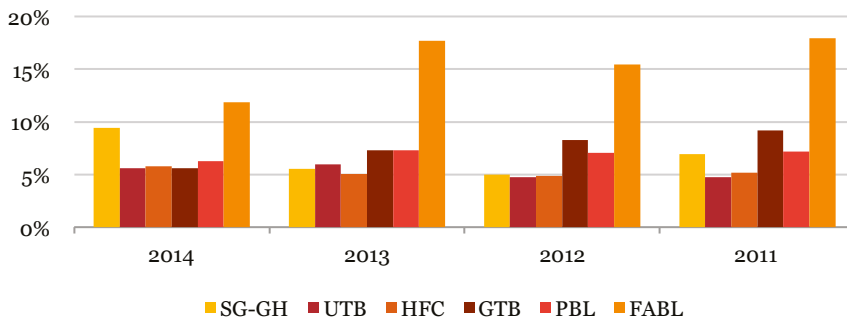
SG-GH's leadership of the group can be attributed to the attractive rates offered on time and fixed deposits to attract deposits. FABL shows positive outcome from the turnaround strategy it embarked upon and its recent rebranding.

Third Quartile - Share of industry advances



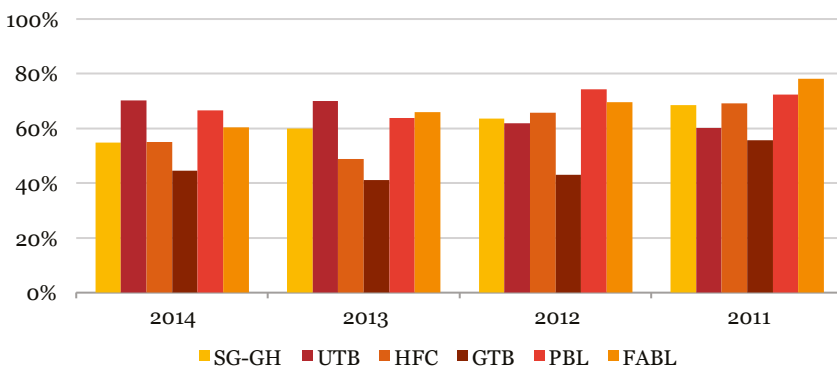
In line with its market share of deposits, UTB maintained the largest share of industry advances in the third quartile over the four year period.

Third Quartile - Impairment allowance/ gross loans and advances



In general, the third quartile banks show a trend towards an improvement in the quality of their loan portfolios.

Third Quartile - Cost income ratio

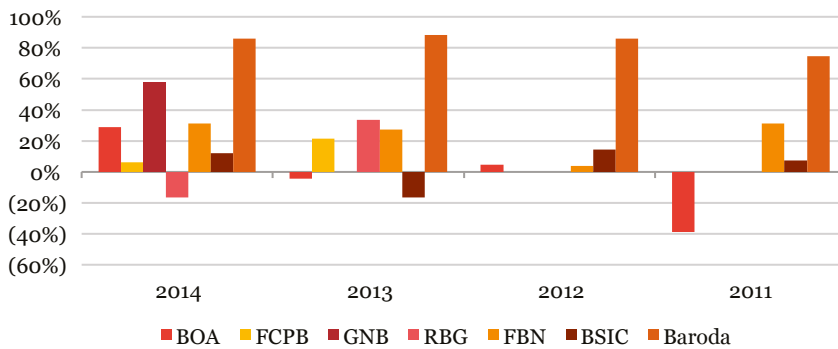


SC-GH and FABL have been consistent in reducing their cost income ratio over the period 2012 to 2014. In general the group continues to maintain a cost income ratio of below 70%.

Quartile Analysis

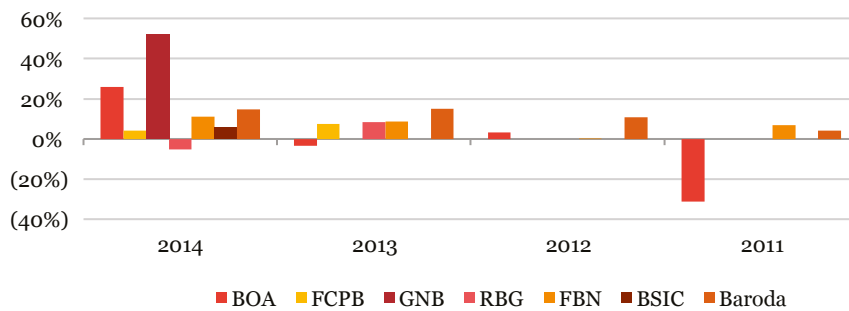
Fourth Quartile

Fourth Quartile-Profit before tax margin



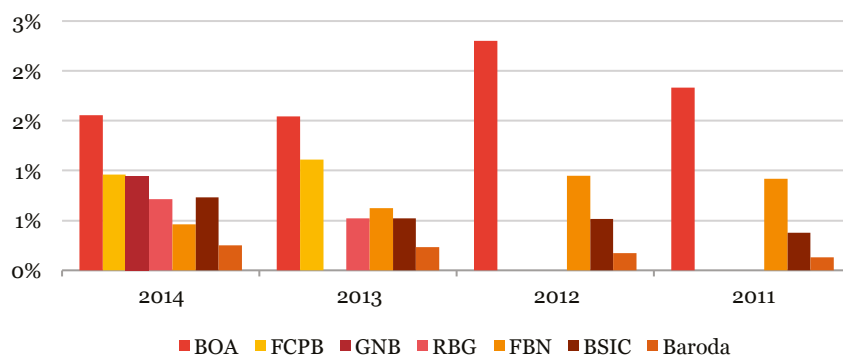
GNB posted profits in its first year of operation. RBG could not sustain the profitability achieved in 2013 as its operating results slumped to a loss in 2014.

Fourth Quartile - Return on equity



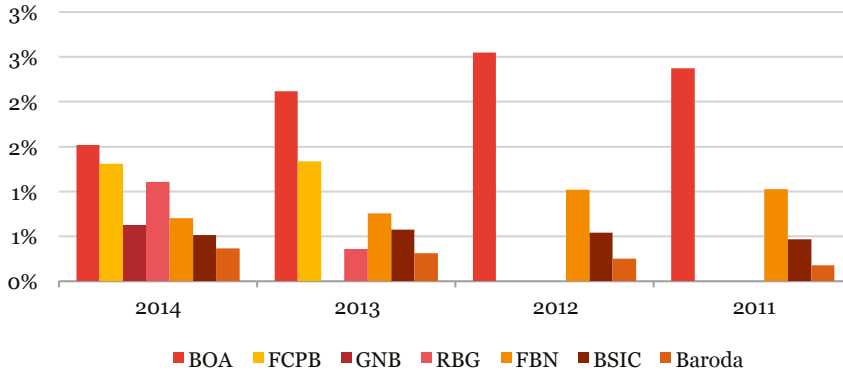
The newest entrant into the banking industry GNB posted a favourable return comparable with its peers.

Fourth Quartile - Share of industry deposits



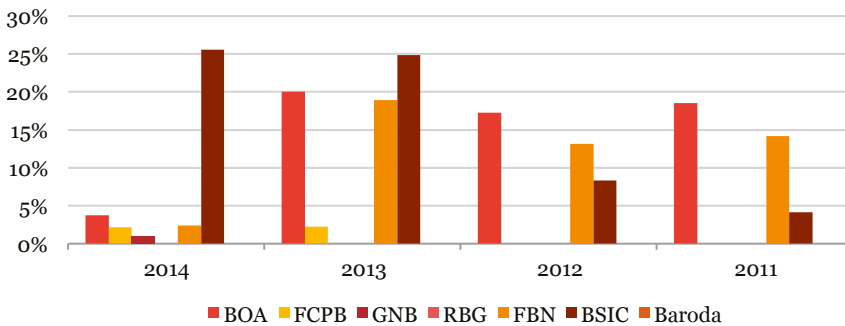
Banks in this group are generally improving their market share although at a slower rate. BOA leads its peers in share of industry deposits among fourth quartile banks despite being a new entrant.

Fourth Quartile - Share of industry advances



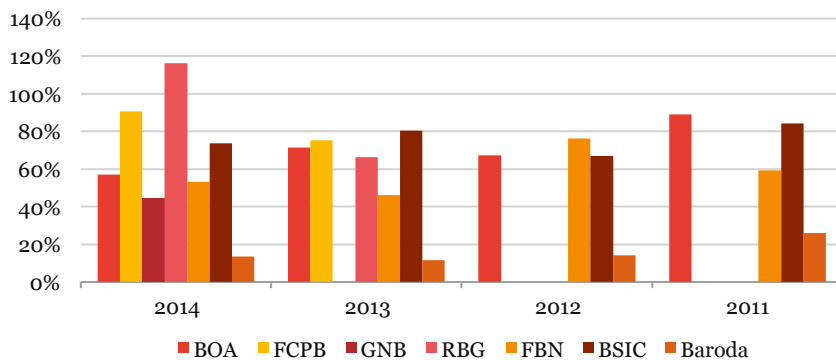
The overall market share of banks in this group has improved compared to prior year. BOA continues to lose market share.

Fourth Quartile - Impairment allowance/ gross loans and advances



The loan books of the fourth quartile banks are usually characterised by the higher risk customers with greater tendency of default in an economic downturns. The quality of the BSIC loan portfolio continues to deteriorate. FBN and BOA strengthen their credit administration process and bad loans were written off during the year.

Fourth Quartile - Cost income ratio



Baroda's operating strategy has not changed. It maintains its cost structure while posting stronger profit margins. RBG shows significant increase compared to prior year, resulting from a significant increase in administrative cost.

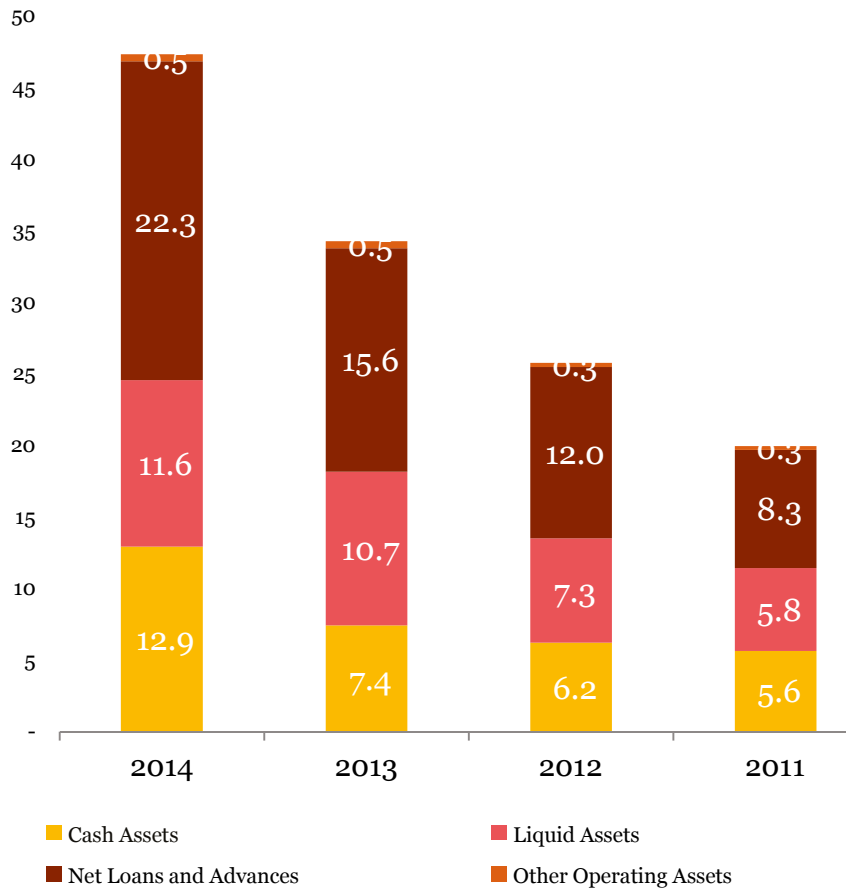
5

Market Share Analysis

Share of industry operating assets

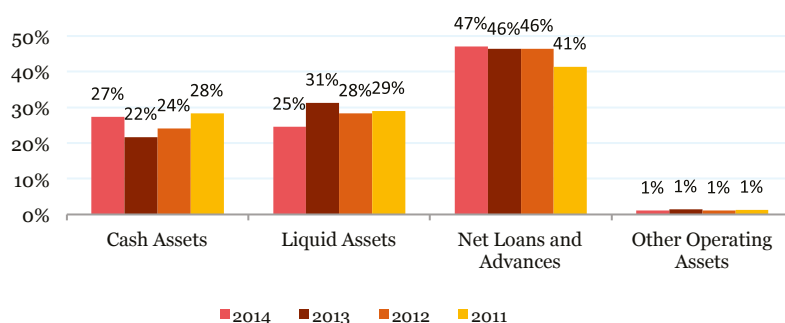
The banking industry reported an encouraging growth in operating assets despite economic challenges faced by the country during the year under review which ranged from depreciation of the Ghana Cedi to unstable power supply and increasing inflation.

Operating assets (In billions of Ghana Cedis)



The sector's operating assets increased by an average of 38% from GHS34.0 million in 2013 to GHS47.0 million in 2014. The growth is attributable to 19% (2013: 14%) and 16% (2013: 5%) increases in net loans and advances and cash assets respectively.

Composition of industry operating assets



Loans and advances remained the most significant component of the industry's operating assets accounting for 47% (2013: 46%) of these assets, followed by cash assets representing 27% (2013: 22%) of the sector's operating assets. The unfavourable macro economy had an impact on businesses' profitability and debt repaying capacity. Banks therefore adopted a more stringent and conservative approach to offering and administering credit.

EBG, despite a marginal decline in its share of the industry's operating assets, maintained its position of dominance holding 11.5% (2013: 12.9%) of the industry's operating assets. Competitive strategies employed by EBG in 2014 were centred on delivering largely same financial products and services as in prior year but with enhanced technological supports in making these products and services easily accessible to customers.

Fidelity was the only quartile one bank to realise a growth in its market share of the industry operating assets. At the end of 2014, its operating assets represented 6.2% of the industry total as against 4.7% in 2013. This can be directly attributed to the synergies derived from its acquisition of Procredit Savings and Loans Company Limited in September 2014.

As a new entrant in 2014, GNB leveraged on its years of experience as a non-bank financial institution to secure market share. GNB emerged with the highest share of operating assets in the quartile four category with 0.9% of the industry total operating assets.

Market Share Analysis

The sector's operating assets grew by an average of 38% from GHS34 million to GHS47 million in 2014 despite economic challenges faced by the country during the year under review.

Share of industry operating assets

	2014	R	2013	R	2012	R	2011	R
EBG	11.5%	1	12.9%	1	12.4%	1	10.2%	2
GCB	8.5%	2	9.4%	2	11%	2	11.8%	1
Stanbic	6.9%	3	8.2%	3	6.5%	5	5.6%	5
SCB	6.9%	4	8.1%	4	8.7%	3	9.6%	3
ZBL	6.3%	5	5.5%	6	3.6%	10	3.4%	11
Fidelity	6.2%	6	4.7%	7	5%	7	5%	7
BBGL	6%	7	6.4%	5	7.3%	4	9%	4
CAL	5.5%	8	4.4%	10	4.3%	8	3.7%	10
ADB	4.3%	9	4.4%	9	5.3%	6	5.6%	6
UGL	4.2%	10	3.4%	12	3.2%	13	2.5%	15
NIB	4%	11	3.4%	13	3.2%	12	3.8%	8
UBA	3.6%	12	4.5%	8	2.7%	15	2.8%	13
ABG	3.3%	13	2.6%	16	2.9%	14	1.3%	19
SG-GH	3.3%	14	3.2%	14	3.9%	9	3.8%	9
UTB	3.2%	15	3.6%	11	3.5%	11	3%	12
HFC	2.6%	16	2.7%	15	2.2%	18	2%	17
GTB	2.4%	17	2.6%	17	2.5%	16	2.1%	16
PBL	2.2%	18	2.3%	18	2.5%	17	2.6%	14
FABL	1.8%	19	1.2%	21	0.9%	21	0.8%	21
BOA	1.8%	20	1.7%	19	2.1%	19	1.8%	18
FCPB	1.5%	21	1.4%	20	NA	NA	NA	NA
GNB	0.9%	22	NA	NA	NA	NA	NA	NA
RBG	0.8%	23	NA	NA	NA	NA	NA	NA
FBN	0.7%	24	0.9%	22	1.2%	20	1.2%	20
BSIC	0.7%	25	0.6%	23	0.6%	22	0.4%	23
Baroda	0.4%	26	0.4%	24	0.4%	23	0.5%	22
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	100%		100%		100%		100%	

With the acquisition of a universal banking license, the bank is expected to become more aggressive in growing its operating assets and diversifying its portfolio of clients to include players in the formal sector of the economy.

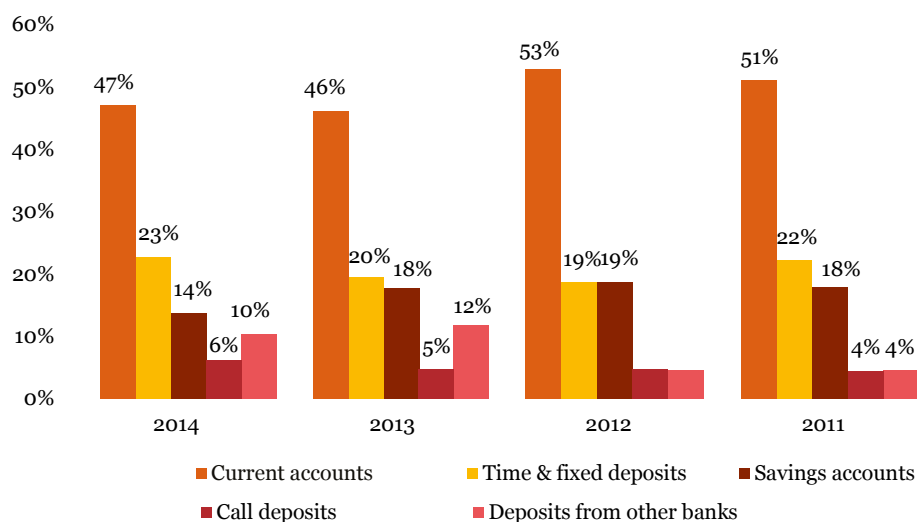
CAL, UGL and NIB were the other gainers in 2014 with 5.5% (2013: 4.5%), 4.2% (2013: 3.4%) and 4% (2013: 3.4) share of the industry operating assets respectively. CAL secured Tier 2 capital from Societe de Promotion et de Participation Pour La Cooperation Economique S. A. of France in 2014. Accessing this capital will result in the upward movement in its single obligor limit and support the Bank's on-lending activities.

Competition from both bank and non-bank financial institutions continue to determine market share dynamics. Emerging competitive strategies are geared towards the application of technological innovation in the delivery of banking services. This has led to a deepened focus on technology based delivery channels.

Share of industry deposits

The sector's deposit mobilisation strategies have been focused on growing low cost deposits. Growth of 35.5% in the industry's deposits was therefore driven by savings and current accounts deposits which represented 60.9% of the industry total deposits of GHS35.8 billion.

Composition of industry deposits



Time and call deposits grew to GHS10.3 billion in 2014 from GHS6.4 billion in 2013 despite the increasing trend to reduce the interest bearing deposits. Cost containment remains an important focus for the banks, as they continue to invest in growing their branch network and service customer needs.

Placements from banks represented 10.4% of the industry total deposits, dropping by from the prior year's 11.8%. In very few cases placements were taken to enable banks meet the minimum required liquidity position with the Bank of Ghana.

Market Share Analysis

Competition is gradually diluting the market share of deposits held by the top five banks as they accounted for 42.4% of the industry total in 2014 compared to 48.2% in 2013.

Share of industry deposits

	2014	R	2013	R	2012	R	2011	R
GCB	12%	1	10%	2	11.3%	2	12.8%	1
EBG	8.5%	2	14%	1	13%	1	10.7%	2
BBGL	8.3%	3	6.6%	5	7.3%	4	9.3%	3
SCB	7.1%	4	8.3%	4	8.2%	3	9.2%	4
Stanbic	6.5%	5	9.3%	3	6.7%	5	5.7%	5
Fidelity	6%	6	5.4%	6	5.4%	6	5.6%	6
ADB	5.1%	7	4%	10	4.7%	7	5.1%	7
NIB	5%	8	3%	14	3.4%	13	4.5%	8
SG-GH	4.9%	9	3.7%	12	4.2%	8	3.9%	9
CAL	4%	10	3.2%	13	3.8%	10	3.6%	10
ZBL	3.9%	11	4%	9	3.8%	11	3.6%	11
UGL	3.8%	12	4.1%	8	3.6%	12	3%	12
UBA	3.7%	13	5%	7	2.7%	14	2.9%	13
PBL	3.5%	14	2.6%	16	2.7%	15	2.8%	14
UTB	3.3%	15	4%	11	3.9%	9	2.1%	15
BOA	2.5%	16	1.5%	19	2.3%	17	1.8%	16
HFC	2.2%	17	1.9%	18	1.7%	19	1.7%	17
GTB	2%	18	2.5%	17	2.3%	18	1.6%	18
ABG	1.6%	19	2.8%	15	2.6%	16	1%	19
FBN	1.4%	20	0.6%	22	0.9%	20	0.9%	20
FABL	1%	21	0.8%	21	0.8%	21	0.8%	21
BSIC	0.9%	22	0.5%	23	0.5%	22	0.4%	22
Baroda	0.7%	23	0.2%	24	0.2%	23	0.1%	23
RBG	0.5%	24	NA	NA	NA	NA	NA	NA
FCPB	0.5%	25	1.1%	20	NA	NA	NA	NA
GNB	0.3%	26	NA	NA	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	100%		100%		100%		100%	

The market share of deposits held by the top five banks; GCB, EBG, BBGL, SCB and Stanbic, accounted for 42.4% (2013: 48.2%) of the industry total whereas the top fifteen banks held 86.7% (2013: 87.2%). Competition is expected to even out the concentration of deposits amongst the top fifteen over the next couple of years as Banks seek out new ways to differentiate their products and services.

GCB gained market share and surpassed EBG this year (which recorded a decline in its market share to 8.5% (2013: 14%)) to become the bank with the highest share of industry deposits of 12%. The ongoing rebranding of the Bank may have given it the

necessary push to enable it leverage on its extensive branch network.

NIB intensified its efforts to become a more visible brand with the introduction of new services, extension of service time and establishment of new branches. Its deposits represented 5.1% of the total industry deposits, an improvement from last year's 3.1%.

Baroda, BSIC, FABL and BOA managed to maintain market share as their strategies did not yield any material gains in the industry. The move to increase deposit mobilisation whilst reducing cost (mainly interest expense) may have negatively impacted Banks reliance on short term deposits and placements.

RBG grew its share marginally to 0.7% of the industry total whereas FCPB could not attain the anticipated growth in its second year of operations as a universal bank. Its share of industry deposits fell from 1.1% in 2013 to 0.3% in 2014.

With the anticipated increase in industry players stemming from new entrants and Savings and Loans companies seeking to upgrade to universal banks, banks will need to come up with ingenious deposit mobilisation strategies to stay on top and respond to changing customer needs.

Share of industry advances

The effects of the adverse macroeconomic factors on business performance and the risk-averse stance adopted by Banks on the other hand did not stifle growth in industry advances. The industry saw a growth in its advances by 40.9% to GHS23.4 billion by the end of 2014.

There was an increase in advances to the energy sector partly due to the uncertainty surrounding the continued economic and operating viability of the

The industry saw a growth in its advances by 40.9% by the end of 2014.

Tema Oil Refinery, lack of capacity to handle exposures (which are mostly significant and require syndication) and the depreciation of the Ghana Cedi.

Despite a marginal decline in market share compared to 2013, EBG maintained its position with 12.2% representing the highest in the industry. Credit advanced during the year was benefited most by the Commerce and Manufacturing sectors. These sectors are deemed relatively less risky with shorter turnover periods. EBG holds the largest share of the industry's lending consistent with its commitment to business growth. This reflects the bank's established risk capacity cushioned by a resilient financial performance over the year.

Stanbic maintained its share of the industry advances with 7.5%, breaking the three year trend of significantly growing its market share. EBG and SCB, also first quartile banks, lost market share to 12.2% (2013: 13.5%) and 6% (2013: 7.2%) respectively. Having cleaned up their loan books, these Banks maintain a conservative stance seeking to minimise the risk of having to deal with loan defaults.

Fidelity had the highest growth in market share this year having grown its loan book to GHS1.6 billion. The Bank during the year signed an agreement with USAID aimed at facilitating lending to Ghana's health sector and also raised Tier I and Tier II capital through a combination of equity and long term subordinated debt. This is expected to lead to a consistent growth in its loan book in the years ahead.

Post-acquisition clean-up of the loan book and write off of long outstanding non-performing loans led to a marginal decline in the FBN's market share.

The increased quality of credit portfolios and the impact of stringent collection strategies have resulted in a drop in credit impairments for some Banks. Uncertainty however, still persists in the risk profile of customers. This calls for a relook at the credit profiling structures in place within the industry and how they can be further improved.

Share of industry advances

	2014	R	2013	R	2012	R	2011	R
EBG	12.2%	1	13.5%	1	11.7%	1	10.3%	1
Stanbic	7.5%	2	7.4%	2	6.7%	4	6.1%	5
GCB	7%	3	7.2%	3	7.1%	3	5.8%	6
SCB	6%	4	7.2%	4	8%	2	7.2%	3
CAL	5.9%	5	6.2%	5	6.2%	6	5%	8
UTB	5.7%	6	5.8%	6	5.7%	8	5.8%	7
ADB	5.6%	7	5.8%	7	6.5%	5	8.2%	2
BBGL	5.4%	8	5.6%	8	5.9%	7	7.1%	4
UGL	5.3%	9	5.2%	9	4.5%	10	4.3%	11
Fidelity	5%	10	5.1%	10	5.3%	9	5%	9
SG-GH	4.9%	11	4.7%	11	4.3%	11	4.2%	12
ZBL	4%	12	4.3%	12	2.7%	15	2.4%	15
PBL	3.8%	13	3.3%	13	3.6%	13	3.5%	13
HFC	3.5%	14	3.3%	14	2.8%	14	2.6%	14
NIB	3.4%	15	3.3%	15	3.8%	12	4.8%	10
ABG	3.1%	16	2.7%	16	2.3%	18	0.9%	21
BOA	2.1%	17	2.1%	17	2.5%	16	2.4%	16
GTB	1.9%	18	1.9%	18	2%	19	1.4%	18
FCPB	1.5%	19	1.3%	19	NA	NA	NA	NA
UBA	1.5%	20	1.1%	20	2.3%	17	2.1%	17
FABL	1.3%	21	1%	21	1.1%	20	1.2%	19
FBN	1.1%	22	0.8%	22	1%	21	1%	20
BSIC	0.7%	23	0.6%	23	0.5%	22	0.5%	22
RBG	0.6%	24	NA	NA	NA	NA	NA	NA
Baroda	0.5%	25	0.3%	24	0.3%	23	0.2%	23
GNB	0.4%	26	NA	NA	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	100%		100%		100%		100%	

6

Profitability and efficiency

The industry's profit before tax (PBT) margin declined from 45.3% in 2013 to 43.2% in 2014.

Profit before tax margin

	2014	R	2013	R	2012	R	2011	R
Baroda	85.8%	1	88.3%	1	85.8%	1	74.5%	1
UBA	67.5%	2	71.1%	2	61%	2	41.3%	6
CAL	58.1%	3	58.3%	4	49.8%	5	35.3%	7
GNB	57.3%	4	NA	NA	NA	NA	NA	NA
ZBL	55.9%	5	52.8%	6	38.2%	10	35%	9
BBGL	54.1%	6	50.9%	8	51%	4	50.7%	4
GTB	52.6%	7	58%	5	47.1%	6	35.2%	8
ABG	51.8%	8	48.7%	10	26.4%	13	51.9%	3
SCB	50%	9	65%	3	60.4%	3	52.5%	2
Stanbic	49.3%	10	51%	7	40.7%	9	33.5%	10
EBG	48.8%	11	44.9%	11	45.4%	7	44.4%	5
GCB	45.8%	12	50.8%	9	44.8%	8	10.3%	20
NIB	44.5%	13	33.7%	13	12.3%	20	12.7%	19
HFC	36.8%	14	42.1%	12	25.4%	16	20%	17
Fidelity	32.8%	15	31.8%	14	36.9%	11	17.9%	18
FBN	31.2%	16	27.2%	17	3.9%	23	31.1%	11
SG-GH	29.2%	17	30%	15	32.2%	12	30.7%	12
BOA	28.7%	18	-4.5%	23	4.6%	22	-38.6%	23
PBL	22.1%	19	20%	20	18.2%	18	21.2%	16
FABL	21.9%	20	15.8%	21	18.6%	17	6.1%	22
UGL	21.3%	21	25.6%	18	25.9%	14	24.9%	13
BSIC	12.2%	22	-16.4%	24	14.4%	19	7.5%	21
UTB	11%	23	10.8%	22	25.5%	15	21.9%	15
ADB	10%	24	29.7%	16	11.1%	21	22%	14
FCPB	6.4%	25	21.4%	19	NA	NA	NA	NA
RBG	-16.3%	26	NA	NA	NA	NA	NA	NA
UMB		NA	NA	NA	NA	NA	NA	NA
EBL		NA	NA	NA	NA	NA	NA	NA
Industry	43.2%		45.3%		37.3%		30.5%	

The industry's Profit before Tax (PBT) margin decreased by 2.1% in 2014. PBT grew by 37% from GHS2.1 billion in 2013 to GHS2.9 billion in 2014 but total income grew by a larger margin of 44%, increasing from GHS4.7 billion in 2013 to GHS6.7 billion in 2014. All three revenue streams increased significantly with Net Interest Income (NII), fees and commissions and trading income growing by 39%, 27% and 77% from GHS3.1 billion, GHS815 million and GHS775 million in 2013 to GHS4.3 billion, GHS1.0 billion and GHS1.4 billion in 2014 respectively.

On the other hand operating expenses increased by 52% from GHS2.2 billion in 2013 to GHS3.4 billion in 2014. Impairment charges on non-performing loans almost tripled from GHS348m in 2013 to GHS1.3 billion in 2014. The increases in operating expenses and impairment charges together with the growth in the total income base accounted for the reduction in the PBT margin in 2014.

Interest income grew significantly in 2014 by 52% and interest expense also grew by 50%. Gross loans increased by 41% in 2014 compared to 30% in 2013. The significant growth was mainly from advances made to the mining and quarrying, commerce and finance and other miscellaneous sectors. Interest income from loans and advances continues to account for the largest portion of total industry interest income in 2014 recording 64%. Average lending rates increased from 25.6% in 2013 to 29% in 2014, resulting from an increase

in average base rate from 21.5% in 2013 to 25.7% in 2014. The growth in the loan book coupled with the hike in average lending rates led to the increase in interest income on loans and advances.

Growth in interest income on investment securities was only 26% in 2014 compared to 94% in 2013 even though rates continue to be attractive on these investment securities. In spite of the attractive yields on the risk free government securities, the industry holdings in these securities grew only by 5% compared to 43% in 2013. Interest rates from the short term money market instruments increased between 2013 and 2014. The average interest rates for 91 and 182 day treasury bills increased from 21.5% and 22% to 24.1% and 23.7%, respectively. Similarly, average interest rates on 1 year and 2 year note increased from 21.2% and 21.4% in 2013 to 21.6% and 22% to 2014, respectively.

Returns from cash and short term funds were quite impressive, increasing by 58%, compared to a decrease of 15% in 2013. Average interbank rate increased from 16.3% in 2013 to 23.9% in 2014, making interbank placements attractive for banks to invest in, not only because of the high return but also the short term duration of these investments enabling the banks to also better manage their liquidity.

Customer deposits and placements from other banks account for 71% and 29% of interest expense as compared to 72% and 28% in 2013 respectively. Interest expense grew by 50% and is

mainly driven by the growth in customer deposits and the upward revision in average deposit rates especially term and current deposits. The average interest rate on time deposit increased from 16% in 2013 to 19% in 2014.

Interest expense on placements from other banks increased by 86% during the year. The increase is attributable to growth in interbank placements and the attractive rates paid on these placements. Average interbank rate increased from 19% in 2013 to 24% in 2014.

Total interest bearing liabilities increased by 39% from GHS29 billion in 2013 to GHS41 billion in 2014. The intense competition in the industry and prevailing adverse economic conditions suggest that banks will have to be both innovative and creative in their strategies to develop products to sustain the growth they have achieved so far. Banks are seeking long term borrowings, which have shown an increase of 119% from GHS0.9 billion in 2013 to GHS2 billion in 2014 to finance their assets. However total industry deposits continue to increase, constituting about 88% of the total interest bearing liabilities in 2014.

Net income from fees and commissions increased by 27% from GHS815 million in 2013 to GHS1 billion in 2014, accounting for 15% of total industry income, compared to 18% in 2013. Keen competition in the industry kept transactions fees stable for the past years. Trade related activities showed a slight downturn resulting from the significant depreciation of the Ghana Cedi which

made imports unattractive. However, the industry showed a 40% increase in income, resulting from fees charged on new loans issued to customers.

The industry's other income continue to increase significantly for the past years, which is mainly driven by income from foreign currency trading and translation or revaluation of asset and liabilities denominated in various foreign currencies. Other income increased by 77% from GHS775 million in 2013 to GHS1.4 billion in 2014, of which trading income accounted for 77%.

The increase in trading income is as a result of movements in exchange rates, as the Ghana Cedi depreciated against the major trading currencies in 2014. Even though there was a downturn in the business activities in the country, the volume of foreign exchange transactions increased, mainly driven by funding of oil, energy and telecommunication industries. The growing demand for foreign currency during the year created an opportunity for higher margins on such transactions.

The industry's operating expenses increased by 52% from GHS2.2 billion in 2013 to GHS3.4 billion in 2014. The significant component was staff cost accounting for 31% of the total industry operating expenses compared to 34% in 2013. The Banks are equipping their back office with current technology in order to reduce human intervention which is expected to result in reduction in staff cost.

Profitability and efficiency

BOA and BSIC which experienced downturns in their performances recording losses in 2013 showed significant improvement in 2014 as a result of successful implementation of their strategic plans aimed at redefining their business operating models.

BOA showed a significant improvement in PBT from a loss of GHS2.8 million in 2013 to a profit of GHS28.5 million in 2014. The Bank's total operating assets increased by 41% in 2014 compared to 12% in 2013. The loan book clean-up efforts in prior year which resulted in significant impairment charge seems to be yielding the desired results going forward as the bank is cautious in its lending activities.

Funds mobilised during the year were invested in interbank placements and investments securities which increased by 297% and 41% respectively, in 2014. The outcome of these measures led to total income increasing by 61% from GHS57 million in 2013 to GHS92 million in 2014 and impairment charge reducing by 31% from GHS18 million in 2013 to GHS13 million in 2014.

BSIC recorded a 204% increase in PBT from a loss of GHS4.1 million in 2013 to a profit of GHS4.3 million in 2014, resulting from trading income which have almost tripled compared to the GHS3.1 million made in prior year and a 45% reduction in impairment charge to GHS5 million in 2014 compared to GHS9.1 million in 2013. The bank also invested more in interbank placements and short term instruments.

Bank of Baroda and UBA continue to maintain their first and second position, respectively in the industry in terms of profitability. These banks continue to be conservative in extending loans to customers but rather invest in risk free instruments. Returns from government securities continue to increase compared to other interest income components for these two banks.

PBL, FABL, and FBN improved on their profitability rankings during the period. PBL and FABL's experienced an improvement in total income driven by a significant increase in total operating assets of these banks. The total operating assets of these banks increased by 34% and 114%, from GHS786 million and GHS396 million in 2013 to GHS1.1 billion and GHS849 million in 2014, respectively.

Even though PBL continues to cautiously give out loans to its customers, the loan book increased by 43%. The growth in its PBT was driven by a 46% increase of interest income on loans.

FABL's growth in PBT is driven by the Bank's strategy of spreading its risks. Loans and investment securities represented about 44% and 41% respectively of the total operating assets.

FBN improved on profitability by decreasing the cost of borrowing which was in line with the Bank's policy of promoting current and savings accounts since the bank incurs lower interest expenses on those account types compared to fixed deposit accounts.

SCB experienced a slight increase in PBT by 0.12% compared to 53% in 2013. Even though total income of the bank increased by 24% compared to 49% in prior year, the marginal increase in PBT was as a result of a significant increase in staff cost and impairment charge which grew by 44% and 188%, respectively.

The bank's gross loan book grew by 16% from GHS1.2 billion in 2013 to GHS1.4 billion in 2014 but the level of impairment charge in 2014 is more of an indication of the deterioration of the quality of the loan book rather than the result of the growth in the loan book.

RBG was the only loss making participating bank in the industry in 2014, recording a loss of GHS5 million as compared to a profit of GHS9 million in

2013. The bank increased its total income by 5% from GHS38 million in 2013 to GHS40 million, but also increased its operating expenses by 82% from GHS26 million in 2013 to GHS47 million in 2014.

EBG's PBT almost doubled from GHS185 million in 2013 to GHS309 million in 2014, despite a significant growth its operating expenses increasing by 50% from GHS266 million in 2013 to GHS401 million in 2014.

EBG contributed about 14% of the industry's interest income compared to 12% in 2013, and accounted for 11% of the total industry operating assets. The mix of interest income does not follow the same concentration pattern as GCB. EBG's interest income from loans and advances constituted 66% while returns from investment securities accounted for 43% of its total interest income. However GCB's interest income from loans and advances and investment securities constituted 40% and 55% of its total interest income, respectively.

Taking into account the progress made in rebranding the Bank, management of GCB anticipates favourable performances in the years to come.

The industry's interest income grew by 6% in 2014 compared to an increase in interest expense by 5% in 2014.

Net interest margin

	2014	R	2013	R	2012	R	2011	R
GNB	45.5%	1	NA	NA	NA	NA	NA	NA
Baroda	21.8%	2	22.4%	1	17.1%	1	8.5%	9
GCB	19.4%	3	17.3%	2	13.3%	5	9.5%	5
FBN	16.3%	4	13.2%	9	9.2%	14	9.4%	6
EBG	15.4%	5	12.8%	10	11.3%	10	7.2%	16
HFC	15%	6	12.4%	12	10.1%	12	10.6%	3
ZBL	14.4%	7	10.7%	17	7.3%	21	3.4%	23
UBA	14.4%	8	17.1%	3	13.2%	6	7.5%	14
ADB	14.4%	9	14.9%	6	14.5%	4	8.3%	12
BBGL	14.1%	10	14.2%	7	12%	8	9.2%	7
SG-GH	13.8%	11	12%	13	9%	15	9.6%	4
SCB	13.6%	12	12.8%	11	8.9%	16	8.9%	8
ABG	13.6%	13	16.7%	4	16.4%	2	8.2%	13
GTB	12.7%	14	11.4%	15	12.6%	7	8.4%	10
Stanbic	11.5%	15	8.9%	19	8.2%	18	6.7%	18
PBL	11.5%	16	10.9%	16	8.4%	17	7.2%	15
CAL	11.4%	17	14.2%	8	10.5%	11	6.6%	19
RBG	11.4%	18	NA	NA	NA	NA	NA	NA
Fidelity	11%	19	11.4%	14	9.5%	13	6.9%	17
BSIC	10.9%	20	15.3%	5	15.4%	3	13.3%	1
FABL	9.3%	21	7.2%	20	4.5%	23	5%	22
BOA	9%	22	6.6%	22	7%	22	6.3%	20
UTB	8.3%	23	10%	18	11.3%	9	12.2%	2
UGL	7.5%	24	6.9%	21	7.4%	20	8.4%	11
NIB	6.7%	25	6.4%	23	7.6%	19	5.7%	21
FCPB	0.6%	26	0.6%	24	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	16.9%		16.7%		15.4%		8%	

The industry's interest income increased by 43% in 2014 (2013: 49%) compared to an increase in interest expense of 50% in 2014 (2013: 55%).

Total operating assets, on the other hand, increased by 38% in 2014 (2013: 32%) which positively influenced the increase in NIM for 2014. The increase in interest income was mainly due to a 52% and 26% rise in interest income on the loan book and investment securities respectively. The industry gross loan book grew by 41% from GHS16.6 billion in 2013 to GHS23.4 billion in 2014 and continues to account for the largest proportion of the industry's operating assets.

Given the current economic difficulties and the associated heightened risk of default, the level of growth in the industry's loan book was not expected. Banks cited the strengthening of their credit processes and cautious lending practices in targeting "safe" customers as the reasons accounting for the increase in the loan book in spite of the economic difficulties. This position will soon be vindicated or proven otherwise given how these facilities will perform in the coming years. There have been concerns over the banks concentration in government securities and the risk they are exposed to given the country's debt level but the banks are quick to reject this as the reason accounting for the less enthusiasm noted on the part of banks in terms of their level of government security holdings in spite of the high and attractive yields these investments continue to offer.

Perhaps, the development is also an indication of the banking sector refocusing on its core banking activity of lending rather than the trading in government securities which characterised their operations in recent years.

Investment securities held at year end increased by 31% from GHS1.4 billion in 2013 to GHS1.8 billion in 2014 while cash

Profitability and efficiency

Despite the cost control strategies adopted by the banks, the industry experienced a major increase in cost in 2014.

Cost income ratio

assets significantly increased by 74% from GHS7.4 billion in 2013 to GHS12.9 billion in 2014 mainly on account of the growth in customer deposits. As a result, interest income on investment securities increased by 26% from GHS1.6 billion in 2013 to GHS2.2 billion in 2014 and interest on cash and short term funds also increased by 58% from GHS149 million in 2013 to GHS237 million in 2014.

The increase in interest expense from GHS1.4 billion in 2013 to GHS2.2 billion in 2014 was largely driven by interest paid on customer deposits which increased by about 50%. Customers demand for competitive rates because of the higher yield offered on government securities and other money market securities continue to squeeze the banks' interest income margins.

GNB had a remarkable 45.5% net interest margin taking the first position from Baroda. None of the banks achieved an increase in net interest margin in excess of 5% in 2014. This is mainly because growth in interest income margins was squeezed by the increase in the cost of funds from deposits. One-third of the interest income was used to settle the interest on current and time deposits cost.

Nine banks BBGL, Fidelity, ADB, Baroda, UTB, UBA, CAL, ABG, and BSIC recorded a decline in their net interest margin between 2013 and 2014. Much of the banks' increase in total income was as a result of a significant increase in trading income on foreign exchange transactions and the revaluation of the assets and liabilities as a result of the depreciation of the Ghana Cedi against the major trading foreign currencies.

	2014	R	2013	R	2012	R	2011	R
Baroda	0.14	1	0.12	2	0.14	2	0.26	2
UBA	0.31	2	0.27	3	0.35	3	0.46	5
CAL	0.35	3	0.34	5	0.37	4	0.48	7
SCB	0.41	4	0.31	4	0.37	5	0.43	3
ZBL	0.41	5	0.41	6	0.52	11	0.59	12
ABG	0.42	6	0.44	9	0.46	8	0.45	4
GTB	0.44	7	0.41	8	0.43	6	0.56	11
GNB	0.45	8	0.00	1	0.00	1	0.00	1
BBGL	0.45	9	0.41	7	0.44	7	0.47	6
Stanbic	0.46	10	0.44	10	0.53	13	0.53	10
EBG	0.47	11	0.46	11	0.49	10	0.53	9
NIB	0.49	12	0.46	12	0.48	9	0.51	8
GCB	0.51	13	0.47	14	0.53	12	0.85	23
FBN	0.53	14	0.46	13	0.76	23	0.59	13
SG-GH	0.55	15	0.60	18	0.64	16	0.68	16
HFC	0.55	16	0.49	15	0.66	17	0.69	17
BOA	0.57	17	0.72	23	0.67	19	0.89	24
Fidelity	0.58	18	0.60	17	0.62	14	0.67	15
FABL	0.60	19	0.66	20	0.70	20	0.78	20
PBL	0.67	20	0.64	19	0.74	22	0.72	19
UTB	0.70	21	0.70	21	0.62	15	0.60	14
ADB	0.72	22	0.58	16	0.78	24	0.83	21
UGL	0.72	23	0.71	22	0.70	21	0.71	18
BSIC	0.74	24	0.80	25	0.67	18	0.84	22
FPCPB	0.91	25	0.75	24	NA	NA	NA	NA
RBG	1.16	26	NA	NA	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	0.5		0.5		0.5		0.6	

With the growing competition in the industry it appears that the banks were keen to drive down the cost of delivering services despite the inflationary pressures and depreciation of the Ghana Cedi. Generally the industry experienced a significant increase in cost despite the cost control strategies adopted by the banks. The industry's average cost income ratios remain the same for the past three years, however the industry's cost grew by 52% from GHS22 billion in 2013 to GHS3.4 billion in 2014.

One of the main determinants of cost structure of banks is employee emoluments which accounts for 31% of the total industry's operating expenses. Staff cost increased as a result of the upward revision in salaries and allowances due to increasing inflation rate. Staff numbers however reduced marginally due to a slowdown in branch expansion programs in 2014 and operational restructuring given the economic challenges which affected personnel working in some of the banks.

BOA recorded an improvement in its cost income ratio. The bank was successful at reducing cost while at the same time growing income. BOA's 21% decline in the cost income ratio was the most drastic in the industry in 2014. The bank's operating expenses increased by 28% from GHS40 million from 2013 to GHS52.4 million in 2014. However, total income also grew by 61% increasing from GHS57million in 2013 to GHS92 million in 2014.

RBG's CIR worsened, increasing from 0.66 in 2013 to 1.66 in 2014. Operating expenses increased by 82% from GHS26 million in 2013 to GHS47 million in 2014, out of which staff cost accounted for 46% of the total operating expenses.

ADB, FCPB and SCB also recorded notable deterioration in CIR. ADB's

operating expenses increased by 43% from GHS164 million in 2013 to GHS236 million in 2014 whilst total income increased by about 16% mainly on the account of net trading and net interest income increased by 27% and 19% respectively. Impairment charge on non-performing loans increased by 74% from GHS35 million in 2013 to GHS59 million in 2014.

The general trend in the banking industry is the continued discipline in cost management as increased competition is making it more difficult for banks to pass on their inefficiencies to customers. FABL, SG-GH and Fidelity cost control strategies implemented over the past years are lowering the cost income ratios of these banks and are expected to continue improving these ratios in the coming years.

As banks develop new products to meet their customer needs, the cost associated with developing these products and providing the necessary technology base to support these products will continue to largely influence the CIR of banks. Staff cost (employee benefits, and salaries and wages) will continue to be key in managing CIR because of the competitive remuneration required to attract and retain requisite staff.

7

Return to shareholders

The industry rose above the difficult economic climate of 2014 and recorded an increase of 41% in total assets and 42% in net profits compared to prior year.

Return on assets

	2014	R	2013	R	2012	R	2011	R
GNB	14.5%	1	NA	NA	NA	NA	NA	NA
Baroda	7.5%	2	8.5%	1	6.8%	1	2.9%	8
GCB	6.4%	3	6%	4	4.7%	6	0.7%	21
BBGL	6%	4	6.2%	3	5.3%	5	4.4%	1
SCB	5.9%	5	7%	2	5.7%	4	3.9%	2
EBG	5.5%	6	4%	10	4.2%	9	3.3%	5
GTB	5.4%	7	5.6%	7	5.7%	3	3.1%	6
UBA	5.4%	8	5.8%	6	6.7%	2	3.9%	3
CAL	5.2%	9	5.9%	5	4.3%	8	2.3%	12
ABG	5%	10	4.6%	9	4.3%	7	3%	7
ZBL	4.5%	11	3.8%	11	3.2%	11	3.4%	4
HFC	4.1%	12	3.7%	12	2.2%	13	2.3%	13
Stanbic	4.1%	13	3.7%	13	3.3%	10	2.5%	11
NIB	3.4%	14	3.2%	14	1.3%	21	0.9%	20
BOA	3.1%	15	-0.5%	23	0.4%	22	-3.5%	23
FBN	3%	16	2.5%	17	0%	23	2.1%	14
SG-GH	3%	17	3%	15	2.8%	12	2.7%	10
Fidelity	2.7%	18	2.6%	16	2.1%	15	0.9%	19
ADB	2.2%	19	5%	8	1.8%	17	2.8%	9
PBL	1.7%	20	1.7%	19	1.4%	20	1.5%	17
UGL	1.5%	21	2%	18	1.8%	18	1.8%	15
BSIC	1.2%	22	-2%	24	1.9%	16	1%	18
FABL	1.2%	23	1.3%	20	1.5%	19	0.5%	22
UTB	0.7%	24	0.7%	22	2.1%	14	1.8%	16
FCPB	0.4%	25	1.1%	21	NA	NA	NA	NA
RBG	-1.2%	26	NA	NA	NA	NA	NA	NA
UMB		NA	NA	NA	NA	NA	NA	NA
EBL		NA	NA	NA	NA	NA	NA	NA
Industry	4.3%		4.2%		3.5%		2.4%	

The average ROA for 2014 was 4.3% compared to 4.2% and 3.5% in 2013 and 2012 respectively. Although the banking industry was not spared the difficult economic climate of 2014, the industry recorded growth of 41% in total assets and 42% in net profits compared to prior year. Total assets for the year grew from GHS36.1 billion in 2013 to GHS50.9 billion in 2014 and were driven mainly by increases in cash assets and loan and advances financed by the growth in customer deposits and borrowings made by the banks whilst net profits grew from GHS1.5 billion in 2013 to GHS2.2 billion in 2014 primarily due to increases in net interest income and foreign exchange trading income of the industry.

The new entrant into the Ghanaian banking industry, GNBank posted the highest ROA followed by Baroda which used to post the highest ROA for the past two years. Both banks are among a few contributing less than 1% of the industry's total assets but made relatively higher net profits hence the ROA they posted.

Eleven banks recorded ROA above the industry average of 4.3% compared to nine banks in 2013. ADB posted ROA of 2.2% and was the only bank from 2013 which did not maintain their above industry performance in ROA. ABG and EBG were the new banks whose ROA were above industry average with ABG recording ROA of 5% and EBG had 5.5%. A more than proportionate increase in net profits compared to the growth in total assets accounted for the above industry ROA performances of both ABG and EBG. SCB, BBG, GCB individually had their ROA above the industry average of 4.3% and recorded the highest ROAs after GN Bank and Baroda. These banks,

which account for 21% of the industry's total assets, posted a combined average ROA of over 6% with overall net profit of GHS656 million in 2014.

Overall, twelve banks experienced a decline in their ROA in 2014 compared to eight in 2013. Ten banks recorded an improvement in their ROA compared to nineteen in 2013. This performance is indicative of the challenges faced by the industry in 2014.

RBG and ADB showed the biggest decline in ROA with RBG posting a negative ROA of 1.2% in 2014 compared to 3.3% in 2013 and ADB posting ROA of 2.2% in 2014 compared to 5% in 2013. RBGs decline in ROA was due to a more than proportionate increase in interest expense compared to interest income resulting in a decrease in net interest income in 2014 and an 82% increase in its operating expenditure which resulted in a net loss position of GHS5.2 million for 2014 even though its total assets grew by 160% from GHS169 million in 2013 to GHS439 million in 2014. In contrast with RBG, ADB was profitable. The bank however experienced a 41% decline in profitability in 2014 compared to a 33% increase in total assets which resulted in the fall in its ROA.

The industry average ROE increased from 27.5% in 2013 to 29.9% in 2014. Although shareholders' funds grew by 32% from GHS5.5 billion in 2013 to GHS7.3 billion in 2014, net profits increased by a higher margin of 42% which resulted in the overall improvement in ROE. The growth in shareholders' funds was driven mainly by retained earnings and other reserves which increased from GHS969 million and GHS2.3 billion in 2013 to GHS1.6 billion and GHS3.2 billion

in 2014, representing 68% and 40% growth respectively. Stated capital only increased by 15% from GHS2.2 billion in 2013 to GHS2.6 billion in 2014. Growth in net profits was driven by a 38.7% increase in net interest income increasing from GHS3.1 billion in 2013 to GHS4.3 billion in 2014 and a 77% increase in foreign currency trading income which grew from GHS775 million in 2013 to GHS1.4 billion in 2014.

BBG, GCB, SCB, were among the eleven banks whose ROE were above the industry average of 29.3%. Again GN Bank posted the highest ROE as it did for the ROA given its relatively higher profits compared to its shareholders' fund as a new bank. UBA and GCB had the next highest ROE although they both experienced a drop of 4.1% and 4.4% in ROE respectively. ADB experienced the largest drop of 14.8% in ROE primarily due to a 22% increase in its shareholders fund on the back of a 54% increase in its statutory credit risk reserve for the deterioration in the quality of its loan book and a 41% reduction in profitability. RBG experienced a negative ROE since it made a net loss of GHS5.2 million, the only participating bank that made a loss in 2014.

All participating banks except RBG recorded positive ROE which suggests that the banks managed to preserve value for their shareholders despite the economic challenges. Of these banks, only four recorded single digit ROEs. BSIC and BOA recorded the largest increases in ROE of 11.5% and 29.3% respectively.

BOA experienced a turnaround in performance by registering a significant improvement in net profits from a loss

position of GHS2.8 million in 2013 to a net profit position of GHS28 million in 2014. Even though, total operating expenses of BOA increased by 28% from GHS40.9 million in 2013 to GHS52.4 million in 2014, the bank had remarkable improvement in all revenue streams especially net interest and trading incomes and also saw its impairment charge for non-performing loans and advances reduced from GHS18.9 million in 2013 to GHS13.1 million in 2014, a decrease of 31%. Shareholders' fund increased from GHS82.6 million in 2013 to GHS110.6 million in 2014.

BSIC also turned around a net loss position of GHS4.2 million in 2013 to a net profit of GHS4.3 million in 2014. The bank's improved profitability was due to a 12% increase in net interest income and a combined improvement of 105% in net trading, fee and commission incomes. Even though impairment charges on loans and advances reduced by 82% from GHS9.1 million in 2013 to GHS5 million in 2014, total operating expenses increased by 30% from GHS20 million in 2013 to GHS26 million in 2014. Shareholders' fund increased from GHS72.1 million in 2013 to GHS76.3 million in 2014.

Dividend pay-out ratio

Net profits for the industry improved from GHS1.5 billion in 2013 to GHS2.2 billion in 2014. The industry also registered a 2.4% increase in ROE. Investors will therefore expect the industry's improved performance to reflect in dividend payments.

Dividend payment in 2014 is a function of prior years' retained earnings and the profits made this year. The number

Return to shareholders

The steady growth in shareholders' funds is attributable to an increase in retained earnings and other reserves in 2014.

Return on equity

of banks paying dividends in 2014 increased to thirteen compared to ten in 2013 and total dividends paid increased by GHS300 million from GHS375 million to GHS675 million. However, as in prior years, the high and positive RoE made by the banks are not translating into the number of banks and level of dividend payments they made. Six of the thirteen banks paying dividend had payout ratios over 40% and include three of the seven banks in the first quartile. Investors continue to place more importance on dividends paid by the banks given the lack of marketability and liquidity associated with investing in these banks since many of them are not listed and thus offering very limited or non-existent capital appreciation form of returns to these investors.

UTB posted the highest dividend payout ratio of 97.6% in 2013 but did not pay dividends in 2014. After managing a payout ratio of 4.5% last year, ADB went back to its non-dividend payment mode that characterised its operations for many years in recent times prior to 2013. GTB, BBGL, SCG, EBG and GCB have consistently paid dividend over the last 4 years. Stanbic returns to paying dividend after failing to do so in the last three years.

Even though the depreciation of the Ghana Cedi continues to erode the US dollar equivalent of the minimum capital requirement of GHS60 million and impair the capacity of banks to underwrite large transactions and thus prevent the banks from huge dividend payment in order to preserve capital, the banks will continue to find innovative ways to improve profitability to be able to strike a fine balance between retaining earnings for capital preservation and reinvestments and satisfying stakeholders' expectations of receiving dividends.

	2014	R	2013	R	2012	R	2011	R
GNB	52.2%	1	NA	NA	NA	NA	NA	NA
UBA	47%	2	51.1%	1	38%	3	23.8%	4
GCB	40.9%	3	45.3%	2	49.1%	1	9.8%	16
EBG	39.5%	4	33.4%	4	31.4%	4	27.9%	2
SCB	39.4%	5	42.7%	3	43.8%	2	33.4%	1
ZBL	39.1%	6	30.2%	8	21.6%	10	21.3%	6
BBGL	37%	7	32.1%	6	28.2%	5	26.2%	3
CAL	35.8%	8	32.6%	5	24.3%	7	19.7%	8
Stanbic	32.9%	9	30.7%	7	24.2%	8	15.9%	12
GTB	30.9%	10	28.3%	11	27.1%	6	13.2%	15
ABG	29.4%	11	21.1%	13	20.4%	11	8.6%	18
BOA	25.8%	12	-3.5%	23	3.4%	22	-31.1%	23
HFC	23%	13	22.2%	12	10.2%	19	13.4%	14
SG-GH	22.4%	14	18.8%	14	17.8%	12	15.2%	13
Fidelity	21.3%	15	28.5%	10	22.9%	9	17.5%	11
PBL	17.1%	16	14.7%	17	11.3%	17	17.5%	10
NIB	16.3%	17	13.5%	18	11.6%	16	9%	17
UGL	14.9%	18	17.3%	15	17.5%	13	20.6%	7
Baroda	14.7%	19	14.9%	16	10.8%	18	4.1%	20
ADB	13.9%	20	28.7%	9	13.5%	15	19.1%	9
FABL	11.5%	21	6.7%	22	5.2%	20	2%	22
FBN	11.1%	22	8.7%	19	0.2%	23	6.8%	19
UTB	7.9%	23	7.6%	20	16.3%	14	21.3%	5
BSIC	5.7%	24	-5.8%	24	5%	21	3.1%	21
FCPB	4.1%	25	7.6%	21	NA	NA	NA	NA
RBG	-5.2%	26	NA	NA	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	29.3%		27.5%		23.8%		17.8%	

In 2014, thirteen banks paid out dividends compared to ten in 2013. Total dividends grew by GHS300 million compared to 2013.

Dividend payout ratio

	2014	R	2013	R	2012	R	2011	R
GTB	71.2%	1	20.8%	9	13.3%	10	49.8%	3
BBGL	70.4%	2	55.1%	2	39.5%	5	4.8%	9
SCB	64.9%	3	27.2%	6	44%	4	33.3%	4
UBA	42.5%	4	43.5%	4	34.5%	7	0%	10
EBG	40.7%	5	45.8%	3	38.6%	6	65.7%	2
SG-GH	40.2%	6	36.7%	5	44.1%	3	0%	10
Stanbic	26.8%	7	0%	12	0%	13	0%	10
Fidelity	26.8%	8	20.2%	10	6.6%	12	16.4%	8
CAL	20.7%	9	20.9%	8	13%	11	17.4%	7
GCB	20.6%	10	23.6%	7	13.4%	9	111.2%	1
HFC	19.1%	11	0%	12	70.2%	2	29.6%	5
ABG	12.5%	12	0%	12	0%	13	0%	10
PBL	12.4%	13	0%	12	0%	13	0%	10
UTB	0%	14	97.6%	1	14.3%	8	22.4%	6
ADB	0%	14	4.5%	11	0%	13	0%	10
FBN	0%	14	0%	12	490.5%	1	0%	10
BOA	0%	14	0%	12	0%	13	0%	10
FABL	0%	14	0%	12	0%	13	0%	10
UGL	0%	14	0%	12	0%	13	0%	10
ZBL	0%	14	0%	12	0%	13	0%	10
BSIC	0%	14	0%	12	0%	13	0%	10
Baroda	0%	14	0%	12	0%	13	0%	10
NIB	0%	14	0%	12	0%	13	0%	10
FCPB	0%	14	0%	12	NA	NA	NA	NA
GNB	0%	14	NA	NA	NA	NA	NA	NA
RBG	-62%	26	NA	NA	NA	NA	NA	NA
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	31.1%		24.8%		24.8%		23%	

8

Liquidity

Overall, there were few variations in the liquidity cover over deposits from prior period in the banking industry.

Liquid funds/ total deposits

	2014	R	2013	R	2012	R	2011	R
Baroda	1.19	1	1.58	1	2.26	1	3.61	1
FBN	1.13	2	1.03	6	0.88	2	1.03	4
FCPB	1.08	3	0.75	11	0.00	24	0.00	24
ZBL	1.03	4	1.10	4	0.76	7	0.83	8
FABL	1.00	5	1.23	3	0.66	12	0.53	18
BOA	0.90	6	0.64	16	0.48	18	0.58	16
CAL	0.90	7	0.62	18	0.45	20	0.57	17
GCB	0.89	8	0.78	9	0.82	5	0.90	5
BSIC	0.82	9	0.74	13	0.75	8	0.64	14
GTB	0.81	10	0.90	7	0.85	4	1.12	3
GNB	0.79	11	0.00	26	0.00	24	0.00	24
SCB	0.76	12	0.76	10	0.75	9	0.86	6
HFC	0.76	13	0.80	8	0.60	13	0.70	10
BBGL	0.71	14	0.74	12	0.78	6	0.81	9
UBA	0.69	15	1.03	5	0.73	10	0.84	7
NIB	0.69	16	0.52	21	0.48	19	0.44	21
EBG	0.62	17	0.62	17	0.67	11	0.68	11
ADB	0.62	18	0.57	19	0.58	15	0.50	19
Fidelity	0.60	19	0.55	20	0.57	16	0.65	13
ABG	0.56	20	0.64	15	0.86	3	1.13	2
Stanbic	0.52	21	0.66	14	0.59	14	0.63	15
SG-GH	0.50	22	0.38	22	0.55	17	0.66	12
RBG	0.45	23	1.40	2	0.00	24	0.00	24
UGL	0.35	24	0.32	24	0.37	22	0.31	23
PBL	0.33	25	0.37	23	0.38	21	0.48	20
UTB	0.26	26	0.30	25	0.27	23	0.37	22
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	0.68		0.68		0.65		0.71	

The banking industry's liquidity cover to meet deposit remained unchanged in 2014. The primary reserve requirement was increased from 9% to 11% in April 2014 and subsequently, reduced in November 2014 to 10%.

Baroda, FBN and FCPB had the highest level of liquidity in the industry. Baroda's operating model, to a large extent, remained the same. However, the decline in the ratio of liquid funds to total deposits is driven by increased loans and advances which grew from GHS49 million in 2013 to GHS82.1 million in 2014.

FBN's liquidity ratio of 1.13 was fuelled by significant investments in placements with other banks. These investments are relatively short term in nature and were considered to be a stable investment avenue as the Bank concluded its takeover. FBN is not expected to sustain the current levels of liquidity as the entity pursues other investment options post-acquisition.

For the third consecutive year, UTB had the lowest ratio in the industry. Its liquid funds to total deposits ratio dropped to 0.26 from 0.30 in 2013. A large portion of its deposits are still channelled to loans and advances to customers. UTB's total liquid assets fell from GHS312.8 million to GHS308.4 million in 2014 despite a 15.5% increase in its deposits to GHS1.2 billion in 2014.

RBG recorded the highest downward trend in its liquid funds to deposit ratio having declined from 1.40 in 2013 to 0.45 in 2014. As the Bank expands its business operations, the tendency to carry out more of the core banking activity of lending is anticipated.

The industry's liquid funds to total assets ratio reduced slightly to 0.46 in 2014 from 0.50 in 2013.

Liquid Funds/Total Assets

	2014	R	2013	R	2012	R	2011	R
UBA	0.60	4	0.88	1	0.59	6	0.68	4
RBG	0.27	24	0.69	2	0.00	24	0.00	24
GCB	0.64	1	0.61	6	0.64	2	0.75	2
ZBL	0.62	2	0.61	5	0.63	3	0.69	3
BSIC	0.61	3	0.47	13	0.45	13	0.41	17
FABL	0.57	5	0.57	7	0.40	16	0.36	20
SCB	0.56	6	0.55	9	0.53	9	0.65	7
BBGL	0.56	7	0.55	10	0.60	4	0.64	8
Baroda	0.56	8	0.65	3	0.71	1	0.83	1
GTB	0.55	9	0.64	4	0.60	5	0.67	5
GNB	0.55	10	0.00	26	0.00	24	0.00	24
BOA	0.55	11	0.41	17	0.41	15	0.44	14
FBN	0.52	12	0.56	8	0.56	8	0.59	9
FCPB	0.52	13	0.44	16	0.00	24	0.00	24
EBG	0.48	14	0.49	12	0.53	10	0.55	11
CAL	0.46	15	0.33	21	0.31	21	0.42	16
Fidelity	0.43	16	0.46	15	0.48	12	0.57	10
Stanbic	0.43	17	0.55	11	0.48	11	0.51	12
ADB	0.42	18	0.37	19	0.39	17	0.35	21
ABG	0.42	19	0.47	14	0.58	7	0.67	6
HFC	0.41	20	0.41	18	0.37	19	0.44	15
SG-GH	0.41	21	0.30	23	0.44	14	0.49	13
NIB	0.40	22	0.34	20	0.38	18	0.36	19
UGL	0.29	23	0.27	24	0.31	20	0.26	22
PBL	0.26	25	0.31	22	0.31	22	0.40	18
UTB	0.19	26	0.23	25	0.22	23	0.18	23
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	0.48		0.50		0.50		0.54	

The industry's liquid funds to total assets ratio declined marginally to 0.48 from 0.50 in 2013. The industry on a whole remained balanced with half of banks exhibiting risk-averse strategies by holding enough liquid assets to meet at least 50% of customer deposit obligations and the remaining half boosting their loan portfolio in the face of intense competition thereby reducing their liquid funds to total assets ratio. Irrespective of the strategy employed, the underlying objective is to manage potential funding mismatches and also provide a cushion for unanticipated deposit obligations.

GCB improved its liquidity position from 0.61 in 2013 to 0.64, making it the bank with the highest liquid funds to total assets ratio in the industry. The proportion of the bank's total assets held in cash assets in 2014 was 20.4% as against 10% in prior year.

BSIC recorded the highest upward movement in liquid funds to total assets ratio from 0.47 in 2013 to 0.61 in 2014. The bank deposits from customers increased by 66.2% moving from GHS124.7 million in 2013 to GHS207.4 million in 2014. However, loans and advances to customers increased by 26.9% with significant part of customer deposits being invested in government securities and placements with other banks.

RBG's liquid funds to total assets declined significantly from 0.69 in 2013 to 0.27 in 2014 as the bank embarked upon more of its core business activity of lending. The bank's loan book increased by 331.6% to GHS245.9 million in 2014 from GHS57.0 million in 2013.

Liquidity

There has been no major shift in the risk appetite of the industry.

FABL maintained its liquidity ratio at 0.57. The growth in the bank's total assets from GHS431.7 million in 2013 to GHS894.6 million in 2014 was fuelled by an increase in its liquid assets. Cash assets and investment in government securities grew by GHS265.6 million, as against a GHS187.2 million growth in its loans and advances.

UTB, PBL and RBG registered a less than 40% liquidity cover. The focus for these banks has consistently been to grow their loan book for sustainable profitability. With a 19%, 26% and 27% cover respectively; these Banks may have dire consequences in meeting their deposit obligations in the event that the quality of the loan book deteriorates.

The industry has consistently maintained an above average liquidity ratio. There was no major shift in the risk appetite of the industry as the liquid funds to total interest bearing liabilities ratio moved from 0.62 in 2013 to 0.60 in 2014. Half of the participating banks have ratios above the industry average of 0.60 with 75% having ratios above 0.50.

Baroda, GCB and BSIC recorded the highest ratios in the industry due to the low levels of borrowings held. SG-GH on the other hand improved its position from 0.38 in 2013 to 0.50 arising from increased investments made in government securities.

RBG's ratio trended downward to 0.35 from 1.16 in 2013. The growth in the bank's loan book by 332% was funded by its liquid assets and deposits from customers. RBG's interest bearing liabilities increased by 103% and liquid funds declined by 39%.

With a liquidity ratio of 0.22; UTB still remains highly illiquid having increased its interest bearing liabilities from GHS1.2 billion in 2013 to GHS1.4 billion in 2014, an increase of 19%. Its liquid assets represent 20% and 23% of its total assets in 2014 and 2013 respectively, and actually decreased by 8% compared to prior year.

Liquid funds/ total interest bearing liabilities

	2014	R	2013	R	2012	R	2011	R
Baroda	1.19	1	1.58	1	2.00	1	2.92	1
GCB	0.84	2	0.75	6	0.76	6	0.86	4
BSIC	0.79	3	0.74	8	0.75	8	0.64	11
GNB	0.79	4	0.00	26	0.00	24	0.00	24
FBN	0.75	5	0.80	5	0.77	5	0.86	5
SCB	0.73	6	0.73	9	0.67	10	0.81	8
BBGL	0.71	7	0.74	7	0.78	3	0.81	9
ZBL	0.71	8	0.72	11	0.75	7	0.83	7
UBA	0.69	9	1.03	3	0.73	9	0.84	6
GTB	0.69	10	0.81	4	0.77	4	0.91	3
BOA	0.66	11	0.51	18	0.47	18	0.55	15
FABL	0.64	12	0.72	10	0.59	12	0.52	17
NIB	0.63	13	0.48	19	0.44	19	0.42	21
FCPB	0.62	14	0.53	16	0.00	24	0.00	24
EBG	0.59	15	0.59	14	0.64	11	0.64	10
CAL	0.56	16	0.42	21	0.39	20	0.49	18
HFC	0.53	17	0.56	15	0.49	16	0.55	16
ABG	0.53	18	0.62	13	0.80	2	1.09	2
ADB	0.52	19	0.47	20	0.48	17	0.42	20
Fidelity	0.52	20	0.52	17	0.55	15	0.62	13
Stanbic	0.52	21	0.65	12	0.58	13	0.62	14
SG-GH	0.50	22	0.38	22	0.55	14	0.64	12
RBG	0.35	23	1.16	2	0.00	24	0.00	24
UGL	0.34	24	0.31	24	0.36	22	0.30	23
PBL	0.30	25	0.36	23	0.37	21	0.46	19
UTB	0.22	26	0.26	25	0.26	23	0.35	22
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	0.60		0.62		0.61		0.67	



9

Asset Quality

Measures taken on by the banks in the industry have helped to keep impairment allowances to gross loans and advances at 4.9%; the lowest recorded over the last four years.

Impairment allowance/ gross loans and advances

	2014	R	2013	R	2012	R	2011	R
Baroda	0%	1	0%	1	0%	1	0%	1
RBG	0%	1	0%	1	0%	1	0%	1
GNB	1%	3	0%	1	0%	1	0%	1
CAL	1.6%	4	3.8%	8	4.3%	11	6%	15
UGL	1.7%	5	1.3%	4	1.2%	5	1%	5
FCPB	2.2%	6	2.3%	5	0%	1	0%	1
UBA	2.3%	7	3.9%	9	1.5%	6	7.4%	18
EBG	2.4%	8	4.2%	11	4.1%	9	1.6%	6
FBN	2.4%	9	18.9%	24	13.2%	22	14.2%	22
Fidelity	2.5%	10	4.9%	12	3.8%	7	3.2%	9
ABG	2.6%	11	2.6%	6	15.2%	24	2.6%	8
Stanbic	3%	12	2.8%	7	4.3%	10	4.5%	11
BOA	3.7%	13	20.1%	25	17.2%	26	18.5%	24
ZBL	4.4%	14	5.4%	14	8.9%	20	11.3%	20
GTB	5.6%	15	7.3%	19	8.3%	17	9.2%	19
UTB	5.6%	16	5.9%	17	4.7%	12	4.8%	12
HFC	5.8%	17	5%	13	4.9%	14	5.2%	14
PBL	6.2%	18	7.3%	18	7.1%	16	7.2%	17
BBGL	6.3%	19	8.3%	20	8.8%	19	14.1%	21
SCB	6.6%	20	4%	10	3.8%	8	5%	13
ADB	7.7%	21	5.9%	16	4.8%	13	2.4%	7
GCB	8.7%	22	10.7%	21	14.7%	23	22.1%	25
SG-GH	9.4%	23	5.5%	15	5%	15	7%	16
NIB	10.5%	24	14.5%	22	12.4%	21	34.4%	26
FABL	11.8%	25	17.7%	23	15.4%	25	17.9%	23
BSIC	25.5%	26	24.8%	26	8.4%	18	4.1%	10
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	4.9%		6.3%		6.6%		9.4%	

Over the years, there has been noteworthy improvement in the quality of the loan book in the industry. The industry's gross loan book grew by 40.9% between 2013 and 2014 increasing from GHS16.6 billion in 2013 to GHS23.4 billion in 2014. Impairment allowance expressed as a percentage of gross loans and advances dropped from 6.3% in 2013 to 4.9% in 2014. It appears banks had strengthened their credit origination, assessment, monitoring, remedial and recovery procedures. These steps have helped to keep the impairment allowances to gross loans and advances at 4.9%; the lowest over the last four years.

Even though banks continue to clean up their loan books and also equip their recovery units to follow up on bad loans and have been cautious in lending to some sectors considered high risk, the level of impairment charge in 2014 rather almost tripled from GHS348 million in 2013 to GHS1.3 billion in 2014.

FBN, BOA and CAL showed improvement in asset quality during the year as their impairment allowance to gross loans and advances ratio declined by 86%, 82% and 58% respectively.

FBN appears to have improved the quality of its loan portfolio. Its gross loan book increased from GHS148 million in 2013 to GHS160 million but its total impairment allowance significantly decreased by 86% from GHS28 million in 2013 to GHS4 million in 2014. It appears the new owners are pursuing various reorganisation strategies to "clean" the loan book. Impairment charge declined from GHS11 million in 2013 to GHS8 million in 2014, as a result of recoveries made. BOA's gross loan book decreased by 7% from GHS376 million in 2013 to GHS352 million in 2014 and its impairment allowance also decreased

Cautious lending practices, coupled with the increasing average lending rate saw the industry recording a stable profitable loan portfolio over the years.

from GHS38 million in 2013 to GHS13 million in 2014.

CAL grew its gross loans from GHS1 billion in 2013 to GHS1.4 billion without necessarily experiencing a deterioration of the loan book. It appears that the write off of its non-performing loan book in prior year had yielded positive results. Recoveries were GHS79 million in 2014 compared to GHS442 million in 2013. The Bank's quest to "clean up" the loan book led to a further write down of GHS38 million non-performing in 2014 leading to a decline in impairment allowance from GHS40 million in 2013 to GHS21 million in 2014.

SG-GH and SCB showed marked deterioration in the impairment allowance to gross loans and advances. The ratio for SG-GH worsened from 5.5% in 2013 to 9.4% in 2014 and that of SCB increased from 4% in 2013 to 6.6% in 2014.

SG-GH has experienced consistent growth in its loan book in the last four years. The aggressive underwriting may now have a toll on the operations as unforeseen credit qualities of some clusters begin to emerge. Total impairment allowance increased from GHS43 million in 2013 to GHS92 million in 2014. Impairment charge increased by 130% from GHS16.8 million in 2013 to GHS38.6 million in 2014.

SCB has seen stable growth in its loan book in the last three years. The Bank was re-segmented in 2014 into three main client segments- Retail clients, Commercial clients and Corporate and Institutional clients. Corporate and Institutional clients segment which contributed about 76% of SCB's profit suffered significant impairment charge in 2014 of GHS36 million out of the total

Loan portfolio profitability

	2014	R	2013	R	2012	R	2011	R
GNB	38.2%	1	0%	26	0%	24	0%	24
FCPB	35.4%	2	36.5%	2	0%	24	0%	24
Baroda	31.3%	3	40.9%	1	39.7%	1	37.3%	1
UBA	22.9%	4	21%	3	12.1%	18	3.2%	23
ADB	22.2%	5	14.3%	13	16.1%	8	15.1%	12
GCB	20.8%	6	18.9%	7	14.9%	11	24.5%	2
BBGL	20.4%	7	15.9%	9	14.9%	12	12.4%	15
UGL	18.7%	8	19.9%	5	16.8%	6	15.9%	10
CAL	17.2%	9	19.9%	4	12.3%	17	12%	16
HFC	17.1%	10	14.6%	12	12.9%	14	18.7%	5
RBG	16.9%	11	13.2%	16	0%	24	0%	24
FBN	16.5%	12	12.5%	19	11.3%	20	12.8%	14
ABG	15.8%	13	14.8%	11	21%	2	7.9%	22
GTB	15.4%	14	16.5%	8	18.6%	3	20.8%	3
NIB	15.2%	15	7.4%	25	7%	23	9.1%	20
PBL	15.2%	16	13.8%	15	14.9%	10	16.1%	9
Stanbic	15%	17	12%	20	12.3%	16	9.8%	19
BSIC	15%	18	7.6%	24	18.1%	5	19.8%	4
EBG	14.9%	19	10.8%	21	15.2%	9	8.3%	21
UTB	14.3%	20	15.4%	10	16.7%	7	17%	6
Fidelity	14.3%	21	19.6%	6	18.4%	4	13.9%	13
SCB	14.1%	22	14%	14	11.4%	19	10.4%	18
SG-GH	13.6%	23	12.7%	17	12.9%	15	16.8%	7
ZBL	11.3%	24	8.3%	23	10.4%	21	16.5%	8
BOA	11.2%	25	10.4%	22	10%	22	11%	17
FABL	7.4%	26	12.5%	18	12.9%	13	15.8%	11
UMB		NA		NA		NA		NA
EBL		NA		NA		NA		NA
Industry	16.5%		14.3%		14.2%		13.4%	

Asset Quality

of GHS49 million for the Bank. This is an indication that despite the bank's risk management practices, the Corporate and Institutional clients segment, which caters for major corporate customers, continues to be exposed to the shocks from the stressed economic conditions of the country. SCB's total impairment allowance increased from GHS47 million in 2013 to GHS90 million in 2014.

Baroda, RBG and GNB have over the years not experienced any significant default in their loan portfolio. This is not an unusual trend for start-up banks as they begin to strengthen underwriting practices. It appears these banks have adopted extremely risk averse approach to extending credits. Their lending strategies are directed at few customers whom they have good knowledge of. They are also cautious with their branch expansion efforts.

The industry has seen a stable profitable loan portfolio over the years recording the highest loan portfolio profitability of 16.5% in the last four years. Indications are that many of the banks improved their loan profitability mainly on the back of cautious lending practices and the increasing average lending rate.

NIB, BSIC and ADB showed marked improvement in loan portfolio profitability ratio. GNB, a savings and loans company prior to becoming a bank in 2014, ranked highest in loan profitability with a ratio of 38.2%. FCPB had maintained second rank from prior year. The loan profitability levels of GNB and FCPB, both emanating from Savings and Loans companies, indicate that with enhanced discipline in credit administration and monitoring, the informal sector can be profitable. However, the risk of default still remains high with the informal sector.

NIB continues to focus on enhancing its risk management and credit administration and monitoring practices. The result is an increase in gross loans and advances from GHS603 million in 2013 to GHS806 million in 2014, an increase in interest income from loans

and advances from GHS65 million in 2013 to GHS133 million in 2014 and a decline in impairment charge from GHS27 million in 2013 to GHS16 million in 2014.

BSIC increased its interest income from loans and advances by 38% whilst its impairment charge reduced by 44% leading to an increase in loan portfolio profitability by 98% from 7.6% in 2013 to 15% in 2014.

Fidelity and FABL experienced a decline in the loan profitability. Though interest income from loans and advances of Fidelity increased by 45% from GHS175 million in 2013 to GHS254 million in 2014, impairment charge increased by 82% from GHS17 million in 2013 to GHS31 million in 2014 resulting from acquisition of Procredit and the growth in its loan book.

With the current economic conditions, borrowers are likely to default when the loans become due and this threatens the profitability of the industry's loan portfolio going forward. That is to say, with banks making conscious efforts to sustain the decline in non-performing loans, loan profitability is more likely to improve in a stable macroeconomic environment.

A

List of participants

26 out of the 29 banks currently operating 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 (as at 30 June 2015)	Chief Executive Officer (as at 30 June 2015)
Access Bank (Ghana) Limited	2008	Foreign	39	Mr. Dolapo Ogundimu
Agricultural Development Bank Limited	1965	Local	82	Mr. Stephen Kpordzih
Bank of Africa Ghana Limited	1997	Foreign	20	Mr. Kobena Andah
Bank of Baroda (Ghana) Limited	2007	Foreign	2	Mr. V. Sreedharan
Barclays Bank Ghana Limited	1917	Foreign	61	Mrs. Patience Akyianu
BSIC Ghana Limited	2008	Foreign	16	Mr. Adama Diop
CAL Bank Limited	1990	Local	19	Mr. Frank Brako Adu Jnr
Ecobank Ghana Limited	1990	Foreign	79	Mr. Samuel Ashitey Adjei
Energy Bank (Ghana) Limited	2010	Foreign	11	Miss. Queenette Okehie
FBN Bank Ghana Limited	2006	Foreign	17	Mr. Seyi Oluseye Oyefeso
Fidelity Bank Ghana Limited	1996	Local	51	Mr. Edward Effah
First Atlantic Bank Limited	1994	Foreign	16	Mr. Gabriel Edgal
First Capital Plus Bank Limited	2009	Local	14	Mr. Fitzgerald Odonkor
GCB Bank Limited	1953	Local	158	Mr. Simon Dornoo
GN Bank Limited	2014	Local	136	Mr. Patrick Anumel
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	31	Mr. Olalekan Sanusi
HFC Bank Ghana Limited	1990	Foreign	42	Mr. Robert Le Hunte
National Investment Bank Limited	1963	Local	34	Mr. Ernest Mawuli Agbesi
Prudential Bank Limited	1993	Local	31	Mr. Stephen Sekyere-Abankwa
Societe Generale Ghana Limited	1975	Foreign	37	Mr. Gilbert Hie
Stanbic Bank Ghana Limited	1999	Foreign	26	Mr. Alhassan Andani
Standard Chartered Bank Ghana Limited	1896	Foreign	25	Mr. Kweku Bedu-Addo
The Royal Bank	2011	Local	23	Mr. Robert Kow Bentil
United Bank for Africa (Ghana) Limited	2004	Foreign	26	Mrs. Marufatu Abiola Bawuah
UniBank (Ghana) Limited	1997	Local	35	Mr. Felix Nyarko-Pong
Universal Merchant Bank Ghana Limited	1971	Local	33	Mr. John Awuah
UT Bank Limited	1995	Local	30	Mr. Prince Kofi Amoabeng
First National Bank Limited	2014	Foreign	0	Richard Hudson
Zenith Bank Ghana Limited	2005	Foreign	28	Mr. Daniel Asiedu

B

Glossary of key financial terms, equations and ratios

Capital adequacy ratio is the ratio of adjusted equity base to risk adjusted asset base as required by the Bank of Ghana (BoG)

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

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

Cash tax rate = Actual tax paid/ Net operating income

Cost income ratio = Non-interest operating expenses/ Operating income

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

Dividend payout ratio = Proposed dividends /Net profit

Dividend per share = Proposed dividends/ Number of ordinary shares outstanding

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

Financial leverage ratio = Total assets/ common equity

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

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

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

Loan loss rate = Bad debt provisions/ Average operating assets

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

Net interest income = Total interest income - Total interest expense

Net interest margin = Net interest income/ Average operating assets

Net operating income = Total operating income - Total non-interest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits

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

Net profit = Profit before tax - Income tax expense

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

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

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

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

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

Profit after tax margin = Profit after tax/ Total operating income

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

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

Return on assets = Profit after tax/ Average total assets

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

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

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

Total debt ratio = Total liabilities/ Total assets

C

List of Abbreviations

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

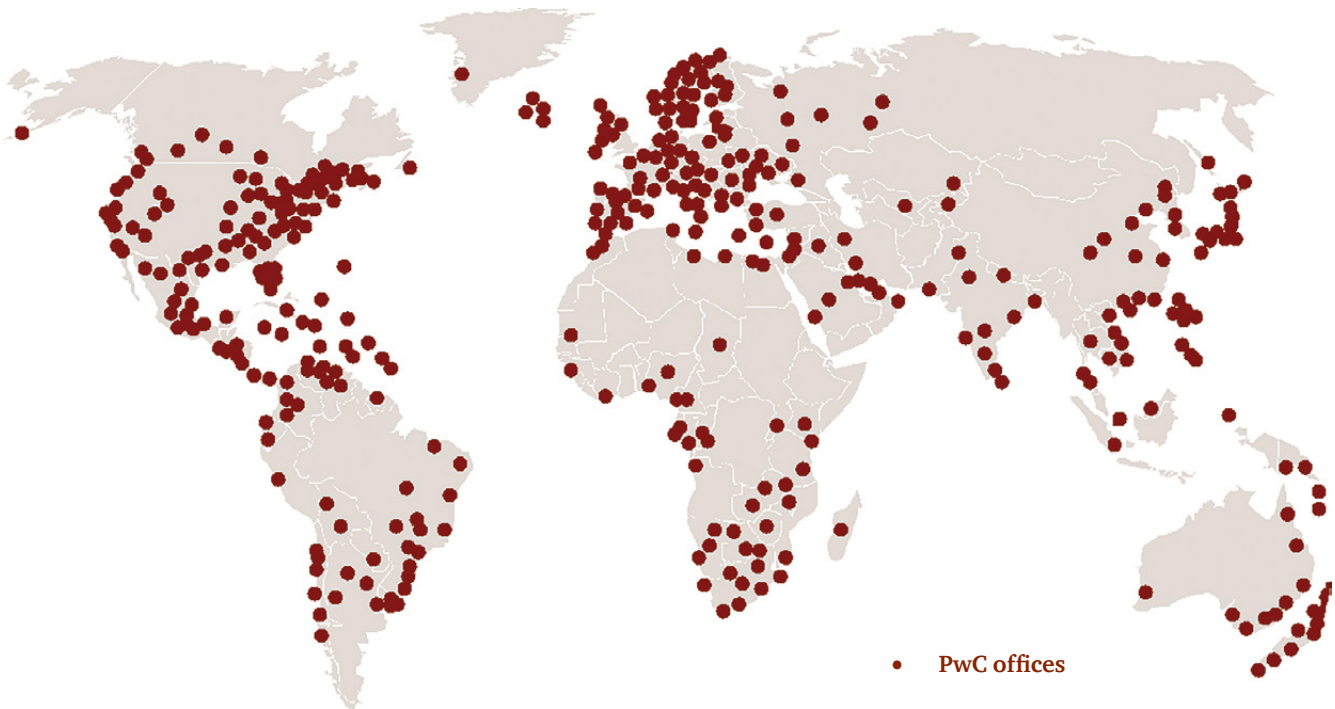
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Our Profile

A global presence

PwC is the world's largest integrated professional services organization. Drawing on the knowledge and skills of more than 195,000 people in 157 countries, PwC helps its clients solve complex business problems and

measurably enhance their ability to build value, manage risk and improve performance. PwC provides a full range of business and financial advisory services to leading global, national and local companies and to public institutions.



Our network in Africa

The PwC network in Africa has member firms in 32 countries with over 8,500 professional staff. We have the largest footprint of all professional services firms on the African continent.

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

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

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

Our Services

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

Assurance

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

Our audit and assurance services include:

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

Tax

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

Our tax services include:

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

Our corporate advisory services include:

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

Advisory

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

Our deals advisory services include:

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

Our consulting services include:

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

PwC Ghana Business School

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

The focus of PwC's Business School is to:

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

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

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



E

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