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Ghana Association of Banks

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FOREWORD

MANSA NETTEY

PRESIDENT, GHANA ASSOCIATION OF BANKS

OVER SEVERAL DECADES in Ghana's socio-economic growth trajectory, the financial services industry has served as a bedrock in connecting the very core elements that contribute to a thriving country. Banks have an ever-present responsibility in people's lives. They enable us to buy goods and services, to save and invest, to buy homes and grow wealth. They help businesses to set up, expand and to trade internationally. Overall, economies prosper, infrastructure develops, and citizens are lifted out of poverty due to the activities of banks. By doing these things in the right way, banks reflect an extraordinarily powerful force for good throughout the economy.

As it is with any strong sector, regulatory reform has been key to the sustainability of banking in Ghana. Led by a strong Central bank, the sector continues to experience structured and aligned reform and stability. Successive leadership regimes at the country's Central Bank have undertaken structured and systematic reform to transform the landscape; create an enabling environment where banks thrive and customers and businesses flourish. The redenomination of the currency in 2007, for example, together with an ardent push for recapitalisation tightened the discipline and outlook of the industry. These changes insulated Ghana from the shocks posed by the global financial crisis of 2008 - a crisis many believed was caused by the dangers of unbridled capitalism and excessive risk-taking by global institutions.

Recently, another banking sector reform in Ghana, led to additional structural changes in the industry, leading to the folding up of some banks. Others sought refuge from the government, leading to some significant consolidations. Overall, the regulatory reforms established by the Central bank led to a strong and robust financial service industry with remarkable displays of capitalised levels, strong compliance and ethics, good corporate governance, discipline and effective risk management practises. Access to capital by businesses, individuals and big corporates continued to show improved levels generally. The advent of digital technology also transformed the way customers and companies related to their banks. Concepts such as remote channels banking, internet banking and the like, brought heightened efficiency and speed to transactions and operations. The strongly capitalised banks that survived the reforms continue to increase investments in Information Technology (IT) to maximise efficiencies while meeting the everchanging demands of their sophisticated and dynamic customers.

For a while, the general landscape looked predictably steady. Then without a hint or preview, the COVID-19 pandemic struck in early 2020. This development was initially a health crisis which later became an economic crisis and permeated the very core of our lives. Economic activity came to a halt due to the pervasive nature of the pandemic with its associated lockdowns and absence of physical interaction. Businesses, particularly Small and Medium Scale Enterprises (SMEs), faced a hostile environment due to the double effect of a decline in economic growth and the strain in accessing funds. The significant thing is that the strongly regulated sector coupled with banks' overall anticipation of risk revealed a stronger side to the sector than has been seen before in recent times.
The overall response displayed by banks - ensuring the physiological and psychological safety of employees, the safety and convenience in engaging and attending to customer needs and the consistent engagement with important stakeholders (both internally and externally) - have been immensely commendable.

> “Credit must also be directed towards **digital technology**...

Credit must also be directed towards digital technology and its role in ensuring the consistency and efficiency of banks in their usefulness to customers, clients and the overall economy. Remote working tools, changes in business models to accommodate social distancing and less physical interaction due to the pandemic, have all revealed the new possibilities in the industry due to digitalisation.

As I write this, we are in a third wave of the pandemic - which is a fancy way of saying it will get worse before it gets better. The landscape continues to change. Customer and Client needs have evolved. Banking is now an activity, not a place. As an influential voice for all universal banks in the country, the Association of Banks needs to take a leadership role in collaborating with key stakeholders and regulators to chart a progressive path and creating a convenient environment for banks to play their role effectively. Better regulation by the central bank and the strengthening of fraud detection protocols by banks will help maintain confidence in digital platforms and promote better financial inclusion.

Various countries across Africa have introduced legislation to offer greater data protection and privacy to customers and safeguard mechanisms that promote financial inclusion. The Electronic Transactions Act that regulates electronic transactions, the Data Protection Act, implemented in 2012, to offer protection to data subjects and their privacy are all mechanisms to regulate the space and the Central Bank must continue to engage players to tighten the regulatory space. The Cybersecurity Act of 2020 will regulate cybersecurity in Ghana with the establishment of an Authority to promote the security of computer systems both internally and externally.

Banks must embrace the concept of partnerships with other stakeholders and players in the digital financial payments space to properly meet the needs of clients and customers. The Association of Banks will be unrelenting in exploring and pushing Banks further to embrace endless digital possibilities, with increased focus on data analytics, understanding customer behaviour and positioning products and services strategically to yield immeasurable results. We have a very pertinent and crucial role to play through consistent awareness, engagement and thought leadership to create an ecosystem that is accessible for all.

The global pandemic plus the pace of technological advancement are and will continue to shape digital transactions now and in the near future. It is fair to say that any strategy that doesn't take the current transformative shift in mind might not survive in the short to medium term.

"Banks must embrace the concept of **partnerships** with other stakeholders and players in the **digital financial payments** space...

KEY MESSAGE
JOHN AWUAH
CEO, GHANA ASSOCIATION OF BANKS

The story about banking in Ghana took off sometime in 1896 when the first commercial bank started operations in the Gold Coast (modern day Ghana). So, the story of banking in Ghana coincided with the commencement of operations of Standard Chartered Bank Ghana then known as Bank of British West Africa (BBWA) with only one branch in Accra.
On the 4th of March 1957, just two days before the declaration of political independence, the Bank of Ghana was formally established by the Bank of Ghana Ordinance (No. 34) of 1957, passed by the British Parliament.
The banking industry globally has undergone substantial evolution over the years and Ghana has not been left behind on this journey as the business of banking in the country has witnessed phenomenal makeover. The impact has been evident in changes in the way financial services are delivered to customers. While the traditional functions performed by banks have remained relatively unscathed over the past decades, the structure of the industry has seen dramatic change with a significant increase in the number of alternative channels available for the delivery of financial services. Traditional delivery methods have given way to new delivery technologies which include electronic and platform banking in the shapes of Internet banking, mobile banking and various Automated Teller Banking products.
It has been 41 years since the set-up of the Ghana Association of Banks (then known as the Ghana Association of Bankers). 41

years of Analysts and Media practitioners telling the stories about our banks. To my mind, the narrative, I believe, is better expressed by the men and women who are at the heartbeat of those stories – Bankers! That explains why I am personally thrilled that for the first time ever, we are coming out with our own mouthpiece to speak to the issues of banking and other allied matters from the perspectives of banks. We owe a duty to future generations to document our journeys; our banking journeys as they unfold before us. The banking industry in Ghana ended 2019 with growing optimism after a period of shakeup, cleanup and recapitalization occasioned by solvency, liquidity, efficiency, governance and capital adequacy concerns. To restore public confidence and trust in the industry, the banking sector regulator, Bank of Ghana (BoG), picked up the regulatory whip in a bold effort to sanitise the operating environment resulting in the revocation of the licenses of 9 banks and the birth of a new one, Consolidated Bank Ghana Limited (formed from the amalgamation of 7 banks).

In 2020, the sector once again had to respond to dramatic changes and uncertainties introduced by the Coronavirus Pandemic (COVID-19). Banks have therefore had to re-strategize to recalibrate risk parameters, reprioritize projects, and to stay close to their clients in an effort to have an even better understanding of their businesses and

personal financial priorities. Interestingly though prior to COVID-19 the banks had begun aggressively driving the digital financial services agenda leading to heavy investment in alternate channels for banking. It was therefore not an unchartered terrain for banks when the adoption and use of alternate banking channels gained currency during the peak of the pandemic in 2020. The seamless migration to digital platforms had everything to do with the foresight of the banks!

The latest summary of the Macro Economic and Financial Data shows that confidence in the banking sector is growing as highlighted by growth in deposits and asset base of banks; healthy capital levels, buoyant liquidity and underpinned by improved corporate governance.
As seen in most change programmes, deployment and expansion into digital financial services has heightened fraud incidence manifesting in cyber-crimes, Identity theft, mobile financial services fraud, money laundering and some internal frauds. The emergence of the COVID-19 pandemic propelled the use of digital/electronic modes of transacting business, leading to a higher exposure to cyber traps. The year 2020 recorded a marginal increase in reported fraud incidents but more importantly the year also recorded a minimal decrease in fraud losses; attesting to the effectiveness of fraud prevention mechanisms implemented by banks and improved education and awareness.

There is a growing conviction that organizations and especially regulated institutions can succeed only if they are seen to observe high ethical standards. As a result, more organizations are choosing to make public commitment to ethical business by developing and publishing a code of operating principles and business conduct. A professional code of ethics sets standards of behavior and conduct for the observance of its members and practitioners. It aims at ensuring that

members of the profession act in a manner that protects the image and well-being of stakeholders and informs the public what to expect of practitioners in that profession.

The Ghana Association of Banks is pleased to celebrate its stakeholders in the financial services sector and would want to endorse the successful enactment of the Ghana Banking Code of Ethics and Business Conduct through the combined efforts of the Chartered Institute Bankers, Ghana, Bank of Ghana and our Association. The overarching objective of this Code is to ensure strict adherence to best banking practices and maintain high ethical and professional standards within the banking industry in Ghana. Additionally, the Code is to guide all Members:

1. In meeting their obligations to customers and other relevant stakeholders by maintaining and improving standard of service, performance, and quality of banking products.
2. In complying with applicable laws and regulations and.
3. In avoiding potential conflict of interest.

This ethical business conduct, which forms part of the sector's conduct management and practice is a concern to the industry and businesses and therefore the managers of the banking sector are acquiring and deploying new knowledge, tools, skills, and techniques to reskill their workforce, at scale. Banks are working to become more creative and use various levers and models to deploy talent dynamically and to build future workforce, including reskilling (training employees for new jobs), upskilling

(training employees on additional skills in existing jobs), and redeployment (assigning employees to new tasks).

We are essentially moving towards a completely cashless society. Financial watchers predict the imminent potential extinction of mobile wallets, debit and credit cards amongst others; most likely, in the life time of our generation. This is just one of the banking trends that will change our lives for years to come. Findings by Riksbank (2019) indicate that cash transactions percentage in many countries has already hit record low and Worldpay (2019) projects that by close of 2021, mobile wallets, credit & debit cards will surpass cash at all point of sales. This phenomenon will not be alien to the banking industry in Ghana so the earlier banks enter a more collaborative mode of operating agile and scalable open banking platforms, channeling investment to big data engines, sandboxing, and artificial intelligence, the better prepared the industry will be to the challenges of tomorrow.
Mobile wallets, on-demand banking apps, and the new trend of digital assistants are at the forefront of the mobile banking wave and it is a known fact that consumers have often acted as the prime movers of this innovation. They're increasingly demanding self-service, personalized service, and interested in immediate solutions. To keep up with these evolving customer preferences and stay competitive, banks and financial institutions have no other option but to tap into the latest trends in banking services.
Despite the significant disruptions to businesses and economic activities caused by the impact of global economic downturn due to COVID-19 pandemic, the banking sector in Ghana continues to show sustained signs of growth and resilience. The current changes and trends in the world of work will require that the managers of the banking sector must embrace the following:

1. Networking and Collaboration
2. Enhanced Utilization of Data
3. Operational Agility (in both systems and people) and
4. Tailored solutions

It must be emphasized that technology and the right talents are driving the next big evolution in banking. The future of banking will be driven by major technological changes and will transform drastically. The future of banking is 'Digital'. Going forward, leading banks will operate as digital financial superstores that blur the line between technology companies and banks. Future bank customers will expect their banking interactions to be easy, fast, transparent and on their own terms.

Our banks are fast embracing new technologies and the evolving needs of our times, our customers, our stakeholders and our regulators; and are moving rapidly towards cross channel banking experience.

On behalf of the Association of Banks, I wish to express my profound gratitude to the Governor of the Bank of Ghana for participating in the creation of content for this maiden edition of our magazine. Settling on the name for the magazine was not an easy task. We are excited that through the massive participation of staff of the various banks, we have a beautiful name for the cover of the Magazine. Our knowledge partners, KPMG, have been central to the generation of ideas and played their sounding board role to perfection.

Through 'The GH Banker's Voice', we will continuously engage you with thought provoking feature articles, industry trends, emerging risks and opportunities and the beautiful stories of the millions of customers in the industry.

Enjoy your reading!

KEY MESSAGE

ANTHONY SARPONG

SENIOR PARTNER - KPMG

It is exciting to be part of history as the maiden mouthpiece that carries the story of the banking sector in Ghana. Banks play a critical role of financial intermediation in our economy. The banking Industry has witnessed significant events in recent times. These events have caused some shocks in the financial ecosystem in Ghana leading to the collapse and merger of some financial institutions. Despite the challenges, the banking sector today is robust in terms of solvency, resilience, and the ability to take on high ticket transactions. The gains recorded ride at the back of strong regulatory actions by the Bank of Ghana and the desire of the players in the sector to sustain the gains.

In the midst of the complexities that our banking sector has navigated over the past few years, COVID-19 again became another pain that banks had to overcome to be in a better position to support the economy.

The COVID-19 Pandemic has dramatically reshaped the world in which we live, with significant economic and financial effects running alongside the public health emergency. At the height of the outbreak, banks across the globe played a fundamentally important role, supporting businesses and families by administering government-backed loans, providing additional liquidity, and rapidly installing forbearance measures.

In many ways, therefore, trust in banks is high and banks in Ghana have regained customer confidence. Customers and businesses view banks in a new and positive light. It is imperative to sustain these gains and build on them as we move through what KPMG describes as the 4-phase framework: from reaction, to building resilience, to recovery, and then arrival in a new reality.

In spite of the growth and stability that the banking sector has witnessed in the past few years, the following remain critical focal points for banks as they reimagine the future.

- New Channels, reconfiguring the future – As society becomes more cashless and digitisation accelerates, banks will need to evaluate their branch networks and ask themselves fundamental questions about what their physical outlets are actually for.
- Harnessing the shift to a digital economy – A rise in electronic payment mechanisms, digital currencies and the generation of new technology-based service providers coming into the market, banks will need to devise strategies to prevent themselves from becoming disintermediated
- Reimagining cost, new operating models – Operating expense will become an ever greater area of focus as banks look to decrease costs while also building capability to support growth. Everything will be up for debates as banks look for the operating model of the future.
- Defining ways of working in the new reality– Remote working will drive re-evaluation of workforce management, culture, and leadership. Banks must identify an optimal mix for the operating model to enable long-term flexible working and support for the wellbeing of staff. The labour force will become ever more automated and resilient.
- A deeper focus on risk management – Banks will need to fundamentally re-examine their resilience across the complete spectrum – operational, liquidity, capital, market, and credit to model for the unforeseen event. New risk models and strategies will be needed as banks navigate into the future.

Some other critical emerging trends are surfacing in the sector that would also require some investment in understanding their overall impact on banking business. Environmental, Social and Governance (ESG) has become a concern to banks and businesses over the world. In 2015, the bank of Ghana issued the sustainable banking principles. These principles are meant to guide and to be used as tools in regulating banking business. It is very important for banks to consider how to integrate these principles as part of their operations. KPMG has been at the forefront leading the ESG discussion globally. Today KPMG has issued its ESG plan (KPMG Impact) and committed to investing US$1.5billion to focus on environmental, social and governance issues, training, and solutions. At KPMG, we are committed to working with our communities and making an impact for the better.

We believe this maiden edition of this magazine will set the tone for the discussion of important matters that affect the industry and will become a pacesetter for other sectors as well. KPMG is committed to this cause and will continue to support it with the needed resources in working with you to transform the business of banking for the benefit of all stakeholders.

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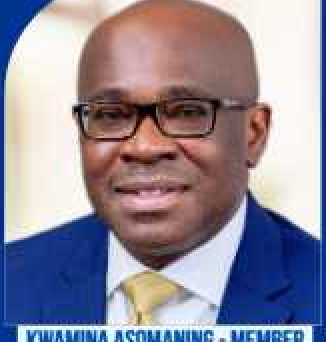

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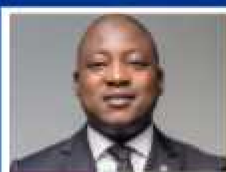
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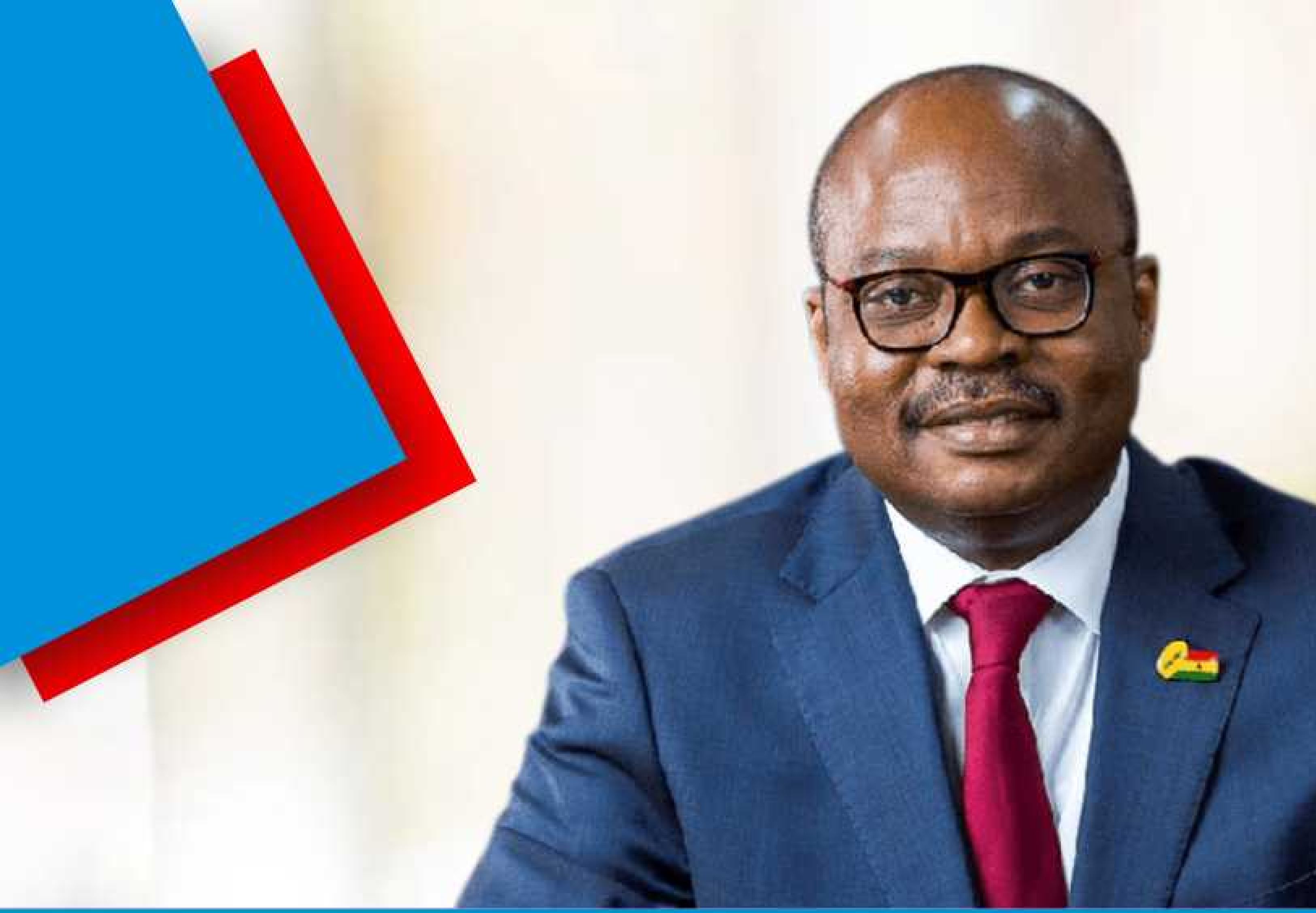


INTERVIEW WITH THE GOVERNOR, BANK OF GHANA

Dr. Ernest Addison
Governor, Bank of Ghana

The "Gh Bankers' Voice" is designed to be your "Number 1" source for Ghana banking news and information, including bankers on the rise, industry financials, updates and key insights, regulatory developments, technological disruption, emerging trends and valuable perspectives from thought leaders in the industry.

1. Which of these critical matters (i.e. banking sector reforms and Covid-19 pandemic) has had the most systemic impact on the banking industry in your view and why?

The financial sector plays a pivotal role in every economy, therefore, any disruption in its stability has wider implications for economic growth and development. Over the past four years, two major events have occurred, each with a different impact on Ghana's banking sector. First, was the comprehensive banking sector reforms over the period 2017 to 2019, and second, was the Covid-19 pandemic shock of 2020. Indeed, without this order of occurrence, the latter would have had dire consequences for the economy.

Clearly, the comprehensive banking sector reforms has had the most systemic impact with positive outcomes. The reforms included the

revocation of licenses, recapitalization of banks, revamp of the regulatory and supervisory frameworks in line with the Basel core principles, as well as the implementation of several directives, including the Corporate Governance, Fit and Proper Guidelines, and the setting of ethical standards for examiners. All of these worked in concert to improve the soundness and stability of the banks and the other institutions. Following these, the financial soundness indicators showed that banks were well-capitalised and solvent, with enhanced liquidity, improved profitability, effective corporate governance and risk management practices, and most importantly, rebound in depositor confidence.

The foregoing suggests that but for the reforms, the pandemic would have been amplified and weakened the banking industry further, and ultimately, jeopardized the effectiveness of the financial sector in supporting the economic recovery.

2. The banking industry had begun to recover from the impact of the 2018/19 reforms. Has the onslaught of covid-19 impacted/reversed the gains made from the banking sector clean-up?

Overall, the impact of the pandemic on the industry's performance has been moderate. The banking sector performance continues to reflect sustained growth in customer deposits, investments, total assets, and profits, while key financial soundness indicators in relation to liquidity, profitability, and solvency remain healthy. The industry's Capital Adequacy Ratio of 20.8 percent at end-June 2021 was well-above the regulatory minimum threshold.

Despite these positives, the pandemic affected sectors of the economy differently and with demand constraints, credit to the private sector slowed significantly. The slower growth in lending broadly reflects increased credit risks on account of uncertainties in the business environment due to the impact of Covid-19 pandemic on the real sector, coupled with very high yields offered on Government securities due to increased Government borrowing. Based on the latest macro-prudential risk assessments, banks are however expected to withstand mild to moderate credit risk shocks although the emerging third wave of the pandemic could further elevate credit risks. This would require close monitoring of banks' capital and liquidity buffers.

3. You recently won the award, "Central Bank Governor of the Year for Sub-Saharan Africa" and under your leadership, the Bank of Ghana received "Central Bank of the Year" award. Beyond the success story, what has been the most challenging period for you in the last few years as governor?

Without a doubt, the banking sector reforms implemented in the last few years was the most challenging given its multifaceted nature. For example, the entire banking industry was recapitalized, licenses of insolvent, weak and dormant institutions were revoked, and directives and guidelines issued to promote good corporate governance These policy decisions required careful navigation, diligence and commitment, as with such reforms the political economy became very key, timing of announcement, the takeover of the banks and the response of the public. But with the strong support of my two Deputies, the Board and Management of the Bank, and of course, the entire staff, the challenges were surmounted. Consequently, the banking sector reforms were successfully implemented, leading to a robust and resilient banking sector.

4. You introduced a number of regulatory measures in response to the pandemic (for example, policy rates and reserves, interest payments, support for commercial banks and mobile money users) What were the considerations and the intended policy objectives of these measures?

When the pandemic struck, the banking sector had strong capital buffers and was well-positioned to support economic growth. We acted promptly to provide further support and possibly ease any potential liquidity freeze in the economy. Accordingly, a number of policies were implemented to ensure bank stability, while at the same time providing the needed liquidity support to cushion businesses and households from the pandemic effects.

The regulatory measures put in place (which are still in force with limited modification) to support the industry included;

§ Reduction of Monetary Policy Rate by 150 basis points to 14.5percent - to lower lending rates to support credit extension;

§ Reduction of the Cash Reserve Requirement (CRR) from 10 percent to 8 percent for Banks – to make liquidity available for banks to on-lend to critical sectors of the economy;

§ Reduction of CRR from 8percent to 6percent for RCBs, S&Ls, Finance Houses; and from 10percent to 8percent for microfinance companies – to make liquidity available to low-income households and small

and medium-sized enterprises;

§ Reduced the Capital Conservation Buffer from 3 percent to 1.5 percent to sustain lending activities in the midst of COVID;

§ Reduced provisioning from 10percent to 5percent for loans in the OLEM category for banks to support banks' loan provisioning in the OLEM category for businesses hard hit by the pandemic;

§ Restriction on dividends and other capital distributions for the financial years 2019 & 2020 to preserve liquidity and capital buffers;

§ New capital requirements deadline for SDIs (MFIs and RCBs) extended to December 2021 from the February 28, 2020 deadline to provide temporary relief to SDIs, given current economic conditions.

§ 6-month moratorium on principal payments granted customers to support the worst pandemic-hit sectors such as hospitality and education, and

§ Provided various intervention within the Mobile Money Space (e.g. temporarily suspended transaction fees on minimum transactions (GHS100) and increased wallet limits) to promote

(GHS100) and increased wallet limits) to promote electronic transactions as part of COVID protocols.

5. To what extent, from your perspective, did banks respond to the measures introduced (especially on the syndication facility of GHS 3 billion to support industry in sectors such as pharmaceutical, hospitality, service and manufacturing sectors) and how have they impacted the industry?

- The implementation of these measures broadly provided the following relief packages to bank customers:
- Decline in average lending rates by about 2 percent, following the rate cut in March 2020;
- About 14,287 customers benefitted from the loan restructuring reliefs in terms of moratorium and deferred loan repayment on case by case basis;
- The active mobile money accounts increased to 18.3 million from 15.5 million in June 2020, and the value of mobile money transactions almost doubled to GH¢89.1 billion in June 2021 with the implementation of increased limits on digital payment platforms and waiver of fees and commissions on transactions, and finally,
- The capital relief measures partly boosted new advances to support the flow of credit to the economy.

6. From your perspective, how well have banks in Ghana and on the global front adapted to respond to the needs of their customers in the wake of the pandemic?

As highlighted earlier, banks have provided a number of relief packages to customers with the predominant being the restructured loans and other measures to improve digital payments. Although the financial digital revolution was emerging within the payments eco-system, the momentum has increased tremendously since the pandemic and as part of the safety protocols for Covid-19, the pace of deployment of innovative digitised financial products and services by banks has accelerated.

7. Following the relaxation of capital conservation buffer and reduction in cash reserve requirements, are there concerns of the banking sector relapsing to the pre-cleanup state? What additional measures are being implemented to support the initial regulatory interventions?

Despite the relief measures, the Bank has pursued strong supervision to ensure that bank operations are conducted efficiently, with strict adherence to sound credit risk management systems. Liquidity and solvency has remained strong, and even with the reduction of the capital buffers to 11.5%, the industry Capital Adequacy Ratio has remained well-above the regulatory minimum limit, currently at 20.8% in June 2021.

The main concern is that the pandemic remains with us, therefore the regulatory reliefs are still in place, because any early rollback may slow the growth recovery that we are currently witnessing. In addition, the non-performing loans ratio of the banking industry has inched up due to the pandemic-induced repayment challenges as well as some bank-specific loan recovery challenges arising from the pandemic. Consequently, banks are wary of elevated credit risks amid the highly uncertain environment and so, the relief measures will continue to provide the needed support in the recovery process.

8. How is Bank of Ghana able to steer the fine line between over-regulation on one hand, and the need to ensure safety and soundness in banking industry on the other?

First and foremost, to ensure that institutions are not over regulated, the Bank of Ghana came out with the Banks and SDI Act, 2016 (Act 930) which sought to separate riskier deposit-taking institutions, which run on public deposits and are therefore technically considered public interest entities, from non-deposit taking institutions. Based on the primary legal framework, the Bank continuously assesses vulnerabilities of all regulated institutions with respect to prudential requirements, conduct and AML/CFT status. The comprehensive assessment of the institutions and the system as a whole, based on their category, informs the intensity of regulation and supervision applied. Thus, generally the Bank of Ghana applies proportionality to supervision by minimizing over-regulation and regulatory arbitrage. The Bank has also synchronized the current regulatory regime to international best practices and where necessary, adapts the practice to suit the domestic environment.

9. Concerns have been raised about banks not responding at the speed and pace the economy requires to support economic recovery during and post COVID-19. Is the regulator worried that this pressure could result in increasing impairment risks as many sectors in the economy are still struggling and may not be ready for funding?

The slow credit growth might adversely impact the pace of the economic recovery process; and we consistently engage the banking industry to accelerate the pace of credit extension. Broadly, the problem is not limited to the supply of credit. Given the uncertainties induced by the pandemic, demand for credit has declined below expectation due to the slowdown in economic activity. Fortunately, we are beginning to see signs of credit growth recovery, albeit slow. As government implements policies to stimulate growth, on our part, we would continue to encourage banks to provide credit to the productive sectors of the economy, but subject to strong credit risk management systems to avoid credit impairment.

10. Taxes are needed to meet the needs of the economy by generating revenue to meet budgetary requirements. Over taxation, on the other hand, could cripple the growth prospects of businesses. Banks have raised concerns with the recent introduction of a levy dubbed the '5% financial sector clean-up levy' on top of the existing 5% national fiscal stabilisation levy. What is your view on these concerns that have been raised by players in the banking industry?

The 5% financial sector levy was implemented after careful assessment of the performance of the banking sector, even in the pandemic era. This assessment was done to ensure that the industry was not overtaxed. Given that the resolution exercise benefited all players in the banking industry and has substantially eased systemic risks, we believe that banks should shoulder part of the resolution costs.

11. Recent regulatory intervention by the regulator on customer service issues has led to the issuance of directives on unfair charges and fees in the banking sector. In your opinion, are banks doing enough themselves to resolve customer complaints fairly and promptly?

After the clean-up of the banking system, the next step was to improve depositor confidence to adopt and use the products and services issued by the banks and other service providers. In view of this, the Bank issued directives to ensure consumer protection. One such directive was on unfair charges and fees, which you have alluded to. Hence, to answer your question directly, I can say yes, complaints resolution capacities of banks have improved following the rollout of market conduct directives and onsite supervision by the Bank in 2019, coupled with intensive financial education on consumer rights and responsibilities.

The Bank, under the consumer protection guidelines, has directed all licensed institutions to put in place:

i. A complaint handling function, unit or department for prompt and effective handling of complaints.

ii. Display posters bearing the recourse process and contact information in all branches.

iii. Display Bank of Ghana's complaint resolution office contacts.

iv. Prescribe timelines within the BoG Guidelines for resolution of complaints and escalation of complaints to the BoG, and

v. Provide opportunity for clients of licensed institutions to complain directly to the Bank of Ghana or present appeals of complaints previously resolved by respective licensed institutions.

12. What other regulatory measures should the banking sector expect given the possible impact of mutating variants and various infection waves of the Covid-19 pandemic?

Vulnerability assessment is an ongoing process in the Bank and where the need arises, measures are implemented to contain the situation. Given the uncertain path of the pandemic, we have the COVID-19 measures still in place and looking ahead for the appropriate time to unwind. The Bank will therefore continue to monitor the evolution of the pandemic and take the appropriate measures to preserve financial stability and support the recovery process.

MAKING A DIFFERENCE IN THE LIVES OF CUSTOMERS AND THE COMMUNITY AMID A GLOBAL PANDEMIC: ROLE PLAYED BY BANKS IN GHANA.

In spite of the significant disruption to business and economic activities resulting from the economic impact of the coronavirus pandemic (COVID-19) and faced with major uncertainty and a prolonged period of recovery ahead, the banking industry in Ghana as a major driving force for economic development continues to play its role in growing the economy and in building the financial well-being of Ghanaians.

Corporate Social Responsibility(CSR)

At the peak of the pandemic, the Ghana Association of Banks (GAB) demonstrated its good corporate citizenship and commitment by setting up a GHS10 million COVID Relief fund which enabled it to undertake many initiatives to positively contribute towards emergency relief by donating cash, food items and personal protective equipment (PPEs) to healthcare institutions, practitioners and to the vulnerable in the country.

Highlighting some of the beneficiaries of the relief distribution, the CEO of GAB, Mr. John Awuah said: "the rationale for pooling resources together to set up the fund is meant to drive scale and record maximum impact in the areas of our interventions."

An amount of USD$335,000 was donated to the Noguchi Memorial Institute for Medical Research, Legon towards the procurement of test kits;

GHS200,000 to the Community Water and Sanitation organization to help in their rural outreach aimed at getting the story of regular hand washing to our rural folks and for better access to water.

GHS200,000 to doctors in residence towards the procurement of PPEs. These are doctors and other health professionals in the front line of the fight against the virus.

The association also donated GHS2 million to the private sector fund towards the construction of the Infectious Diseases Isolation and Treatment Center in Ga East in support of the construction of a hundred-bed health facility.

The GAB further donated in excess of 400 hand-wash basins (advanced form of the 'veronica buckets') to the Ghana Health Service to be deployed in all Regional and District Health facilities throughout the country.

GHS300,000 was again contributed to the private sector fund towards the feeding of the needy in deprived communities in Accra during the partial lockdown in 2020 amongst many others. Speaking to the press after the donation to a section of the vulnerable people in Accra, the CEO of GAB remarked that "the vulnerable in our society become even more vulnerable during periods like these and therefore we have contributed towards the provision of 5,000 meals per day to the needy during this lockdown period. The success of that programme led the Association to take action to do more to support the vulnerable in our communities. To this end, a total of 6,550 'family food packs' are being distributed to deprived households. Each pack contains

assorted food items that will be enough to feed a family of four for a few days. This is to help meet the feeding needs of the beneficiaries during this pandemic", he said.
Mr. Awuah further said, the Association was working in collaboration with faith based organisations in the distribution of the 6,550 family food packs to the vulnerable in the society. He explained that: "We do not have database on the vulnerable people in our society but we have faith based organisations who have charitable organs in their set-up and can aid in the distribution process. They have therefore been allocated boxes of food items to distribute." The faith based organizations used for the distribution of the food packs were: The Presbyterian Relief Organisation, Ghana Muslim Mission, The Church of Pentecost, The Assemblies of God, Zakat & Sadaqa, United Way Ghana, Caritas Ghana, Humanity First, The Ghana Baptist Convention and the Methodist Development & Relief Services.
Aside the GHS10 million contributed to by all banks at the Association level, individual banks directly, as part of their community support programmes, made donations in cash and in kind towards the procurement of PPEs, meeting the needs of the vulnerable and some cash donations.
Before the pandemic, consumer expectations were changing, and through digital and technology transformation programmes, banks were shifting the way they delivered products and services to consumers. There is no doubt that, the pandemic has changed banking strategy in Ghana.
The pandemic has presented increased opportunity for digital channels to become even more important. In many ways, the Covid-19 pandemic has become a catalyst for banks in Ghana to reinvent and change their existing business structures and models. It has presented banks in Ghana with an opportunity to make bold changes at a dramatic pace. Banks are now working round the clock to keep all distribution channels open while adhering to social distancing guidelines.
This has forced banks to rewrite their physical and digital strategy and identify new ways to meet customer expectations while simultaneously rethinking their business

models and growth strategies.
In Press Statement in 2020, GAB emphasized that banks knew that the partial lockdown and any potential new lockdown could have devastating consequences, especially for small businesses and assured the public of its range of support services available for businesses and households during the crisis.
The statement further indicated that banks were determined to exceed consumers' expectations with personalised advice and immediate support in the use of digital tools, new products and services. The statement confirmed that banks have either waived or significantly reduced charges on digital banking platforms to make them attractive and less burdensome for customers to shift.
Pursuant to this, at the height of the pandemic in Ghana, GAB and the Ghana Interbank Payments and Settlement System (GhIPPs) agreed to waive fees from the use of all digital banking platforms from

March to June 2020 to encourage customers to use digital payment alternatives whenever possible, and reduce contact with bank notes, visit physical branches of banks only when it is absolutely important and necessary to do so to lessen the traffic into banking halls and thereby helping to reduce the spread of the virus .
These innovations and interventions have made real difference in customer experience.
Feedback from customers and other stakeholders, indicate that banks rose to the occasion in a responsible way at the peak of the pandemic. In fact, most banks have adopted more innovative ways of customer experience by providing support and advice via websites, phone calls, online chats, emails, WhatsApp service engine to deliver integrated customer experience. They are also redirecting resources to manage the high volume of customer traffic on these alternate channels of service delivery.

How banks responded to measures by Bank of Ghana (BoG).
The COVID-19 outbreak has developed rapidly with far-reaching implications, causing widespread concern and economic distress for consumers, businesses and communities across the globe. In response to the economic and social consequences of COVID-19, and knowing that recent lockdowns have taken their toll on customers with projected drag on the recovery process, stimulus packages as well as various regulatory and supervisory measures from the government of Ghana and the BoG were introduced to ease the financial strain on individuals and businesses.
Throughout the pandemic, banks have worked with the industry regulator, BoG to support those most affected while ensuring

compliance with regulatory requirements. A package was designed to help customers and businesses suffering as a result of the partial lockdown in 2020 and difficulties occasioned by the pendency of the epidemic. On march 23, 2020, the Bank of Ghana announced important interventions scheme in helping banks and Ghanaian businesses fight their way through the pandemic.

Key highlights of the interventions are as follows;

- the Monetary Policy Committee of the Bank of Ghana reduced the Policy Rate by 150 basis points from 16.0% to 14.5%. This was a necessary step to induce lower lending rates for business and consumer loans.
- BoG reduced the primary reserve requirement of banks from 10% to 8%. This freed up additional liquidity for banks to support the economy. Banks were directed to channel the additional liquidity resulting from the reduction in the cash reserve requirement into fresh lending and targeted restructuring of distressed loans in sectors worst affected by the pandemic.
- Reduction of the Capital Conservation Buffer (CCB)from 3%to 1.5%to enabled banks to continue lending as it created additional space on the balance sheets of banks for more risk assets to be sanctioned.
- Reduction of provisioning requirements for other Loans Especially Mentioned (OLEM) category from 10% to 5%
- BoG agreed with banks and mobile money operators on a number of measures to facilitate more efficient payments and promote digital forms of payment for the three months following the outbreak of the pandemic in Ghana. This was a useful intervention that

further promoted the policy to limit the use of cash in the economy.

Rebuilding Banking to Face an Unpredictable Future

While the COVID-19 crisis poses significant challenges to the banking industry, it also presents opportunities to grow during the downturn and to emerge stronger and more resilient by strengthening customer relationships and breaking new grounds.

This unprecedented effect of the pandemic will no doubt continue to test and provide an opportunity to reinforce the banking industry strategic role in the country's recovery process from the pandemic.

However, responses from Government, BoG and banks have been prompt and different measures have already been taken to sustain the economy, the banking sector and, ultimately, the people.

Banks will continue to invest in technology to improve operational risk management, radically strengthen credit risk capabilities and help customers to be viable to ease access to funding at affordable cost.

The banking industry in Ghana is constantly reviewing its strategies to understand the future, use the lessons of the past – including those learned during this pandemic – to determine longer-term thinking around the collaboration and infrastructure that enables success and fast track recovery.

As the world makes its way out of the pandemic, banks in Ghana, have a vital role to play, working alongside government and BoG as part of the coordinated response to stabilise, reboot and grow the Ghanaian economy

BANK OF GHANA REDUCED THE POLICY RATE BY

150

BASIS POINTS

FROM

16.0%

to 14.5%.

BANKING INDUSTRY AT A GLANCE-

Financial and Non-financial indicators

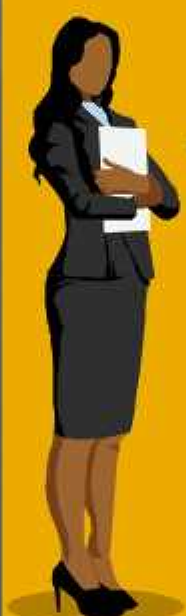
Banking Sector at a Glance- Non- Financial Indicators

135+ Digital Platforms

24% BOD Non-Ghanaian

10,489 POS

11,945,960 + Customers



¼ BOD Female

5.3MILLION ATM cards issued

2,237+ ATMs

Banking Sector at a Glance- Financial Performance Indicators

	2017	2018	2019		2020
Totalassets	93 GHSbillion	105 GHSbillion	129 GHSbillion	▲16%	149 GHSbillion
Total Deposits	58 GHSbillion	68 GHSbillion	83 GHSbillion	▲24%	103 GHSbillion
Return on Equity(PBT)	14.9 %	16.9%	20.9%	▲.5%	21.4%
Number of banks	34	30	23	=	23
NPL ratios	21.6%	18.2%	14.3%	▲.5%	14.8%
Profit before Tax	3.1 GHS billion	3.6 GHS billion	4.7 GHS billion	▲27%	6.0 GHS billion

Source: BOG, KPMG Analysis

Banking Sector Insights

The Banking sector clean-up and new capital injections have restored trust and confidence in the sector, with key industry indicators trending positively. Total industry deposit base has grown from GHS58 billion in 2017 to GHS103billion in 2020, representing circa 77% growth.

TOTAL INDUSTRY DEPOSIT BASE **2017**
58 BILLION
2020
103 BILLION

77% GROWTH

The banking industry in Ghana remains profitable, resilient and well capitalised. The top four most dominant banks by balance sheet size (Ecobank, GCB, Stanbic, ABSA) control 41.1% of industry PBT, 42% on industry revenue, 39% of industry assets and 39.5% of industry deposits.

44% OF INDUSTRY PBT

Cost of risk and efficiency across the industry is improving. Non-performing loans ratio has trended downwards while return on average equity has remained in double digits averaging 21.4% in 2020. The cost-income ratio remains high at 53% as at 2020, albeit the direction of its trend has been favourable since 2016.

THE COST INCOME RATIO REMAINS 53% AS AT 2020

A number of trends are reshaping the business model of players. These megatrends include changing customer behaviours and expectations, COVID-19 accelerated digitisation, technology disruption, competition from non-traditional players, sustainability, cyber security and fraud

The industry outlook remains positive. Regulatory compliance, digitisation, cost optimisation, sustainable banking and a clear strategy to drive customer-centricity and financial inclusion and partnerships will be imperative for banks going into the future

Positions and Shifts in Rankings

The table below shows the ranking of 21 banks in 2020 compared to 2019

Overview of 21 Banks		Profit Before Tax			Total Assets			Deposits		
		Rank	+/-	GHS mn	Rank	+/-	GHS mn	Rank	+/-	GHS mn
1	Ecobank	▲ 1	+1	774	⇄ 1	-	15,882	⇄ 1	-	11,386
2	ABSA	▼ 2	- 1	683	▼ 4	- 1	12,546	⇄ 5	-	6,506
3	Standard Chartered	▲ 3	+1	675	▼ 8	- 2	8,032	▼ 8	- 4	5,752
4	GCB Bank	▼ 4	- 1	602	⇄ 2	-	15,325	⇄ 2	-	11,353
5	Zenith	▲ 5	+1	467	▲ 7	+ 2	8,035	▲ 7	+1	5,799
6	Stanbic	▼ 6	- 1	443	▲ 3	+ 2	12,742	⇄ 3	-	9,667
7	GTBank	▲ 7	+1	385	▲ 13	+ 2	4,081	▲ 13	+2	2,995
8	Fidelity	▼ 8	- 1	382	▼ 6	- 2	9,251	▲ 6	+1	6,165
9	Access Bank	▲ 9	+2	355	⇄ 10	-	5,824	▲ 11	+1	3,892
10	Cal Bank	⇄ 10	-	275	▼ 9	- 2	7,903	▼ 10	- 1	4,164
11	UBA	▼ 11	- 2	224	▼ 15	- 3	3,950	⇄ 14	-	2,787
12	Societe General	⇄ 12	-	222	▲ 12	+1	5,115	▼ 12	- 1	3,481
13	First Atlantic Bank	▲ 13	+7	103	⇄ 17	-	3,363	▲ 16	+1	2,649
14	ADB	▲ 14	+4	98	⇄ 11	-	5,716	▲ 9	+1	4,281
15	Bank of Africa	⇄ 15	-	97	▼ 20	- 1	2,060	⇄ 19	-	1,204
16	Republic Bank	▼ 16	- 2	80	▼ 16	- 2	3,648	▼ 15	- 2	2,769
17	CBG	▼ 17	- 4	77	▲ 5	+ 3	9,962	▲ 4	+2	6,866
18	Prudential Bank	▼ 18	- 1	60	▲ 14	+2	3,970	▼ 17	- 1	2,461
19	First Bank Nigeria	▼ 19	- 3	53	▼ 21	- 1	1,812	⇄ 21	-	767
20	UMB	▲ 20	+1	34	⇄ 18	-	3,260	⇄ 18	-	2,269
21	First National Bank	▼ 21	- 2	0.4	▲ 19	+2	2,354	⇄ 20	-	1,190

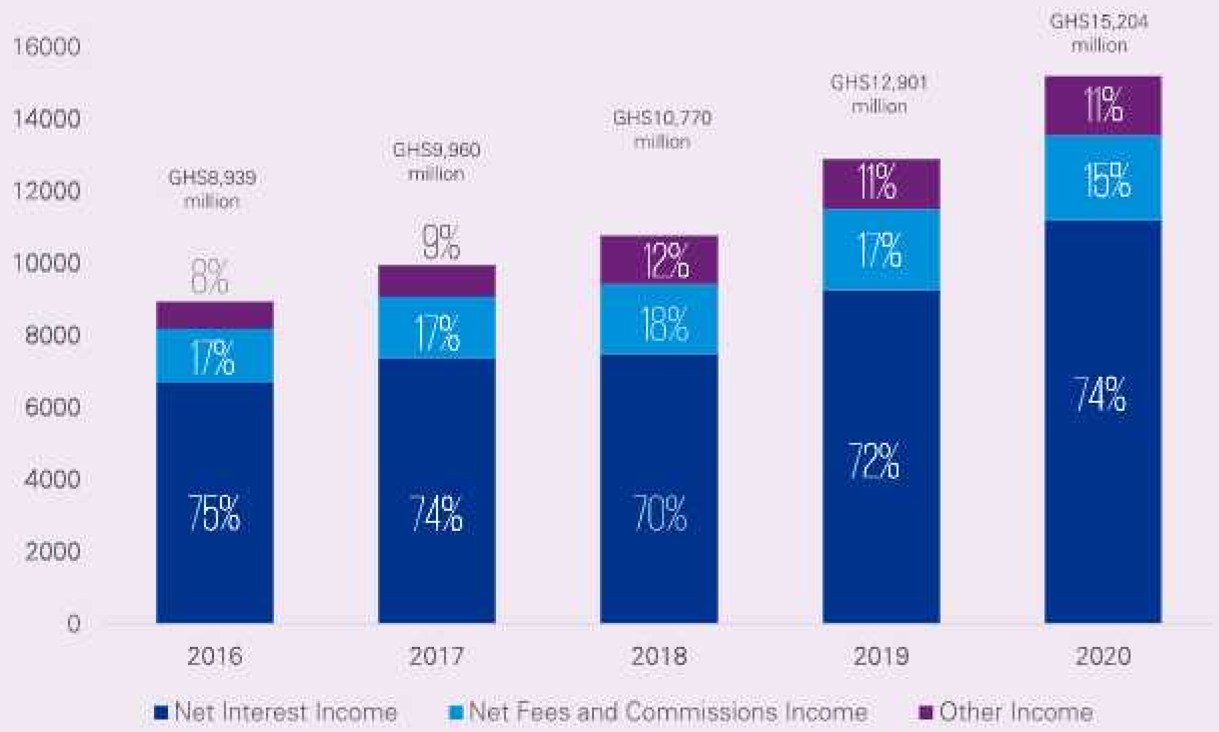
▲ Increase in ranking ▼ Decrease in ranking ⇄ No change in ranking +/- Change in ranking compared to 2019

Source: Banks' Financial Statements, KPMG Analysis

Industry Income Trends

Banking Income

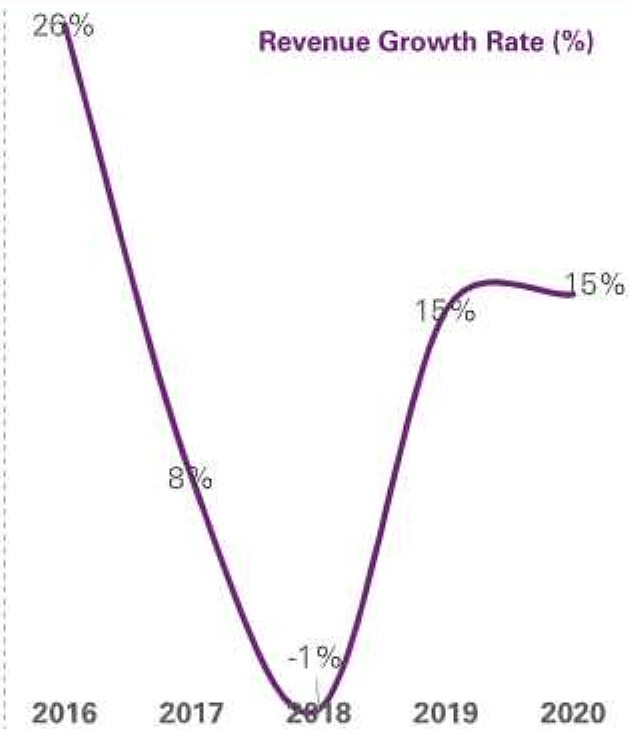
For the purpose of this report, banking income consists of net interest income, net fees and commissions income, trading and other income



*Source: **BoG** Banking Sector Reports*

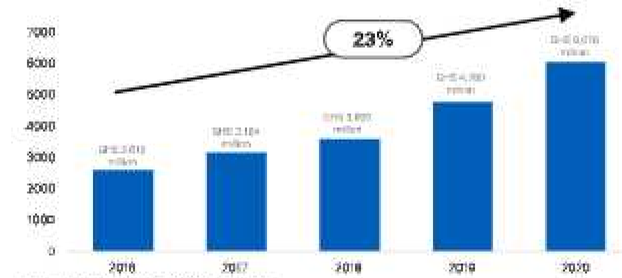
The banking industry revenue continues to grow in double digits after a dip in 2018. This growth is driven by both interest income and non-interest income. Industry-wide net interest income increased by 20.9 percent by the end of 2020, down from 23.6 percent a year earlier. For four years, net fees and commissions have been increasing steadily. However in 2020, there was a modest decrease across the banking sector due to a declined growth in credit, trade finance, and other off-balance-sheet activities.

The revenue mix between interest income and non-funded income remains largely unchanged over the last four years, with interest income accounting for more than 70% on the average.



Profitability and Cost Trends

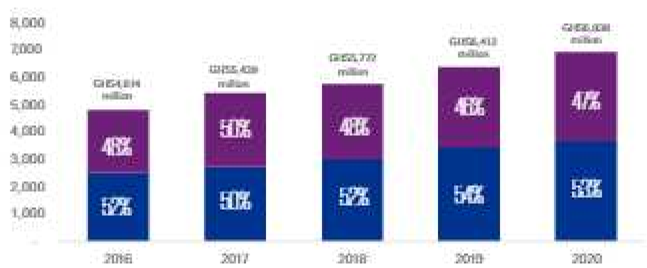
Below is the industry's pre tax profit over the last five years



The industry remains profitable amidst regulatory reforms and COVID-19 onslaught. The banking industry profit before taxes has risen dramatically over the last 5 years by a CAGR of 23%. PBT in 2020 was slightly muted with a year on year growth of 27% compared to 33% in 2019.

Cost-to-Income Ratio and Expense Trends

From 63% in 2016 and a peak of 65% in 2018, the cost income ratio of the industry has trended downwards to 53% in 2020. Banks' focus on cost optimisation and digitisation appears to be yielding results. There is significant head room to further achieve more efficiency in the industry. The most efficient banks have their cost income ratios around 30%. The key drivers of cost are staff expenses and other operating expenses.



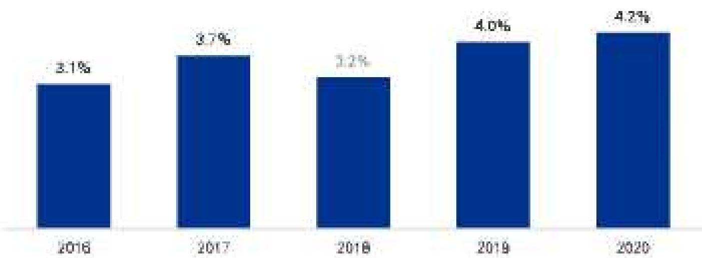
Overall, the industry's total expenses has increased by a CAGR of 10% over the last 5 years. On average, the proportion of staff cost and other operating expenses have remained largely the same. Total expenses grew by 8% in 2020 compared to 11% in 2019, however staff expenses increased by 6% in 2020 compared to 15% in 2019. Cost optimization through digitisation and revenue assurance are critical imperatives for those players seeking to achieve efficiency.

Asset Utilisation and Efficiency Trends

Return on Assets

Industry Return on Assets (ROA) has increased from 3.1% in 2016 to 4.2% by 2020. The highest industry ROA recorded by a bank was10.5% in 2020 and this has been maintained over the last three years.

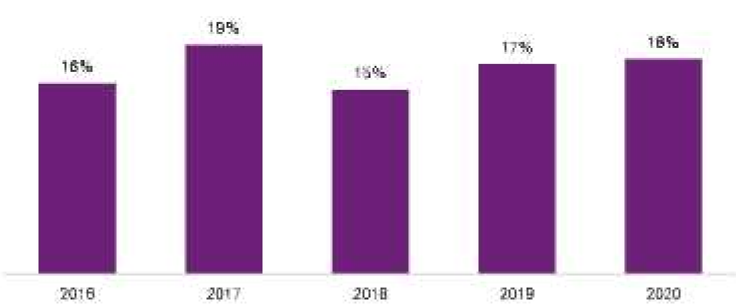
Industry Return on Assets Trends



Return on Equity **(PAT)**

The industry average Return on Equity has been in double digit over the five years. From 16% in 2019, ROE for the industry has increased to 18% in 2020. It is worth noting that the best performing bank in Ghana achieved ROE of 36.32%.

Industry Return on equity



Source: Audited bank financials, KPMG Analysis

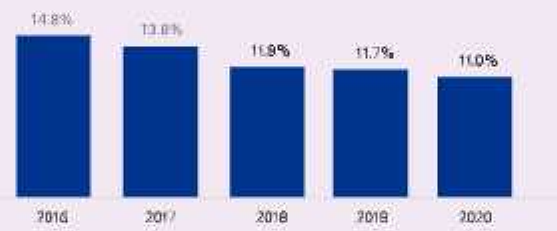
NB: Computations based on 21 banks

Interest Margins and Interest Bearing Liabilities

Net Interest Margin

Banks' interest spreads narrowed marginally from 7.9% to 7.6% between December 2019 and December 2020, reflecting declining and lower interest rates in 2020. The introduction of the Ghana Reference Rate (GRR) has offered better rate discovery for banking customers and competition.

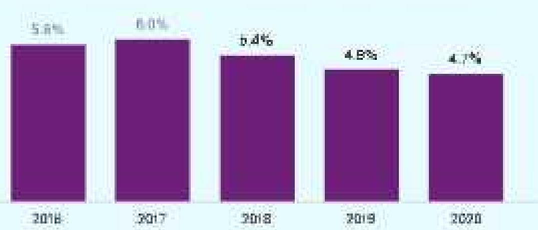
Industry Net Interest Margin



Average Cost on Interest bearing Liabilities (%)

Industry average cost on interest bearing liabilities reduced from 5.8% in 2016 to 4.7% in 2020. This is attributable to the general downward trend in market interest rates resulting in significant reduction in lending rates for the same period. The best performing bank's aaverage cost on interest bearing liabilities fell from 2.9% in 2016 to 1.8% in 2020.

Industry Average cost on interest bearing liabilities

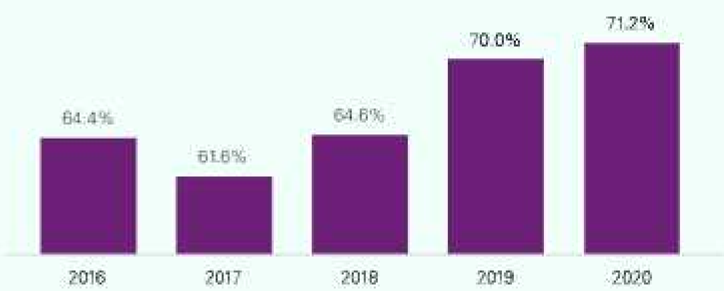


Source: Audited bank financials, KPMG Analysis
NB: Computations based on 21 banks

Earning Assets and Gross Yields

Earning Asset Ratio

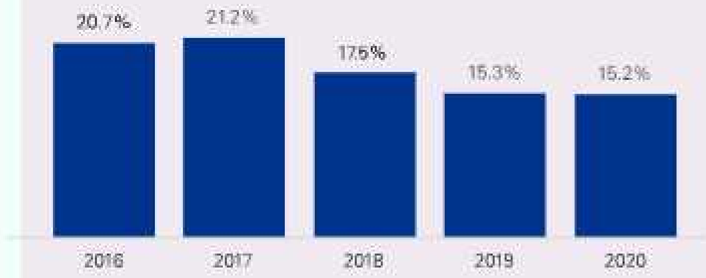
Investment securities continued to dominate the assets mix, with its share increasing from 37.5 percent in December 2019 to 43.1 percent in December 2020, which reflects banks' increasing preference for less risky assets. The share of loans and advances (net) however declined to 28% percent from 31% in the previous year, following the marginal growth in gross loans and advances. The share of "Cash and Due from Banks" also declined during the period to 21.2 percent from 24.0 percent. Non-earning assets (fixed assets and other assets) however recorded a marginal uptick to 7.7 percent from 7.6 percent.



Gross Yield on Average Earning Assets(%)

Industry gross yield on average earning assets reduced from 20.7% in 2016 to 15.2% 2018. This was attributable to the general decline in interests rates in the market as well as a general shift in asset mix towards treasuries and safer investment vehicles. This was apparent following the banking sector clean up and challenged business environment as a result of the COVID-19 pandemic.

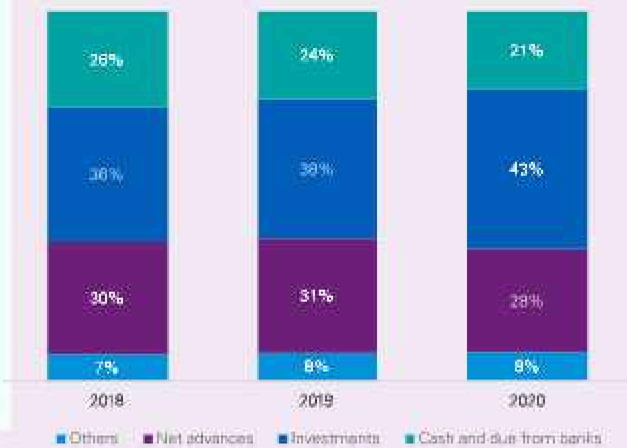
Industry Gross Yield on Average Earning Assets



Source: Audited bank financials, KPMG Analysis
NB: Computations based on 21 banks

Industry Asset Structure and Asset Quality

Industry Asset Structure

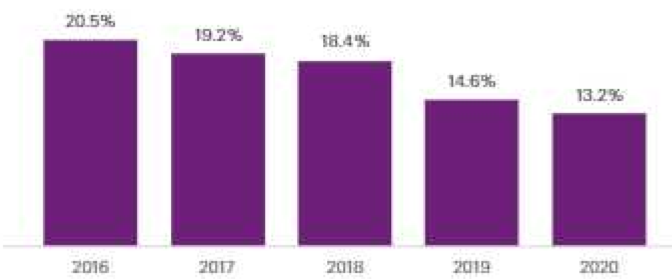


The asset structure of the banking industry's balance sheet remained broadly unchanged during the review period. There is a gradual shift in asset mix in favour of Investments. While heightened impairment risks could slow credit expansion, demand side constraints could partly account for this phenomenon. Investment securities accounted for 43% of total asset in 2020 (compared to 37% in 2019) while net loans component of the assets declined from 31% in 2019 to 28% in 2020.

Non-Performing Loans

The non-performing loans (NPL) ratios have improved. Industry NPL ratio has reduced from 20.5% in 2016 to 13.2% in 2020 (based on 21 banks' audited financials). The cost of risk (average impairment charge over gross loans and advances) has declined from 6.4% in 2016 to 3.2% in 2020. NPLs in some banks were higher than 30% in 2020

Industry NPL ratio



Source: Audited bank financials, KPMG Analysis

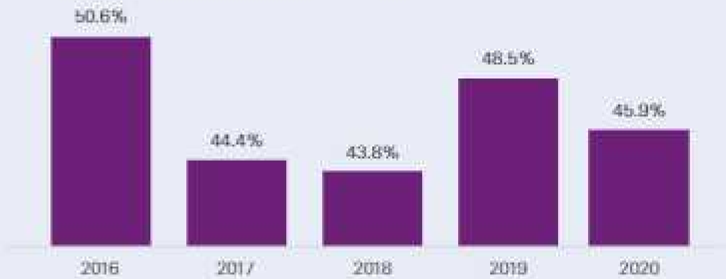
NB: Computations based on 21 banks

Loans to Deposits and Liquidity

Loan to Deposit

The industry loan to deposit ratio (based on 21 banks' financials) over the last five years has seen some volatilities. From 50.6% in 2016 to 45.9% in 2020, the loan to deposit ratio averaged 44% in 2017 and 2018. It appears that banks' response to the 2-percentage point reduction in 2020 in the primary reserve requirement and the capital conservation buffer by Bank of Ghana, to help support credit extension during this COVID-19 pandemic period has been a bit sluggish; perhaps also due to the slow down in the demand side for loans. Banks' preference for investment securities is evident in the industry balance sheet structure

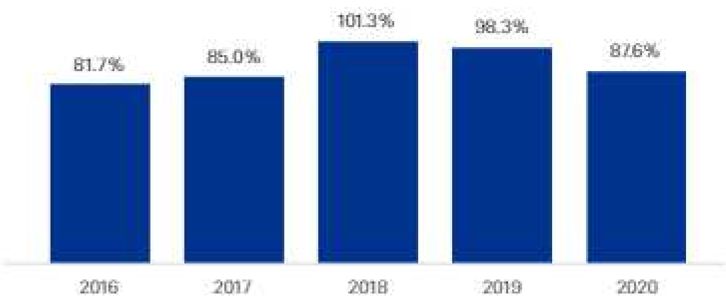
Industry Loan to Deposit ratio



Liquid Funds to Total Deposits

The ratio of core liquid assets (mainly cash and due from banks) to total assets dipped to 21.2% in December 2020 from 24.0% the year before. Broad liquid assets to total assets on the other hand increased to 64.1%from 61.1% on the back of the increase in banks' holdings of long-term instruments during the review period. The ratio of broad liquid assets to total deposits however declined from 94.4 percent to 92.3 percent due to the earlier mentioned sharp increase in deposits growth within the review period. These notwithstanding, the liquidity indicators remain high and healthy

Liquid funds to total deposits



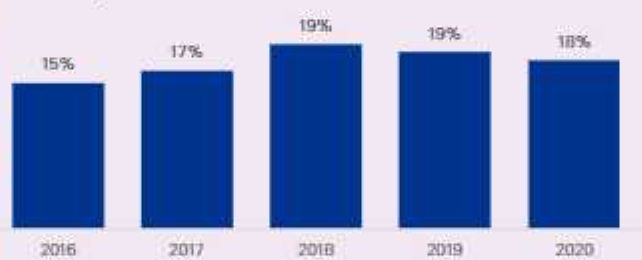
Source: Audited bank financials, KPMG Analysis
NB: Computations based on 21 banks

Net worth and Solvency

Net worth / Total Assets

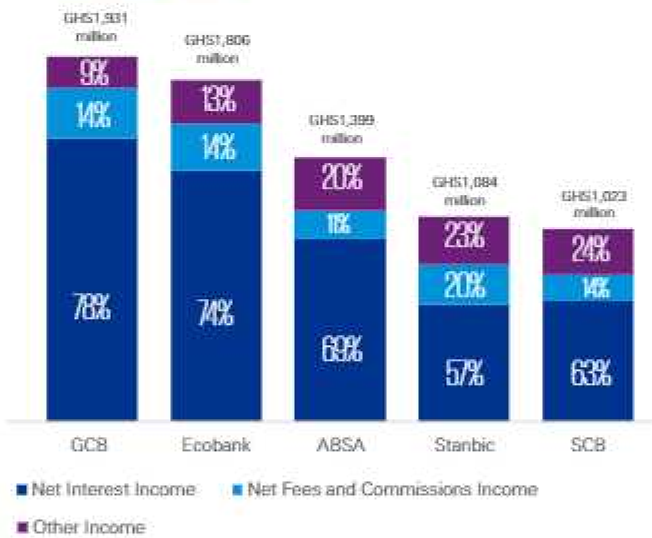
Industry Net worth / Total Assets increased from 15% in 2016 to 18% in 2020. The new minimum capital requirement of GHS400m ensured that banks shored up the shareholder funds. This contributed significantly to the increase in industry Networth / Total Assets. Bank's with relatively small asset base experienced an increase in Networth / Total Assets.

Industry Networth to Total Assets



Top 5 Dominant Banks by Income

Top 5 Banks in terms of Banking Income (2020)



Source: Banks' 2020 Financial statements

The top 5 banks, by income, with the exception of SCB are among the top 5 banks with the largest loans and advances portfolio. Significant revenue (above 50%) of the top 5 banks come from interest income.

Leading Banks in terms of net interest income 2020

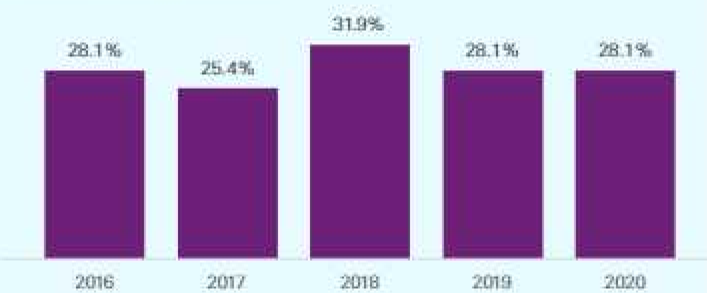
	Total	Change: 2019 to 2020
GCB	GHS 1,500 million	▲ 21%
Ecobank	GHS 1,329 million	▲ 30%
ABSA	GHS 965 million	▲ 23%
Fidelity	GHS 802 million	▲ 25%
Standard Chartered Bank	GHS 641 million	▲ 8%

Source: Audited bank financials, KPMG Analysis
NB: Computations based on 21 banks

Capital Adequacy

Industry capital adequacy remained stable at 28.1% in 2020. Following the introduction of the new minimum capital requirement in 2017, industry capital adequacy shot up to 31.9% in 2018. Banks have moved to aggressively deploy new capital into assets thereby reducing capital adequacy to 28.1% in 2020. The industry thus remains well capitalised and solvent.

Industry Capital Adequacy



Source: Audited bank financials, KPMG Analysis
NB: Computations based on 21 banks

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- Building a Cash-lite Society
- The case of Taxation in the Banking Sector
- Central Bank Digital Currency
- Enabling banks to anchor Ghana's journey to AfCFTA and beyond
- KPMG's perspective on Sustainable Banking
- Cyber Security Imperatives
- Driving Financial Inclusion in Ghana

BUILDING A CASH-LITE SOCIETY

PERSPECTIVE OF THE 1ST DEPUTY GOVERNOR, BANK OF GHANA

DR. MAXWELL OPOKU-AFARI
1st Deputy Governor

In this special feature, Dr Maxwell Opoku-Afari, 1st Deputy Governor of the Bank of Ghana, looks at the important role the Bank has played in terms of legal and regulatory reforms, payment infrastructure, policy and institutional reforms in driving Ghana's cash-lite agenda.

Technological innovations have aided fundamental changes to payments and settlement systems and today, electronic payments, where wire transfers, card-based payments, i.e. ATMs, point of sale systems, debit/credit cards, mobile money, and internet-based payments, have become widespread, with many countries moving towards becoming cash-lite or cash-less economies. Africa has not been left behind as most African countries are embracing fully the advancements made in the digital world to ensuring financial inclusion to support inclusive growth. Mobile money solutions and agent banking now offer affordable, instant, and reliable transactions, savings, and credit opportunities to the unbanked.

Ghana's payment ecosystem has witnessed significant transformation underpinned by digitised financial payments and services. Over the last decade for instance, mobile money accounts have increased thirty-fold to 44 million, volume of mobile money transactions has jumped to 10.3 million, while value of transactions has risen close to GH¢90 billion as at end June 2021. Furthermore, the emergence of financial technology companies (fintechs) with new business models has facilitated deposit money banks delivery of digital credit and savings, coupled with the seamless transfer of funds from mobile wallets to bank accounts and vice versa. Banks have leveraged on mobile phones and online platforms for delivery of financial services, as well as partnered fintechs to facilitate the purchase of government debt instruments through mobile money. All these diverse financial payment and services innovative products signal consumers' preference for digital transactions instead of cash, which is driving the Bank of Ghana's cash-lite agenda. Clearly, these positive developments are indicative of the well-crafted policy and regulatory reforms that anchor Ghana's payments eco-system. Among others, the key drivers of the expanding payments system infrastructure include the legal and regulatory frameworks, the state-of-the-art payment infrastructure and the policy and institutional reforms.

Legal and Regulatory Reforms

The Bank's objective to establish seamless transfer of funds and promote financial technological innovations facilitated the passage of the Payment Systems and Services Act 2019, (Act 987). Among others, Act 987 provided the first legal basis for issuance of electronic money and created opportunities for fintechs and other payment service providers to be licensed by the Bank of Ghana. This unique regulatory intervention incentivized mobile money operators to invest additional resources and widen the scope of operations. Other players in the financial sector also seized this opportunity to partner fintechs to introduce digital means of credit delivery and other value-added financial services. Through this framework, some banks also provided opportunities for customers to remotely request for short-term credits which are delivered directly into mobile money wallets and repayments effected at maturity through automatic debits. In broad terms, Act 987 has enhanced innovation and efficiency in Digital Financial Services (DFS), promoted competition within the payments eco-system, improved industry practices and supervisory issues, and has paved way for non-bank entities, including fintechs to offer various digital financial products and services to customers. This has established a sound basis for the use of electronic money or the cash-lite agenda, and helped remove barriers to financial inclusion.

In general, the conducive regulatory regime for DFS provided by Bank of Ghana has been well received and at presently, twenty six (26) licenses have been issued. Naturally, competition in the ecosystem has intensified, as banks and Fintechs enhance service offerings and collaborate in other areas of service delivery to harness synergies.

Payment Infrastructure

In addition to the regulatory framework, a strong market infrastructure has been established to support the cash-lite agenda.

The Bank has set up the Ghana Interbank Payment and Settlement System (GHIPSS), Real Time Gross Settlement System (RTGS), Cheque Codeline, Clearing System (CCC), the National Biometric Smartcard (E-zwich) and the National Switching and Processing System (gh-Link). To further address the need for faster payments, the Bank introduced GHIPSS Instant Pay (GIP), a real time utility solution to support instant funds availability for customers, as well as the Mobile Money Interoperability platform to facilitate transfer of funds across mobile money networks and bank accounts. Again in 2020, the Bank launched the Universal QR Code to scale up affordable and interoperable merchant payments. There is also the hybrid Gh-Link Card, which is an EMV compliant card that facilitates both biometric E-zwich transactions and PIN-based transactions at Point of Sale (PoS). The expected impact of these two innovations in the diffusion of digital payments into everyday activities has the potential to further deepen financial inclusion.

Policy and Institutional Reforms

At the onset of the payment systems reforms, Bank of Ghana consulted broadly on the cash-lite agenda, guided by the strategic plans to address the dominance of the informal sector and cash payments. The Bank subsequently established a roadmap under the National Payment Systems Strategic Plan (2019-2024) which provides the policy direction and guidelines that promote an enabling environment for a cash-lite society. The road map also leverages on opportunities provided by digital technologies to promote competition, efficiency, innovation and financial inclusion within the payment ecosystem.

In line with this, the Payment Systems Advisory Committee, which comprises all stakeholders in the payment eco-system, was established to advise the Bank on payment system issues. On a related note, the Bank issued a Cyber and Information Security Directive to safeguard the cyber space for electronic transactions. Through collaborative efforts with stakeholders, the Bank developed a National Financial Inclusion and Development Strategy (NFIDS) and Digital Financial Services Policy (DFS) to support the creation of a resilient, innovative and inclusive DFS ecosystem.

While the Bank has made great strides in the cash-lite agenda, the achievements would have been possible without the collaboration, input and commitment from all payment service providers and a broad spectrum of other stakeholders within the payment ecosystem. The Bank's Central Bank Digital Currency sandbox project, for instance, will provide a strong basis to understand the benefits and possible challenges involved in introduction of a new digital currency, the e-cedi. Moving forward, the Bank will continue to explore the emerging opportunities in the payment ecosystem on account of technological innovations to accelerate the cash-lite agenda.

Table 1: Mobile Money Key Highlights

	2019	2020	Jan-June 2021
Registered Mobile Money Accounts	32,470,793	38,473,734	44,321,060
Active Mobile Money Accounts	14,459,352	17,142,677	18,303,250
Registered Agents	306,346	423,892	512,048
Active Agents	226,298	328,329	402,730
Total Volume of Transactions	2,009,989,300	2,859,624,191	1,938,353,695
Total Value of Transactions (GHC'm)	309,352	564,156	476,729
Balance on Float (GHC'm)	3,634	6,980	7,961

Source: Bank of Ghana

REV. AMMISHADDAI OWUSU-AMOAH

COMMISSIONER-GENERAL

Navigating the Thin Line Between the Drive Towards Optimal Revenue Mobilisation and Avoiding Repressing Business Prospects: The Case of Taxation in the Banking Sector.

INTRODUCTION

Mobilization of revenue is key for every government given the ever-increasing public expenditures of both developing and developed countries. Mobilization of adequate resource through taxation is therefore necessary to meet expenditures in the provision of basic social amenities such as roads, educational infrastructure, health facilities, defence among others needed for the well-being of the citizenry.

The Ghana Revenue Authority Act, 2009, Act 791 established the Ghana Revenue Authority as an amalgam of the erstwhile Internal Revenue Service, Custom Excise and Preventive Service and Value Added Tax Service to administer taxes in the country.

Despite the slow growth in revenue mobilization in Ghana, taxes contribute significantly to the overall revenue structure of government. The composition of tax revenue has also seen a shift from the overall reliance on trade taxes to improvements in both domestic direct and indirect taxes. This can be attributed to the measures implemented

by government to improve tax administration and compliance, and the elimination of some nuisance taxes related to trade.

However, considering countries of a similar income level across the world, Ghana's tax revenue collections to GDP still is relatively low: out of 36 lower middle-income countries with available data, Ghana ranked 26th in 2018 (GSS, 2016).

OBLIGATION OF EVERY CLIENT (TAXPAYER)

All potential and existing taxpayers are required to fulfil the following obligation:

i. Register with the Ghana Revenue Authority for both tax type and also for the Tax Identification Number being replaced by Ghana Card (for new taxpayers only)

ii. File tax returns reliably and accurately

iii. Pay taxes promptly

iv. Disclose income honestly to the Ghana Revenue Authority

CONTRIBUTION OF BANKS TO TAX REVENUE

Banks in Ghana over the years contribute significantly mainly through the payment of Corporate Income Tax (CIT) as well as other tax types.

The table below shows the contribution of Tax Revenue as a percentage to GDP

Table 1: Tax Revenue as a Percentage of GDP (2014-2019)

YEAR	% OF TOTAL TAX REVENUE TO GDP
2014	12.20
2015	12.90
2016	13.20
2017	13.60
2018	13.80
2019	13.90

Source: Ministry of Finance (2018) and Tax Analysis & Revenue Forecasting (TARF) Unit of GRA (2020)

Twenty (20) out of the twenty (24) banks licensed in Ghana by Bank of Ghana in 2019, paid a total direct tax of GH¢1.6 billion, which also include the five per cent national fiscal stabilization levy to Ghana Revenue Authority (GRA). This GH¢1.6 billion represents a growth of twenty-four per cent (24%) from the 2018 direct tax of GH¢1.3 billion paid to the same agency. In 2019, the Ghana Revenue Authority (GRA) collected a total tax revenue of GH¢43.9 billion as compared to GH¢37.7 billion collected in 2018 representing an increase or growth of 16.6 per cent.

Domestic tax, which includes taxes such as corporate tax and national stabilization levy, which were the taxes these 20 banks paid, contributed GH¢31.9 billion and GH¢24.5 billion respectively in 2019 and 2018, to the total tax revenue collected, representing a growth of 30.4 per cent.

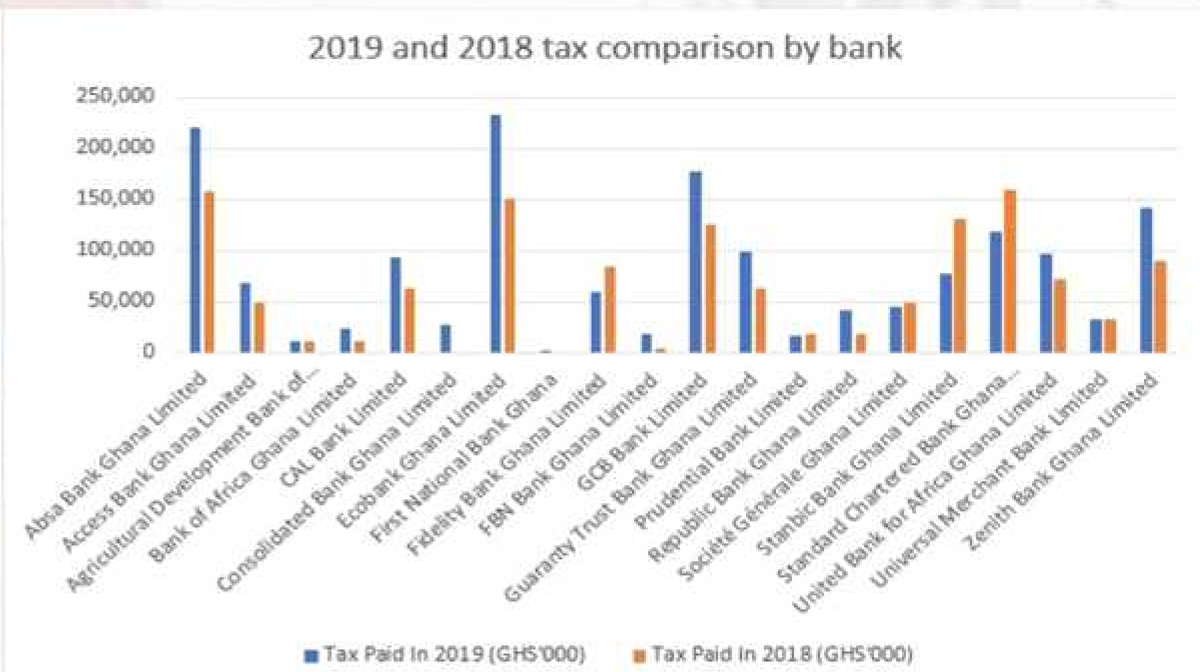
The GH¢1.6 billion paid in 2019 by these 20 banks represent 3.7 per cent of the total tax revenue collected in 2019 by Ghana Revenue Authority and 4.3 per cent of the total domestic tax revenue collected in the same year, while the GH¢1.3 billion paid in 2018 by these same 20 banks represent 4.1 and 5.3 per cent of the total tax revenue, and the total domestic tax revenue respectively

EFFECTS OF TAXATION ON BANKS

An increase in the corporate tax rate leads to a reduction of the bank's cash flow. However, the reaction to such idiosyncratic adverse shock may again depend on bank's financial strength. The intuition is that worse-capitalized banks may be induced to reduce their loans expansion since they may not have the financial flexibility to react to a tax rise by further increasing their leverage and hence cannot benefit from an enlarged tax shield (Schandlbauer, 2013).

INITIATIVES TO CUSHION BANKS

The government of Ghana is very mindful when introducing new taxes or amending existing ones so that it does not adversely affect the performance of the banks and stifle growth. This is an acknowledgement and an appreciation of the critical roles played by banks and other financial institutions operating within the country. The provision of congenial and 'tax friendly' environment is therefore paramount to government as well as the revenue administration.



The Ministry of Finance and for that matter the Ghana Revenue Authority has initiated some policies and programmes to improve financial inclusion and enable banks to take advantage of same to grow their client base and possibly grow its financial position (balance sheet).
The Ghana Revenue Authority has undertaken a number of initiatives such as the introduction of Tax Identification Number (TIN). In recent times, the TIN has been linked to the National Identification Number. This allows every holder of the Ghana Card to have a TIN. As part of the implementation of this policy, it was made mandatory for all account holders to have a TIN. Hence, no person without a TIN shall have a bank account. This will help increase customer base of banks and also help improve Know Your Customer (KYC). The Ghana Card replacing TIN has indeed improved ease of doing business as banks no longer run after TIN for their customers.

Ghana Revenue Authority is in discussion with the Ministry of Finance to evaluate the possibility of using the Business Registration Numbers generated at the Registrar General Department to serve as TIN for entities.
The cashless initiatives by the Ghana Revenue Authority have seen a lot of banks participating in the efforts of assisting in the revenue mobilization drive. As many as 22 banks have been brought in, to assist. Hitherto, only two banks were on board. This has largely increased the deposits of banks thereby creating business opportunities for the sector as well.
With this cashless programme, we earnestly require that banks help make the exercise smooth and efficient.

RECENT TAX AMENDMENTS

The Government in 2021 budget proposed some amendments to the tax laws. For the purpose of the banking sector, the following are worth mentioning:
Penalty and interest waiver Act, 2021 Act 1065. The amnesty which is partial relates to taxes up to the period 31st December, 2020. The period for the amnesty spans between April 1, to September 30, 2021. Any application after this period shall be disqualified for the amnesty. The Act essentially is aimed at providing relief for taxpayers with tax liabilities, interest and penalty to arrange and pay all principal tax liabilities and be forgiven of penalties and interest.
There is no gainsaying the fact that, Covid-19 Pandemic has wreaked havoc on businesses making it impossible to settle tax liabilities including interest and penalties without stress. This amnesty presents an opportunity for a reduction in tax payment by persons with tax burden.

Financial Sector Recovery Levy Act 2021 Act 1067

This Act imposes a special levy on banks to raise revenue to support the financial sector reforms. The rate of the levy is 5% on banks except rural banks.
The rate is not an allowable deduction for the purpose of ascertaining the chargeable income of a person under the Income Tax Act, 2015 Act 896.
The payment period of levy:
The levy assessed for a year of assessment is payable on or before the following dates of each quarter of the year of assessment:

31st March
30th June
30th September
31st December.

The payment for 2021 year of assessment shall be made in three instalments on or before:
30th June, 2021
30th September 2021
31st December, 2021
Following from the above, while the levy is an imposition of tax which is a burden, the amnesty is forgiveness of interest and penalty subject to payment of principal tax liabilities is a huge relief.
Tax Rate when farming business and leasing companies are supported
The first schedule 3(4) of Act 2015 (Act 896) states that "the chargeable income derived by a financial institution from a loan granted to a farming enterprise for use by that enterprise in the production of income of income is taxed at the rate of twenty percent (20%)" instead of 25%.
The first schedule 3(5) of Act 2015 (Act 896) states that "the chargeable income derived by a financial institution from a loan granted to a leasing company for the by that company for the funding or acquisition of assets for a lease is taxed at the rate of 20%" instead of 25%.
From the above, there is an opportunity for financial institutions when they support

farming and entities that are into leasing.

ISSUE OF BAD DEBTS

The Ghana Revenue Authority in its bid to simplify tax issues produced practice notes on bad debts for the guidance of the banking sector.

Section 88 of the Income Tax Act 896 provides that the Commissioner-General shall allow a deduction of a bad debt in the calculation of chargeable income where a person conducting a banking business makes a specific provision for a debt claim and the debt was previously included in calculating income from the business and the Commissioner- General is satisfied that the debt is bad.
Also, the Commissioner- General may deduct where the Commissioner – General is satisfied that the debt is bad and the debt claim constitutes the advance of a principal sum in case where the cost of the debt claim is reduced by an equal amount.

Conditions for Deduction of a Bad Debt

The bad debt write-off is sanctioned by the Board of Directors and the prior written approval of the Bank of Ghana as condition precedent:
In addition to the above, the Commissioner-General shall be satisfied when the following reasonable steps are taken by A PERSON:
a. All reasonable steps are based on sound commercial considerations taken to recover the debt and satisfactory to the Commissioner- General will include one or more of the following:
i. Due process followed in respect of the Bank's credit policy
ii. Issuing Reminder Notices/ telephone/ mail contact attempted;
iii. Resort to Debt Collecting Agencies;
iv. Debt Restructuring Scheme;
v. Rescheduling of Debt Settlement;

vi. Negotiation or Arbitration of a disputed debt;
vii. Legal action (filing of civil suit, obtaining of judgment from the court or execution of the judgement).
b. In addition to the above, the following conditions must be met;
i. Evidence of efforts made to collect the debt must be documented
ii. Whether due processes were followed in granting the loan between the bank and the borrower where direct/ indirect relationship exists.
iii. The collateral provided and the checks made to ensure the collateral was not encumbered
iv. Whether a valuation has been made of any security held against the debt
v. Sale of any seized or repossessed assets to cover for the debt in part
vi. Whether the borrower can be traced
vii. Whether there is any insurance cover for the recovery of the loan
viii. The Age analysis of the loan must be indicated

CONCLUSION

The motivation to improve domestic revenue has made tax administration and policy formulation a priority for governments in developing countries. It has been established that taxes represent one of the major sources of government revenue for developmental activities in both developed and developing countries. Banks being key players in the economy have been a key source of government revenue to fund its developmental agenda.
Government's agenda of ensuring "Ghana beyond aid" have meant government through the Ghana Revenue Authority has had to make deliberate attempts to increase its tax base so as not to overburden existing taxpayers.
GRA in recent times has undertaken several initiatives aimed at automating or digitalizing tax administration in the country with the objective of making tax payment less tasking on taxpayers and also to block loopholes in the tax system and to drive revenue growth.
The Ghana Revenue Authority has a mandate to raise optimal revenue but not in a way that will repress business prospects and growth. As the saying goes, no prudent person will kill the goose that lays the golden egg. As part of efforts at growing businesses, GRA organizes tax education to help businesses avoid pitfalls in the tax environment.
Tax is not on capital but on profit. NO PROFIT, NO TAX. Losses made in this sector are allowed to be carried forward for the next three years, as part of efforts to help grow this sector.
Given the plethora of incentives for the banking sector, it is for its growth and not to stifle it. If GRA crowds out the banking sector, certainly, it will lose its obvious contribution in revenue.
Taxation is a creature of statute and all persons earning income unless exempt by law are liable to tax.
The Motto of GRA states "little drop of taxes builds a mighty nation".
Thank you.

Insights into Central Bank Digital Currency (CBDC)

Insights into Central Bank Digital Currency (CBDC)

Introduction

Central Bank Digital Currency (CBDC) has held the spotlight of financial services in recent times. Deservingly so, CBDC presents a significant change in money with pervasive implications on the wider monetary system.

Money has evolved over centuries dating back to the days of barter, to the use of cowries, precious metal coins, currency notes backed by gold and eventually, currency notes and coins without intrinsic value but with faith in the authority of the central bank (fiat currency).

For the most part, money is held in bank deposits rather than as physical cash. Digital technologies enable the ability to transfer such deposits and make payments without the need to withdraw first as cash, essentially digitalising the process. Subsequently, innovations like mobile money also emerged. All of these forms of digital money are a representation of money held in bank deposits or fiat currency. CBDC on the other hand, is a central bank issued digital version of a fiat currency1. CBDC is essentially the currency, rather than a representation of it.

Wholesale and retail CBDC

CBDC systems vary significantly in their design and implementation based on the central bank and monetary policy of the currency system, but largely aligned to either a wholesale or retail model.

Wholesale CBDCs are used only to transfer value between central banks and licensed financial institutions with accounts at the central bank. Retail CBDCs on the other hand are made available to both individuals and businesses.

The Central bank in Ghana appears to be considering a two-tier retail banking CBDC, where it would process wholesale payments with licensed institutions while those institutions intermediate retail payments.

CBDC is not cryptocurrency

While a CBDC is issued and controlled by a central authority being a central bank, cryptocurrencies by design are mostly decentralised, with no central authority. They rely on distributed ledger technology (DLT) database infrastructure and a process called cryptography for self-governance. While some pilots of CBDC have adopted the use of DLT, it could also be implemented with conventional database infrastructure.

Due to their decentralised nature, cryptocurrencies are devoid of price control hence, are highly volatile as determined by the forces of demand and supply. The least volatile of cryptocurrencies are known as stablecoins and are pegged to other assets, usually the US Dollar. They are currently used for cross-border payments and some cryptocurrency exchanges provide interest bearing deposit products for them.

While they are the closest thing to CBDC, stablecoins differ in the sense that they are pegged to and backed by a fiat currency while in the case of CBDC, it is the currency.

CBDC in Ghana

The Bank of Ghana (BoG) has partnered a German institution, Giesecke+Devrient (G+D) to pilot a CBDC project as a precursor to the issuance of the e-Cedi, a digital version of the Ghana Cedi. G+D has a proprietary product called Filia which would be adapted to suit the Ghanaian market.

While G+D's Filia is said to be compatible with a variety of digital channels ranging from smartphones to smart cards, wearables like smart watches, online wallets, etc., the e-Cedi is intended to enable payments without a smartphone or a bank account. Also, the solution is claimed to have offline capabilities for instances where there is no network availability, making it ideal for the Ghanaian context and financial inclusion.

According to the BoG, the project is being delivered in three phases; design, implementation and pilot, prior to a nationwide rollout. It is expected that insights from pilot user experiences would provide Bank of Ghana and G+D with valuable lessons for nationwide rollout of the e-Cedi.

Implementation and rollout considerations

Being a very technical and sensitive implementation, central banks in Africa are looking to foreign institutions with a proven track record of successful CBDC implementations, which may be unavailable locally. However, it would be important for central banks to engage key local technocrats and FinTech communities during conceptualisation and testing, for an inclusive and well-adjusted local implementation.

It is no news today that several central banks are implementing CBDC projects across the world. While this could be exciting, an obvious concern is for international interoperability. A key consideration should be cross-border payment capabilities such that for example, e-Cedi could be transferred to Nigeria and settled in eNaira through a multi-CBDC arrangement. According to G+D, the Filia protocol would be able to facilitate cross-border payments and is prepared for future scenarios by being interoperable. For African countries, this is even more important in light of the African Continental Free Trade Area (AfCFTA).

The Central Bank must also consider the impact of CBDC implementation on commercial banks. Some implementations have chosen the non-interest bearing CBDC option consequently, positioning CBDC mainly as an alternative payment option. In which case, it may still be appealing to place deposits with banks. Others have set limits on the amounts that could be held in CBDC wallets. However, in order to reach nationwide or continentwide adoption, such restrictions may not realistically remain. More innovative initiatives may be required especially from commercial banks.

Benefits of CBDC

While CBDC is meant to bring additional value to the existing financial system, an argument could be made that in terms of around the clock instant transfers, we already have good solutions in Ghana. For example, mobile money which works excellently as a USSD service and GhIPSS Instant Pay from the Ghana Interbank Payment and Settlement Systems, which powers real-time interbank transfers on digital platforms. What other benefits could we possibly expect from CBDC?

- On the global front, since banks operate within various time zones, historically settlements for cross-border payments through the banking system are delayed. Multi-CBDC systems should provide real-time settlement for cross-border payments at a fraction of what it costs today.
- A tiered system of compliance for CBDC account types should enable accounts with higher compliance requirements to have

· The introduction of a CBDC like the e-Cedi should reduce the cost of printing and handling cash significantly in the long term. You could envisage a reduction in the need to transfer cash by bullion vans and extensive cash storage arrangements including security provisions.

· Widespread adoption of CBDC should provide better visibility to governments and central banks through data analytics. Resulting benefits should be better informed monetary policy formation, improved tax monitoring and improved money laundering and terrorist financing monitoring. An argument could be made that this may affect the privacy of citizens hence, some CBDC pilots have included the use of cryptography, as used in cryptocurrencies, to combine security and anonymity while maintaining traceability.

the ability to transfer limitless amounts of money instantly (with necessary confirmations), also at a fraction of what it costs today. This should be very appealing to businesses.

· Shared Know Your Customer (KYC) information would be a great addition such that, with a CBDC account, a customer is able to open a lower tier bank account instantly at any bank of choice, upon granting permission to KYC information. Perhaps the national identification card could be integrated with CBDC wallets.

· In 2020, governments sought to provide both businesses and citizens with stimulus funds to alleviate the impact of lockdowns resulting from the COVID-19 pandemic. The disbursement of some of these funds experienced significant delays due to gaps in existing technologies and a fragmented ecosystem. CBDC should be the plug that enables governments, through their designated agencies, to instantly transfer approved funds to verified wallets during similar interventions.

A Tsunami of Change

CBDC could drive a new wave of change and Banking may be the most impacted. For instance, while the SWIFT network has been the staple for cross-border settlements within the banking industry, some central banks are beginning to test the use of multi-CBDC systems instead.

For commercial banks, CBDC may present a new race for innovation. With the availability of mobile money, some Ghanaians do not own a bank account however, when you consider that the related fiat deposits are still within the banking system, it is not very concerning. Since an e-Cedi wallet is intended to be operated independent of a bank account; it may have a bigger impact on commercial banks than mobile money has, as there is no related fiat deposit within the banking system.

The innovation conversation for commercial banks could begin by finding answers to why a customer would want to deposit their e-Cedi with a commercial bank. Would they develop new e-Cedi lending, investment and savings products? Deploy e-Cedi enabled POS devices or perhaps provide a currency exchange for Ghana Cedi/e-Cedi like a mobile money agent does for mobile money. Would commercial banks be allowed to charge commissions on such services? Would incumbent mobile apps be updated to feature an e-Cedi wallet or entirely new wallet apps would be created? While it is not clear exactly how the e-Cedi would affect commercial banks, it is certain that the most innovative commercial banks would be the leaders in this space.

Existing FinTechs could also be impacted in that they may also have to begin to look into developing or integrating new wallets and value-added services for the e-Cedi. Given that the Central Bank has the trust of the general public, the e-Cedi presents a huge potential user base for FinTechs to tap into.

Even the privately run bullion van services could be impacted by reduced demand. Just like G+D, which is popularly known for printing bank notes, they could begin to pivot their businesses to some aspect of the technology value chain of the e-Cedi.

Education and Sensitisation

Central banks and other relevant authorities would have to carry out an educational campaign prior to and during the deployment of their CBDC projects. This would help clear doubts, facilitate adoption and protect the general public from fraudulent actors. Just as has been witnessed in Ghana with mobile money fraud, such fraudulent actors would always look to take advantage of knowledge gaps upon the introduction of new technologies, to defraud unsuspecting individuals. Rather than take a reactive approach (after the fact), education and sensitisation should be proactive to rid the adoption process of such avoidable setbacks.

The educational campaign should provide guidance and answers for the average Ghanaian in various languages, as well as answer the questions of the more technical citizens. For example, the Economist may wonder, would issuance of the e-Cedi inflate the monetary base? Consequently, could that result in inflation? The Cyber Security Specialist may wonder, what are the design controls that ensure there is no replication and double spending of the e-Cedi? What new risks would emerge and have they been assessed and treated?
Evidently, a well co-ordinated public educational campaign would be valuable to drive a nationwide adoption of the e-Cedi and prevent exploitation of the citizenry.

Conclusion

Central banks across the world are piloting CBDC implementations and these should be contextualised to suit their various markets to deliver added value. Commercial banks would continue to be under pressure in terms of innovation to stay ahead of the curve amidst rapidly emerging technologies. Education and adequate sensitisation of the general public would be key to the adoption and success of the e-Cedi.

While an argument could be made that Ghana does not boast a high literacy rate, considering the nationwide adoption of mobile money, the e-Cedi has potential to be a very successful endeavor. As long as it is cost effective, secure, simple to use and actually works, we could expect the general public to find it appealing.

KPMG's involvement

KPMG's thought leadership publication "A Global Look at Central Bank Digital Currencies", a product of extensive research in collaboration with The Block Research, provides a holistic snapshot of the state of CBDCs and has been recognised by multiple central banks, intergovernmental organisations and think tanks including the World Economic Forum (WEF). One key takeaway from the research finding is that CBDCs are moving past the hype and into production.

In anticipation of the multi-faceted transformations that CBDCs present, KPMG is working to help support clients to:

- Understand the implications, risks and opportunities that CBDCs present.
- Design effective strategies for adoption across business and technology.
- Assess, configure and deploy core technology infrastructure for central bank digital currency systems.
- Harden CBDC systems for security and resiliency against leading standards.

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SETH TWUM-AKWABOAH

CEO Association of Ghana Industries

ENABLING BANKS TO ANCHOR GHANA'S JOURNEY TO AFCFTA AND BEYOND, THE STRATEGIC RESPONSIBILITIES OF THE BUSINESS COMMUNITY

INTRODUCTION

The advent of the Africa Continental Free Trade Area (AfCFTA) marks a new dawn for businesses. After a long haul of seminars, workshops, technical working groups and stakeholder consultations all aimed towards making the Ghanaian business community aware of the opportunities that AfCFTA offers, we have "arrived".

With Ghana hosting the AfCFTA secretariat, expectations of the benefits to Ghana remain high. But hosting the secretariat alone does not guarantee business. Seven months have already elapsed since trading began and Ghanaian businesses are currently exploring and now finding their feet in this trade agreement to leverage opportunities within. Besides the opportunities that come with this free trade, threats of keen competition are imminent. Ghanaian businesses including SMEs feel threatened by the influx of goods coming to outcompete them in their own turf. This continues to raise questions in the minds of many local businesses. Is AfCFTA considered as a blessing or a curse? Will Ghanaian businesses be the losers or winners in the African integration process.

Some of us are of the strong opinion that winning or losing should not be the main concern but rather our preparedness to actively participate as a country should be our number one priority. Public institutions and regulatory bodies whose operations borders on trade ought to be equally prepared to complement Industry. We reckon that only an Industry-led drive for AfCFTA with mutual support from public institutions to facilitate business will inure to growth of the Ghanaian economy and our benefit in AfCFTA.
It is therefore important that all relevant stakeholders get on board simultaneously and align their operations and activities towards a total strategic plan to harness the opportunities.

One of such major key stakeholders whose role cannot be underestimated is the financial sector. Banks in Ghana have a strategic role of financial intermediation for our businesses to succeed in AfCFTA. Banks that can offer medium to long-term financing at competitive rates could become major game changers in our efforts to leverage the benefits of AfCFTA. Unfortunately, the trend we see is that a significant share of loans from the banks goes to Trade and Commerce and Service sectors which have short-term investment horizon, compared to Manufacturing. While Service sector accounted for 21.5% of the banks' loan portfolio, Manufacturing received 11.5% according to the Ghana Banking survey report 2019. Meanwhile, over 80% of the items to be traded under AfCFTA will be in goods, hence this trend must change to effectively push Ghanaian products unto the African market. A significant share of loanable funds is also borrowed by Government, making the

private sector's access to medium to long-term funds more difficult.

Admittedly, many of our businesses are unable to attract loans as payback mechanisms are not stringent enough. It is indeed worrying that banks are complaining of even higher Non-performing Loans (NPLs), in recent times, and largely attributing that to the COVID pandemic. In my recent membership visits to banks, some MDs of banks hold a strong view that the repayment culture of most Ghanaian businesses is bad, and that some deliberately do not make enough effort to pay back their loans, hence the high NPLs. This assertion is quite disturbing, especially in an effort to encourage banks to extend more credit to the private sector. The situation therefore makes it unattractive for funding institutions to support some of our SMEs. We can only urge our private sector businesses to endeavor to pay back their loans, and where there are genuine difficulties, engage their banks and find amicable solutions to their challenges.

Closely related to the access to finance is the cost of finance which the AGI Business Barometer has consistently reported, for the past ten years, as a major bottleneck facing businesses. The policy rate, as reported by the Bank of Ghana has experienced a steady decline within the past two years, yet lending rates continue to defy policy rate reduction prescriptions. This is worrying, considering the role our banks play in project and investment financing. Expectations that the banking sector clean-up and reforms will drastically reduce NPLs have not been met. Indeed, easy access to finance will have made a big difference in resuscitating businesses severely hit by the covid-19 pandemic.

A number of businesses have tried to restructure their loans with difficulty. Against this background, there is need for the banks to reconsider developing more innovative financing schemes for businesses as trade within AfCFTA has begun. AfCFTA also comes with new trends in business and changing needs of industry and therefore banks will need to tailor their operations and align with these trends in order to remain relevant to the

markets that they serve. Therefore, news of the Development Bank Ghana is very welcoming and Industry cannot wait to see the establishment of such a bank come to fruition. Not only will this support business development locally but will also boost our drive for export market development and capacity to deliver big ticket projects at the continental level.

While we trade within AfCFTA, currency conversion and the ease and cost of international money transfer across different economies come into sharp focus. Cross border payments, especially in the wake of trading in several different currencies of different values within Africa presents a challenge. Perhaps the over delayed ECO would have been a perfect denominator against which goods and services could be exchanged within ECOWAS and subsequently within AfCFTA. The readiness of Ghanaian banks therefore, to address these fundamental payment issue will give some relief to the business community and boost their efforts towards AfCFTA. Our local businesses may have production capacity limitations, but foreign partnerships may be useful strategic options to propel us forward. Therefore partnerships, if well-structured could be that strategic option for some of our local businesses to attract big contracts and financing from the banks.

It is also becoming necessary for businesses to forge closer working relations with the banks; a relationship that must be anchored on good corporate governance practices. Indeed, the lessons from the recent banking and financial services sector clean-up should help businesses reform and imbibe desirable best practices.

Undoubtedly, Ghanaian banks have a major and a strategic role to play to anchor Ghanaian businesses to harness the opportunities within AfCFTA. Banks should therefore be provided with the needed incentives to play an effective role; imposing additional taxes on the banks does not seem to be the best solution, but ensuring that significant part of their resources is channeled to the productive sector will be a better option in our journey towards AfCFTA.

Seth Twum-Akwaboah
CEO, Association of Ghana Industries

Manufacturing received

11.5%

according to the Ghana Banking survey report 2019

Perspectives on ESG and Sustainability in the Banking Sector - The role of the board in the ESG agenda

Sustainability has been a buzzword for many global leaders since mid-2010s, more so, to ensure that the entire global community puts in place measures to meet the needs of the present without compromising the ability of future generations to meet their needs.

Sustainability has been an overarching goal of global and local organisations together with governing bodies. The Paris Climate Declaration and the United Nations' 2030 Agenda for Sustainable Development, launched in 2015, advocates for economies across the globe to change the global economy into a climate-friendly one, geared towards meeting ecological and social goals.

Since the concept of sustainability was introduced into the financial sector, we note that it has been top of mind for many organisational leaders, although in a fragmented manner. Business Leaders are gradually recognising that environmental, social and governance issues (ESG) and sustainability issues factor into corporate performance and if not taken seriously could pose significant reputational risks.

In respect of this, the tone at the top makes all he difference between a bank taking new territories and one lagging abysmally. The first step is understanding that board of directors should have direct oversight of ESG and sustainability affairs. Sustainability and ESG are no longer the sole responsibility of some corporate executive – i.e. chief diversity/sustainability officer/sustainability, head of marketing, head of human resources and chief risk officer, but the, CEO, CFO, COO and other key players should equally have ESG high on their agenda and take responsibility for same.

Today, business partners and investors alike, expect active board participation in ESG as research shows that companies with robust board oversight manage ESG risks more efficiently. Just like all strategic drivers, the real work is in the details. Assigning ESG to the board signals publicly that sustainability matters. The board must have a solid understanding of ESG in order to ask the right questions and tie ESG back to the business case and strategic decision making.

We observe a number of shifts in the Ghanaian Banking Industry regarding ESG from a regulatory, investor and customer standpoint. Following the banking crises in 2018, where we saw some banks leave the high street and others being restructured, the Central Bank of Ghana in 2018 introduced the Corporate Governance Directive which focuses on implementing sound corporate governance principles and best practices. Additionally, the Central Bank of Ghana rolled out the Guidance Notes for the Sustainable Banking Principles for banks to create a healthy financial system, transition to green economy and pursue long-term sustainability. ESG-related investment is accelerating, even in the midst of the covid-19 pandemic, driving investor demands for enhanced ESG related disclosure and data. Customers

have heightened expectations of banks they transact with and their bank's contribution to or detraction from the low-carbon transition, adherence to ethical principles, good corporate governance principles among others.

This paper presents KPMG's five-part board oversight framework to support board of directors understand and shape the total impact of bank's strategy and operations externally (i.e. on the environment, the bank's customers and employees, the communities in which they operate and other stakeholders – and internally, on the bank's performance).

1. Level Setting

Generally most banks have struggled to really define what their focus should be on ESG, is it corporate social responsibility? Shared value? Conscious capitalism? Triple bottom line? Responsible business? Corporate citizenship? Board Diversity or Sustainability?. It is important that as a first step, bank's understand the impact of their business strategies on key stakeholders i.e. investors, employees, customers and communities. It is essential the board together with management when crafting their ESG strategy have an alignment not only on the language but what the language means practically.

The Five-part framework for board oversight

Level Setting

- Agree on the definition of ESG and its importance to the Bank

Assessment

- Determine which ESG risks and opportunities are of strategic significance to the Bank

Integration

- Encourage integration of strategically significant ESG issues into the business strategy

Stakeholder Communications

- Understand the varying information needs of the bank's stakeholders and shape the bank's key ESG messages to investors and other stakeholders in the context of strategy and long-term value creation

Board Oversight

- Have the right board composition structure and processes to oversee ESG in the context of strategy and long-term value creation

Source: KPMG Board Leadership Center in collaboration with Professor George Serafeim of Harvard Business School

There is the tendency for banks to assume that by giving to charity, then they are fulfilling their ESG obligations, but giving is a narrow aspect of the bigger strategic ESG equation.

To avoid any ambiguity, it is apparent that when discussions are held on ESG the dialogue should cover the following areas i.e. risk, opportunity, efficiency and financial performance.

Many banks are already moving down the path towards greener finance. The quantum of ESG-related announcements coming out of banks before COVID-19 were staggering. Goldman Sachs, for example, announced they would spend US$750 billion on sustainable finance over the next decade. Bank of America has pledged US$300 billion to sustainable investments. Virtually every large global bank has made some sort of commitment — both financial and otherwise.

What is notable about these announcements is not just the sheer size of the commitments. It is who is making the statements. The Goldman Sachs pledge was made by David Solomon (the global CEO). At the Bank of America it was the Vice Chairman of the global bank. The point is that the leaders are making ESG a CEO-level and Board-level mandate; they are elevating the issue to the highest levels of the Bank.

2. Assessment

After level setting, we advocate that bank's adopt a two-step process to determine which ESG risks and opportunities are of strategic importance to the bank. It is important for the Board of Directors to understand and oversee management's identification and assessment process.

- Identify and assess all the ESG issues that are material to the business, such as environmental degradation, product and worker safety, paper waste etc. These issues should be such that they could materially affect the Bank or its stakeholders. The identification and assessment process should involve analysing the likelihood and magnitude of ESG risks and opportunities, knowing that these variables may shift and thus need to be revisited.
- Identify from the broad inventory of material ESG issues, two or three ESG issues that are truly core to the business strategy. It is important that banks determine which ESG issues are pertinent to various stakeholders i.e. customers, investors, suppliers, the community in addition to the internal assessment and dialogue. For instance, for banks that are competing on the basis of differentiation should focus on issues that would affect the brand value of the bank.

From a practical stance, some banks are taking a closer look at environmental and social risks in deciding whether to lend money to certain corporate borrowers. Some banks have stopped lending to companies in industries viewed as high risk, such as those that operate private prisons or manufacture firearms. In recent years, banks such as ING Groep NV have structured loans in a way that provides borrowers with a lower interest rate if they improve their sustainability targets and other metrics. Those loans, known as sustainability-linked loans, have increased in popularity in recent years, according to ESG ratings executives.

3. Integration

While many banks have developed ESG initiatives, there is often a disconnect from the core business strategy and the activities under ESG usually do not directly contribute to the bank's competitive advantage. It is important that the bank takes into consideration two key areas in the integration process:

Employee selection and behaviour

The following should be considered from a people perspective:

- Are we hiring the right talent and is our selection process compatible with building an inclusive, diverse and talented workforce that reflects our business needs?
- Do we tie compensation and promotion decisions to the metrics that advance performance on the critical ESG issues we face?

Organisational processes and routines:

The following big questions should be of focus when taking into consideration the Bank's processes and routines:

- Do we have the right ESG metrics to monitor performance, set targets and incentivise action?
- Are the metrics reliable, comparable over time, and credible for decision making? What are the mechanisms to help ensure these qualities?
- Have we integrated these metrics into capital allocation decisions to help determine which projects to invest in?
- Are we considering ESG issues when making marketing, procurement, hiring, financing, investment, sponsorship and investment decisions?

4. Stakeholder Communications

The first step in developing ESG messages that resonates with stakeholders is understanding the varying information needs of the bank's stakeholders. Employees, customers, communities, regulators and investors frequently seek different

ESG information. For example, the information in an annual "corporate citizenship" report covering issues such as employee engagement, reducing energy consumption and corporate philanthropy may be useful for employees, customers and the community, however, this may not address the needs of the investors focusing on the impact of ESG on the bank's long-term performance and the basic question of whether to invest. Shaping the bank's key messages in the context of strategy and long-term value creation can reinforce the connection between ESG and corporate performance.

5. Board Oversight

The structure and processes a board creates to oversee ESG issues will vary based on a number of factors such as size and complexity of the bank's operations, the magnitude of ESG risks and opportunities, the degree to which ESG issues are central to the bank's strategy and the level of director expertise regarding relevant ESG issues. On the composition of the board, some institutions have taken steps to include directors to the bank that are ESG subject matter experts. To the extent the board lacks the necessary experience and expertise, directors should consider including it as a criterion for future candidates or consider third-party specialists to assist.

The board will also need to consider whether or not they need to create a sub-committee to focus on ESG matters. The option of a sub-committee will become relevant based on the magnitude and type of ESG issues.

Reporting is also a key area of focus as part of the board's oversight functions. The board together with management will need to determine the information they require, at what frequency, key metrics/KPIs.

Below is an illustration of a board governance structure.

An effective structure ensures ESG considerations are integrated into the planning and execution at different levels of a Bank, and the Board is informed with sufficient ESG updates through an established management reporting relationship

In conclusion, wherever your bank is on it's ESG journey, it is important that the board adopts the five-part framework to drive a robust conversation about the ESG risks and opportunities that may impact the Bank's key stakeholders, corporate strategy and long-term performance. Banks that inculcate ESG as part of their corporate strategy and obtain the relevant buy-in from their stakeholders will set themselves apart from their peers as forward-thinking banks focused on long-term performance and value creation.

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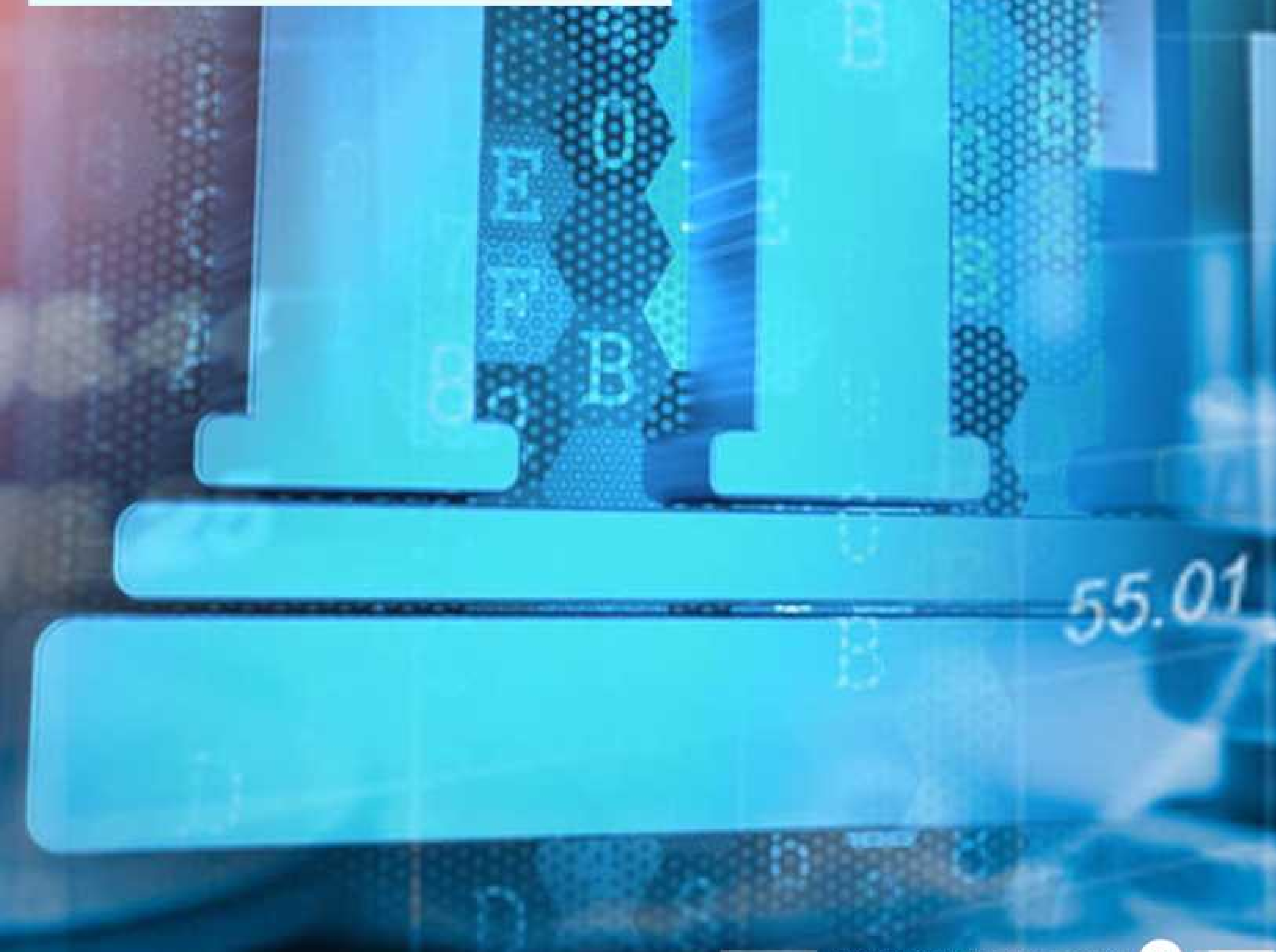


"If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained, you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle." – The Art of War[1]

Laws, Directives, Standards and organisational policies on Cyber Security have been enacted and rolled out with the expectation that organisations would comply to show the measures they have put in place to securely manage and protect their information assets. But, for every control or requirement given, there are cyber criminals who are constantly finding loopholes.
Cyber Security compliance transcends the 'show' of

CYBER SECURITY IMPERATIVES:

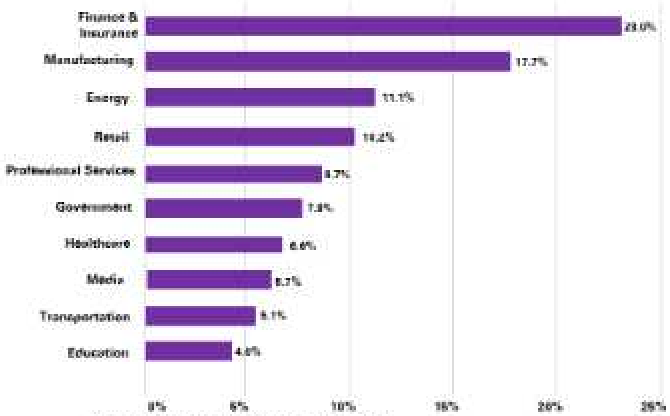
Questioning your Organisation's Top-Down Approach to Managing Cyber Risk in a Rapidly Evolving Digital Landscape

The 'Art of War', a manuscript authored by ancient military strategist, Sun Tzu, outlined warfare tactics which have proven to be a great influence on leaders, even in the world of business. In contemporary times, we have witnessed warfare being extended to the cyber realm and knowing your organisation's current risk posture and overall position on Cyber Security and evolving threats, puts banks in a better position to defend against the attacks of cyber criminals; posited by Sun Tzu's tactical advice.

congratulatory messages, picture-taking in front of backdrops decorated with balloons, company logos and certification titles, which are conferred on an organisation after passing a point-in-time compliance assessment. Cyber Security is never-ending hard work which involves making daily resolutions to secure your organisation's people, processes and technology assets.

The IBM Security X-force Threat Intelligence Index 2021, gives insight into recent occurrences in the global cyber security landscape. The top 3 attacks of 2020 saw ransomware, data theft and server access take first, second and third place respectively with the top 3 attack vectors being scan-and-exploit, phishing and credential theft. A breakdown of cyber-attacks of the top 10 industries globally, saw Finance and Insurance maintaining first place (23%) from the previous year. In second to tenth place were Manufacturing, Energy, Retail, Professional Services, Government, Healthcare, Media, Transportation and Education[2].

In Ghana, COVID-19 has become an accelerator for digitalisation which was already in motion. According to KPMG's Banking Industry Customer Experience Survey 2020, there has been a significant shift in customer preferences across all digital channels in the banking industry. We see various financial institutions showcasing their digital products and urging customers to utilise them for financial transactions to complement efforts to minimise the spread of COVID.



Source: IBM Security X-Force 2021 DBIR

This, however, expanded the playing field for cyber criminals and fraudsters as financial losses attributed to e-money fraud rose by 180% from GH¢ 374, 400 in 2019 to GH¢ 1,048,100 in 2020 according to the Bank of Ghana (BoG) 2020 Banking Industry Fraud Report.

Additionally, losses from reported ATM and POS fraud cases were estimated to have risen to 32.24% in 2020 from 3.78% in 2019[3].

We have come to understand that achieving 100% Cyber Security is a myth. With local and international money moves being made around the clock, cyber criminals will always be lurking in the shadows; waiting to take advantage of the slightest weakness to cash in. What we have found to be realistic, is mitigating cyber risks to manageable and acceptable levels.

Also, we realise that Cyber Security is more than just a purchase decision on the best technology and tools; so, what makes organisations think that they are prepared enough to manage cyber risks in a world of rapid digital change?

Through a set of 7 questions, we help you explore key cyber security imperatives that organisations should consider.

1. What does Cyber Security Governance and Leadership look like in your organisation?

Board of Directors who responded to the Gartner 2020 Board of Directors Survey, indicated that cybersecurity-related risk is the second-highest risk area for their organisations just after regulatory compliance risk. Majority of the respondents did not feel their organisations would be adequately secured in the face of a cyberattack.[4]

As a professional services firm that has worked with numerous organisations in Ghana and the world over, we have noticed that the best responses to cyber threats and breaches have come from organisations whose leadership is strongly committed to Cyber and Information Security initiatives and the investments therein.
Simply put, Cyber Security is a tone-at-the-top affair and it is made a priority. Indeed, the state of cyber security in any country or organisation is testament to the kind of leadership shown.

In recent times, Ghana out doored the Cybersecurity Act 2020, to establish the Cyber Security Authority, regulate cybersecurity activities, promote the development of cybersecurity and related matters in the country. Albeit, arriving later than the prevalence of cybercrime in the country, the Act will coagulate ongoing efforts to help organisations develop the frameworks required to foster a strong culture of cyber security across various industries within the country. The Central Bank has already taken some measures through the introduction of its Cyber and Information Security Directive to provide a framework for financial institutions it regulates, to implement the necessary measures to address Cyber and Information Security risks.
Boards are a vital piece of the Corporate Governance puzzle, providing continuous direction and laden with the ultimate responsibility for governance issues. It therefore goes without saying that having a Cyber Security representation on the Board is a very important initial step to establishing a strong cyber security culture within an organisation.

The BoG Cyber and Information Security Directive charges Boards of regulated institutions, to "appoint a Board Sub-Committee on Cyber and Information Security risks and countermeasures with a well-defined charter."[5]

KPMG's 'Cyber in the Boardroom' methodology enables Boards to assess their organisations' current risk exposure, steer their cyber security program in the intended direction and also importantly, develop risk indicators and measure performance of the organisation's cyber security programs. The methodology assists Boards and Management to develop a cyber security culture which permeates all facets of the organisation, by establishing policies and security awareness programs.

Summary of KPMG 'Cyber in the Boardroom' Methodology

2. When was your organisation's last Cyber and Information Security Steering Committee meeting and who was in attendance?

After the Board, the next most important mandate rests on the shoulders of Senior Management.
The BoG Cyber and Information Security Directive (CISD) stipulates the formation of a Cyber and Information Security Risk Management Steering Committee. This Committee which is mandated to report to the Board at regular intervals, must be chaired by a Director of Cyber and Information Security (DCIS) with at least three other Senior Management appointees selected to serve on the committee – namely, the Heads of Risk, IT and the Chief Information Security Officer (CISO).[5]
A well-defined Steering Committee Charter helps to state the timing of meetings among other key responsibilities of the committee.

Frequent Steering Committee meetings help Senior Management to make key decisions to steer the organisation's Cyber and Information Security issues in the intended direction. As such, Committee members must attend meetings to devote time to discussions pertaining to the establishment, implementation, and performance of an Information Security Management System (ISMS).

Belonging to a committee is a great step; but it goes beyond marking oneself present on the attendance sheet. Being involved and participating in regular committee meetings yields far greater results as deliberations on plans, key actions, budget, risk management interventions, strengths and improvement areas, provide Senior Management with the opportunity to set the tone for Cyber and Information Security matters.

ISO 27001, an international standard for Information Security, which specifies requirements for establishing an ISMS, contains Management Clauses, (Clauses 4 – 10) which outline mandatory requirements and key areas of focus for Senior Management. These clauses give Senior Management the opportunity to demonstrate their full support for the Information Security agenda within their organisation. The ISO 27001 framework if adopted properly, could lay the foundation for addressing security risks even in the cyber space, considering that Cyber security is a sub-set of Information Security. Standards such as the ISO 27032 which provides guidelines for Cyber Security, also complement the ISO 27001 standard as it outlines specific technical controls that can be implemented to plan for and defend the organisation from attacks within the cyber realm; i.e. the virtual world that has come to exist as a result of the internet.

3. Does your organisation have the right talent to lead Cyber Security?

Cyber and Information Security are specialised areas that were not built into the model of traditional banks and finance houses in Ghana. In fact, the proclivity of some Ghanaian financial institutions (banks, savings and loans and microfinance companies among others) to adopt standards for Cyber Security was born out of the BoG's regulatory intervention. It will be interesting to see more Ghanaian business leaders change this narrative by taking proactive steps to addressing the evolving nature of risk within all facets of business operations. The rate of digital disruption and the introduction of technology that meets customers' changing preferences, emphasises the need to protect digital assets more than ever. This is where the Chief Information Security Officer comes in. Like the Information Technology department, the Information Security department is perceived as a cost centre – but for good cause. Imagine losing GHS 20 million cedis in a hack as opposed to saving it by having the right personnel and supporting tools to detect and stop the unauthorised system access which facilitated the hack in the first place?

The times have dictated the need for Cyber and Information Security talent and even the BoG Directive dictates that Senior Management must appoint individuals with this background to manage and drive their Cyber and Information Security efforts. As such, there are prospects for Information Security professionals in Ghana. Management needs to identify the right talent to deliver on this mandate. Management also has the opportunity to groom in-house IT talent who could develop the capacity to assume such roles.

4. Does your organisation have a strong commitment to Information Security Awareness Programmes?

In his book, the Art of Deception, Kevin Mitnick, the world's once most wanted hacker stated: "Anyone who thinks that security products alone offer true security is settling for the illusion of security." Undeniably, the most advanced security tools in themselves cannot work in isolation to offer the security that we desire. They need to be configured within an existing Cyber Security culture and context that is built on a solid foundation of risk management, institutional policies, awareness programs coupled with Management's support.

Information Security is everyone's responsibility within the organisation – not just the CISO's. Case studies over the years have shown that Cyber and Information Security threats do not just involve computing devices. Persons with malicious intentions have devised all forms of strategies to gain unauthorised access to organisations' crown jewels. Furthermore, the evolving nature of threats require constant education, training and awareness for an organisation's staff as we see threats such as ransomware continuing to manifest in various forms.

As cliché as it may sound, organisations are really as strong as their weakest link.
Social engineering is one of the surest ways to trick employees into divulging sensitive information that could be used for a series of cyber-attacks.

The 2021 Verizon Data Breach Investigations Report (DBIR) indicates that 85% of breaches involved the human element - Data breaches which involved phishing rose to 36% from 25% in the previous year. The research also points out that Business Email Compromises (BECs) were identified to be the second-most common form of social engineering.[6]

Also, the risk of insider threat is growing and could be attributed to weak governance structures or the absence thereof, in some sections of the banking sector, culminating in the lack of transparency and ethical practices among staff. According to the 2020 BoG Fraud Report, 56% of reported fraud cases, indicated the involvement of staff members, in contrast to 51% in 2019.[3]

Moreover, at the height of the COVID-19 pandemic, attackers took advantage of the situation as about 800 new domains were being created each day in relation to 'COVID-19' or 'CORONA VIRUS' according to a 2020 Flash Report by Recorded Future.7 Cybercriminals were preying on the fear of the public to spread malware by attaching documents purported to contain information on the COVID situation, health tips among others.

So, what can be done to prevent this? We can't prevent cyber criminals from devising malicious schemes, but we can anticipate and prepare for them through a robust Information Security awareness programme.

This could entail HR-led information security training programmes which link staff participation and involvement to their KPIs.

5. When was your last Cyber Maturity Assessment?

The speed of evolution of cyber threats requires organisations to frequently assess their capabilities to manage threats and minimise risks to acceptable levels. A Cyber Maturity Assessment (CMA) provides an organisation with a 360-degree view of its cyber capabilities in the context of its ability to plan, prepare, and defend its information assets against cyber threats.
Conducting a CMA at least each year, enables organisations to assess cyber capabilities and defence mechanisms across its people, processes and technology with the aim of understanding vulnerable areas of the organisation, identifying and prioritizing areas to focus on for remediation.

A CMA could help with streamlining information security goals to support overall business objectives. It also facilitates decision-making significantly, whereby knowing the weak spots in your crown jewels enables organisations to make the required investments and prepare the appropriate arsenal to protect them. The results of a CMA would also be useful for providing relevant insight to the Board and Senior Management when they are making decisions in relation to Cyber and Information Security imperatives for the organisation.

KPMG's Cyber Maturity Assessment methodology which contains six key dimensions, is a combination of global international information security standards with global insight of leading practices in risk management, cyber security, governance, people and processes.8 This methodology measures the maturity of an organisation and seeks to provide an organisation with a comprehensive view of its state of cyber maturity. It also reinforces the role of the Board and Senior Management in ensuring that there are safeguards in place to protect information assets.

Operation and Technology The level of control measures implemented to address identified risks and reduce the impact of compromise	**Human factors** The level and integration of a security culture that empowers and helps to ensure the right people, skills, culture and knowledge
Information risk management The approach is designed to achieve effective risk management of information throughout the organisation and its delivery and supply partners	**Business continuity and crisis management** Preparations for a security event and ability to prevent or reduce the impact through successful crisis and stakeholder management
Leadership and governance Board demonstration of due diligence, ownership and effective management of risk	**Legal and compliance** Regulatory and international certification standards as relevant

KPMG Cyber Maturity Focus Areas

6. What does your Third-Party Risk Management look like?

The convergence of technologies attributed to the Internet of Things (IoT) has created more avenues for inter-operability and inter-connectedness between people and systems in the physical and cyber realms. For financial institutions in Ghana, much of this interconnectedness is facilitated by vendors or third parties who have a specific service offering that meets the organisation's needs. This exposes the organisation to more cyber risk and increases the cyber-attack surface, as vendors and third parties may have security weaknesses of their

own.

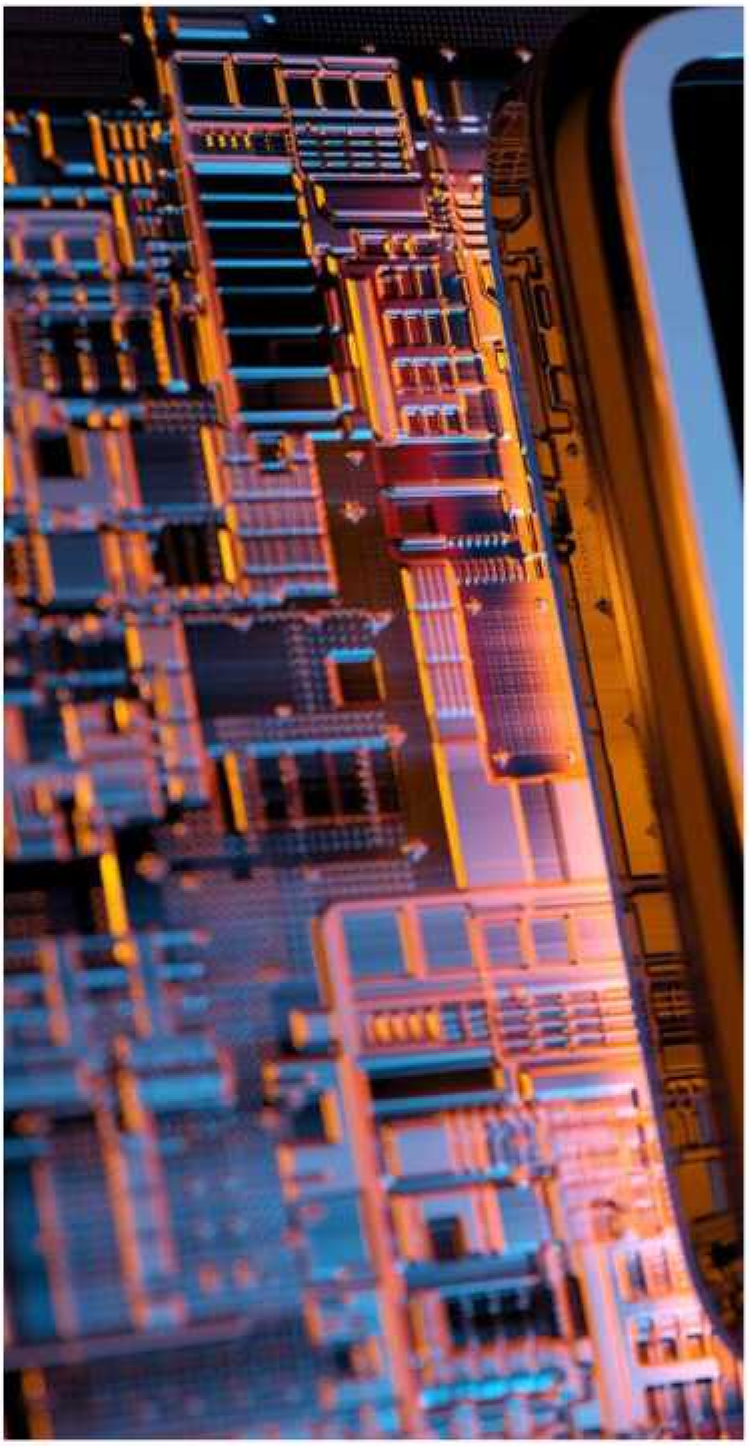
Let us revisit the story of an international retail group, Target, the "target" of a massive data breach in 2013. Attackers compromised one of Target's third-party vendors, a HVAC (Heating, Ventilation and Air Conditioning) and refrigeration contractor, and used that as an entry point into Target's internal computer network. This enabled attackers to infect Target's Point-of-Sale systems with malware allowing them to steal credit and debit card information of an estimated 70 million customers.

Also, in March 2020, a massive supply chain attack originating from the SolarWinds Orion platform affected an estimated 18,000 SolarWinds customers including several large governmental agencies and corporations such as Microsoft and many more who use the software.

Orion is a monitoring platform used by IT professionals to manage and optimise their network computing environments. Hackers infiltrated SolarWind's operational environment and inserted malware into a software update that was distributed by the company to its customers. They subsequently gained access to source code and other confidential information. It is believed that the real impact of this hack may only be known in several years to come.

Third-Party risk remains a multi-headed hydra that resurfaces, leaving organisations to the mercy of the dark web. However, standards such as ISO 27001, SWIFT CSCF and NIST provide guidelines and frameworks for managing third party risk.

In fact, a whole section of ISO 27001 is dedicated to supplier relationships indicating that organisations need to implement policies and agreements that enable them to regularly monitor, review and audit supplier service delivery.



7. Where does your organisation fit on the scale of cyber maturity?

As we close out 2021, Ghanaian business leaders need to revisit their Cyber and Information Security objectives and their business strategies while pondering over these questions to ascertain where they fit on the scale of cyber maturity.

Organisations need to assess leadership's involvement in matters of Cyber and Information Security by establishing an information security structure at various levels within the organisation, from the Board down to entry level staff. The Board

and Executive Management need to make a conscientious effort to be represented at planned Committee meetings to deliberate on key issues.

Organisations also require the right cyber security talent to implement organisational policies, frameworks and technologies to enhance the organisations' capabilities to respond to cyber security events. All hands are required on deck to drive the Cyber Security agenda through concerted efforts between various departments to complement the efforts of the CISO and his or her team.

Frequent Cyber Maturity Assessments will also provide a holistic view of the overall cyber security posture coupled with proactive risk management, threat intelligence, vendor risk management, regular information security programs and collaboration with other industry stakeholders.

Cyber criminals will stop at nothing to steal your crown jewels, so why should you stop working on protecting them?

References

[1]. The article on cashlite should be attributed to the 1st Deputy Governor of BoG. His image has been sent to you
[2]. The cash lite article should move to be part of featured articles
[3]. The governor's interview should be moved to industry insights
[4]. Let's ensure that the content page also reflects point 2 and 3 above
[5]. Update the general council page with the profile images of the executive council members and ensure they are arranged in alphabetical order
[6]. The contact page should be updated to reflect the image of the President of GAB to ensure balance
[7]. Update the magazine with the feature on Outlook and Industry response to COVID-19. Both papers have been resent to you via WhatsApp 8. Use some of the images on donations by GAB as the prior image for the industry response to COVID9. Extract the pages on personality profile and cash lite and forward same to me asap10. Forward the draft of the magazine after incorporating the above to us this night so we can commence review and head to press by 9am tomorrow Thanks for the hard work and support. AppreciatedRegards,

Article

FINAN₵IAL INCLUSION

When the COVID-19 pandemic took hold early in 2020, a cloud was cast over the prospects of maintaining standards of living and the provision of basic but vital goods and services to the unbanked majority who would not be able to execute cash linked transactions. It quickly became clear that mobile technology, and mobile money in particular, would have an outsized role to play in keeping people connected, delivering vital financial support and providing safe, no-contact ways to pay for food, electricity and other life essentials. With more than $2 billion being transacted daily, mobile money became a part of a new daily routine for millions around the world [1].

What is Financial Inclusion?

Financial inclusion refers to the availability and equality of opportunities to access financial services. Optimal inclusion describes a state where individuals and businesses can access appropriate, affordable, and timely financial products and services across banking, loan, equity, and insurance and pensions products. Financial inclusion efforts typically target those who are unbanked and underbanked and directs sustainable financial services to them beyond merely opening a bank account. Having more inclusive financial systems has been linked to stronger and more sustainable economic growth and development and thus achieving financial inclusion has become a priority for many countries across the globe.

Who is responsible for driving financial inclusion in Ghana?

In Ghana, promoting financial inclusion is considered the responsibility of our central bank , government agencies, state-owned and private financial institutions. However, Telco's have taken the lead role in promoting financial inclusion capturing a portion of the mass market with banks and FinTech's toeing the same line. Regulatory authorities across board have risen to the challenge, providing some guidance on product design to protect the interests of the unbanked, encouraging providers to extend their operations to as many corners of the countries in which they operate as possible, rather than targeting economically viable towns and cities only.

What is happening in the market?

According to the World Bank's Consultative Group to Assist the Poor (CGAP), only 58 percent of Ghana's adult population had access to formal financial services in 2015 . The National Financial Inclusion and Development Strategy was built to provide a roadmap to guide reforms and innovation in the financial ecosystem to address financial exclusion and support broader development of the sector. In 2021, the number has remained relatively levelled at 57.7% a significant gain on the continental average at 43% [2]. In light of the social effect of the banking sector reform in 2018, which impacted confidence in the banking system, this may be indicative of the sector's resilience.

In Ghana, a majority of market activities to promote financial inclusion are driven by market players creating products and services on the back of Mobile Money services that Telcos provide. The Bank of Ghana recently announced that mobile money accounts have increased exponentially to about 34 times to 44 million as of June 2021 [4].The volume of mobile money interoperability transactions has also increased by about 24 times since its launch in 2018 to 10.3 million as of June 2021[3].

Financial Inclusion: Cards vs. Mobile

At the end of 2020 a total of 77 million transactions were processed across all digital platforms leveraging the GHIPSS Instant pay technology, compared to the 38 million transactions processed in 2019, representing a 103% increase. The value of transactions processed in 2020 was GHS 254 billion, a 16% increase compared to the GHC 219 billion processed in 2019 [5].

The real-time payments portfolio, which is made up of GhIPSS Instant Pay, Mobile Money Interoperability (MMI), Proxy Pay, GhQR etc also recorded significant growth, closing the year with the strongest performance. The major contributor to this performance was MMI; processing a total of 43.9 million transactions, representing a 367% increase from 9 million transactions processed in 2019. The MMI performance was driven mainly by three use cases being: Transfers between wallets across Mobile Money Operators (MMOs); Transfers from mobile wallets to bank accounts [5]. Transfers across the GhIPSS Instant Pay (GIP) platform grew significantly in both transfers from bank accounts to mobile wallets and account transfers across banks. At the end of 2020, GIP transactions increased by 257% from 1.9 million in 2019 to 6.8 million [5].

Impact of Financial Inclusion

The sum impact of these technologies has improved access to simple and affordable financial services to the underserved , underrepresented and unbanked populations. The onset of Covid has spurred a revolution of minds and social behaviour amongst the mass market and underbanked. Lockdown measures resulted in a hike in fintech adoption—people have moved toward cashless options and businesses are discovering the benefits of cashless and remote payments in staying afloat in these challenging times.

Mobile money transfers are reported to have grown exponentially in the heat of Covid's restrictions on movement, invariably impacting economic activity. The face of both inward and outward remittances and payments which were previously wholly restricted to cash transactions and card payments that required physical presence has changed to allow cashless and remote participation for all even with the most basic mobile device, propelling financial inclusion amidst social distancing.

This surge of payment transactions from digital payments have also given rise to a new crop of criminal activity. For mobile money users especially, the impact is widespread with affected customers losing between GHS 70.00 and GHS 4,000.00. In response to this, MTN, one of the leading telcos providing Mobile Money services has implemented a 'No ID, no cash' policy for withdrawing cash at their agency service points to prevent fraud and protect their customers.

While others view this move as progressive, it also presents new challenges that threaten the progress made on deepening penetration as well as "cashlessness". According to Ghana's National Identification Authority, only about 15.5million out of the population of 30 million have been registered with formal ID. The new policy potentially excludes these individuals from using mobile money, forcing them to revert to cash-based transactions.

KEY IMPERATIVES :

What Commercial Banks, Telcos, Fintechs, Central Bank should be doing

The Role of Banks

Access to financial services and products is one of the most important drivers of economic development. At a time of tepid economic prospects where financial institutions are searching for new market opportunities, the benefits of bringing the unbanked and underbanked into Ghana's financial system are more important than ever. There is a need for banks to invest time and effort to focus on building trust between banks and communities and to develop innovative banking products to serve the demographics that typically would not be prospected. A good example would be to deploy banking agents or agencies areas to replace branches as a touch point. Here, there is a real potential for relationships to be strengthened with this strategy.

What can the Telcos do?

Individual telcos with access to millions of customers (retail consumers, SMEs, large corporations) are uniquely placed to bring about massive shifts in 'financial inclusion'. Telcos are enabling commercial transactions eroding the constraints of geography, time, the size of transaction building propositions specially to support lifestyles and businesses. One of the lowest-hanging fruits in favour of deepening financial inclusion would be to reduce transaction fees making the services more affordable for users. Vodafone leads the pack removing transaction fees not only for Vodafone to Vodafone cash wallets but also across all mobile networks providing mobile money services.

Where do Fintechs come in?

The role of financial inclusion in reigniting the global economy in a post-pandemic world cannot be understated. Ensuring universal access to financial products and utilities features in eight of the UN's seventeen Sustainable Development Goals, identified as an enabler for ending poverty and hunger and achieving gender equality. In Ghana, fintechs have led the way in providing simplified financial services (savings, insurance, pensions, loans etc) to mass market participants via digital channels. For further enhancement of their contribution to financial inclusion, fintechs should invest a bit more into driving financial literacy by deploying financial education modules with gamification tied to rewards in an effort to reinforce learning habits with a focus on financial literacy and encouraging positive social behaviour.

Central Bank

Stability concerns mean that central banks necessarily have a role in financial inclusion. The Bank of Ghana must look to regulate alternative service channels as well as product innovation as an extension to their responsibility to protect customers. The central bank must actively monitor emerging financial technology and take pre-emptive and participatory steps in ensuring that systems, products and channels are stable and compliant while fostering an enabling environment to encourage continuous innovation.

Conclusion

Financial inclusion can help reduce corruption, discourage tax evasion, and allow for more effective subsidy pay-outs. Reverting to digital payments for business support for example in the case of The Covid-19 stimulus packages by the Government of Ghana for affected SMEs, instead of the traditional cash disbursement method has cut down administrative costs and has improved efficiencies while leveraging data to reduce the risk of credit defaulting.

Moving individuals into the financial mainstream is not simply an aspirational goal, it's an attainable goal. Incorporating the previously unserved into the economy is becoming a more attainable goal for financial institutions, and while financial institutions and regulators are embracing new technologies to make financial services more affordable and accessible, it is critically important to always keep the consumer's best interest in mind. Educating underserved consumers, transparently communicating service offerings, and addressing the persistent gender and wealth gap are of utmost importance to increase trust in the financial services industry.

Technology is helping to realize the vision of creating tailored financial products and services for vulnerable consumers. And while digital technology is not an end in and of itself, it is a means to achieve broad-based financial inclusion

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PERSONALITY PROFILE

JULIAN KINGSLEY OPUNI

FIDELITY BANK

MD FIDELITY BANK GHANA

Fidelity Bank, the largest privately-owned Ghanaian Bank is noted for being an innovation leader in the Ghanaian Banking sector. The institution, which commenced its banking operations 15 years ago has since emerged as one of the strongest banking brands in Ghana with approximately two million customers distributed across 75 branches. The bank has two subsidiaries, Fidelity Asia Bank Limited, which is a wholly owned subsidiary in Malaysia and Fidelity Securities Limited, an asset management firm. Fidelity's distinguishing attributes are its customer-centric service culture and its focus on investing in cutting edge technology to continually improve its processes and procedures.

The Gh Bankers' Voice (TGB) had the pleasure of interacting with the man who has been at the helm of affairs for Fidelity Bank for the past 3 years. Appointed as Managing Director of Fidelity Bank in 2018, Julian Kingsley Opuni (JKO) is a consummate banker with over 25 years of experience in the Financial Services sector both locally and internationally. He has extensive experience in business development, credit analysis and sales management and has also participated in various youth entrepreneurship and business mentoring projects. After a successful 18-year period at Lloyds Bank in the United Kingdom, where his final role was Senior Manager with responsibility for various business centres in West London, Julian joined Fidelity Bank in 2012 as the head of its newly formed Commercial Banking Unit.

Since 2012, Julian has risen through the ranks to become the Bank's Managing Director on the back of his remarkable leadership skills.
The Ghanaian Banker caught up with Julian in his office for a lively discussion about the Ghanaian banking industry, leadership, technology and other interesting topics.

TGB: What are your general impressions of the banking landscape in the country? Does the sector have any growth prospects?

JKO: The banking sector is in relatively good health at the moment due to the regulatory reforms implemented by the Bank of Ghana (BoG) – namely, the increase in capital requirements and the introduction of firm corporate governance directives with constant monitoring. The directives regarding corporate governance in particular, have led to many progressive changes, which have resulted in higher standards of banking and better compliance with international best practices. Another positive development which bodes well for the industry in Ghana is the fact that most of the players are intent on strengthening and modernizing their structures to enable them to improve service delivery, enhance customer experience and deliver locally relevant products. I believe if things continue along this trajectory, the banking sector in Ghana will continue to grow and more importantly it will continue to help to bolster the economy. Notwithstanding the current strength of the sector, a major challenge in the immediate and near future will be how banks adapt to the changing financial services landscape and particularly the disruption brought on by challenger banks and Fintechs. How banks respond to the ever-evolving terrain of banking will indeed be key to the growth or otherwise of the industry in the coming years.

TGB: Speaking from your perspective/experience as Managing Director of Fidelity Bank, how has COVID-19 impacted the industry? In the wake of the pandemic, how is the sector likely to change/evolve?

JKO: Undoubtedly, the COVID-19 pandemic has had an adverse effect across nearly all

Julian Opuni speaking at an internal engagement


Julian Opuni interacting with colleagues

industries, including the global banking industry, and Ghanaian banks have also felt the pinch.

In the specific case of Fidelity Bank, it has been a challenging period, however somewhat fortunately for us, we had already initiated a bank-wide digital transformation agenda. This agenda sought to achieve three objectives: 1) digitalize/automate most of our processes and services; 2) increase our overall digital footprint; and 3) imbibe a digital-first mentality in staff of Fidelity Bank as well as our customers. As a result, when the pandemic struck we already had an initial framework in place to enhance remote/digital banking activities. We were therefore compelled to accelerate the development of our remote banking architecture to adapt swiftly to the exigencies of the 'new normal'.
In addition to taking steps to adapt our business to the COVID-19-induced changes, we also rolled out an assortment of support schemes to mitigate the impact of the pandemic on local businesses as well as individual customers and their families. In partnership with the International Finance Corporation (IFC), we organized a thought leadership webinar series under our Fidelity Presents... asset to offer pragmatic strategies to over 300 SMEs to help them to address the difficulties presented by COVID-19. We also introduced the Fidelity Young Entrepreneurs Fund (FYEF) to support young people involved in building scalable businesses. The Fund provides beneficiaries with funding support as well as tailor-made consultancy and advisory services to aid in growing their businesses.

The bank also undertook many social impact activities aimed at supporting government in the fight against COVID-19. As the custodian of the Ghana COVID-19 Private Sector Fund, we donated GH¢1 million to support the construction of Ghana's first Infectious Disease Centre located at the Ga East Municipal Hospital in Accra. Additionally, to show our appreciation to healthcare workers for being at the forefront of the pandemic, we launched an auto loan package for members of the Ghana Medical Association (GMA). This auto loan package enabled GMA members to acquire vehicles at concessionary interest rates in recognition of their sacrificial efforts for the country. These and several other interventions were carried out to lessen the burden on customers, local businesses and the general public. On the staff front, we also adopted a hybrid approach to work, enabling most staff to work from home for the majority of the time. Additionally, we ramped up COVID-19 safety protocols and provided an assortment of interventions to ensure the safety of our staff and customers.

Overall, I would say that while COVID-19 has negatively impacted business, it has also caused players in the industry to sit up and reimagine their banking set-up and infrastructure in readiness for a future that will be defined significantly by technological advancements. The future of banking in Ghana after COVID-19 thus looks very different; a sizable proportion of our customers have become technologically savvy and hence their expectations are changing. I believe we will see a lot more in the way of digitalized, simplified and automated systems that place the power in the hands of customers to serve themselves and carry out banking transactions remotely and with ease.

TGB: Technology (in particular digital technology) is fast becoming an inextricable aspect of banking across the globe. We know that Fidelity Bank has already made some impressive strides in digitalizing its operations and offerings. What are your thoughts regarding the role of technology and digitalization in banking, and how do you foresee Fidelity Bank's growth with regards to digital banking?

JKO: I'll preface my comments with the following statement: 'Technology is driving the future of banking.'
The evidence is clear that the financial services industry is leaning more and more towards a digital-first future and in the next few decades there will be a significant shift from brick and mortar branches as customers gravitate more to the digital banking channels. Our customers' tastes are gradually evolving and its just a matter of time before players in the industry are forced to delve more into the provision of digital banking services.
Banks are, at times, hindered by various constraints, which can delay the speed of delivery to the market and prevent institutions from thinking outside the box. However, there is the opportunity for banks to leverage mutually beneficial partnerships

with innovative and astute Fintech firms to support their growth agenda.

At Fidelity we are intent on staying ahead of the curve, so we have mapped out a journey of digitalization comprising of a systematic progression, guided every step of the way by customer insights and characterized by mobile-first innovation, data science and advanced analytics. Based on this approach, we have set concrete targets to digitalize and enhance our account opening and onboarding processes, merchant payments and everyday banking transactions. We have also resolved to create and support an innovative culture by embracing open banking APIs and collaborating extensively with Fintechs.

This comprehensive digitalization program has enabled us to roll out an array of digital-first services that have resonated quite well with our customers. Currently our digital banking portfolio comprises of Kukua, a personalized 24-hour WhatsApp digital banking assistant, the Fidelity Mobile App, Online/Web Account Opening, USSD (*776#), an assortment of smart prepaid cards, debit cards, GhQR code payments as well as E-Flex (a digital merchant wallet). We have more that we intend to achieve and because of this, we recently set up a Transformation Office devoted fully to the task of leveraging technology, automating processes and nurturing an innovation culture to evolve every aspect of the Bank's business. It is worthy to note that other banks in the industry have also established their own programmes to foster technology adoption and digitalization. This is a really positive development for banking in Ghana and ultimately if all industry players remain committed to this cause, our customers, the industry as a whole and the Ghanaian economy will be the better for it.

TGB: Fidelity is known to be one of the leading drivers of financial inclusion in the country; why this area of focus? What else should we expect from Fidelity with regards to financial inclusion?

JKO: Ghana is largely an economy of small and medium-sized enterprises with many businesses and individuals lacking access to capital. Full inclusion will not be realised solely by enabling them to move money digitally; there will still be a need to widen access to finance and insurance, and to create a culture of savings. Financial inclusion in Ghana has primarily been driven by telecommunications operators on the basis of peer-to-peer payments. The next step will be to create a cash-lite economy with digital access to the full gamut of financial services and credit. Certainly, this will require a strong regulatory environment in order to avoid abuse, but it will be of great benefit to the economy overall. This shift will require extensive collaboration between banks, Fintechs and telecommunications firms. With this in mind we have continually experimented and innovated towards the achievement of financial inclusion for the 70% of Ghanaians who remain unbanked or underbanked. In 2013, we pioneered Agency Banking in Ghana with our flagship Smart Account; a minimum-effort "Know Your Customer" (KYC) requirement account that can

be opened within five minutes. This undertaking proved successful and dramatically changed the local banking terrain in the process. We were able to breakthrough and serve large portions of the unbanked and underbanked populace and since then our Agency Banking network has grown from a modest pilot of 24 Agents and about 30,000 Smart Accounts in 2013, to approximately 5000 Agents that process about 20% of total branch network transactions.

Subsequently we have successfully rolled out an array of tailor-made products such as an updated Smart Account, the telco-based mobile money integrated Y'ello Save Account, the sole-proprietor and micro business optimized Smart Business Account and the investment-oriented Smart Goal Account among others. As a result, Fidelity now serves a mass market base of nearly one million customers.

Disruptive innovations arising from Fidelity's aggressive program of bank-wide digitalization have served as the backbone of our Agency Banking undertaking as well as our growing portfolio of mass-market products. This enables Fidelity to provide flexibility and convenience for our customers, while circumventing the barriers of brick-and-mortar banking that tend to deter the unbanked and underbanked.

TGB: What is your philosophy of leadership?

JKO: I align with the school of thought that 'Leadership is cause, everything else is effect'. Thus an organization rises or falls, progresses or retrogresses largely due to the quality of leadership at its helm. Consequently, a leader has a greater responsibility to be disciplined, strategic, visionary and action/implementation oriented.

I also believe that leaders are made not born, and that great leaders are a constant work in progress. Whenever I have the opportunity to advise aspiring or current leaders in my organization or elsewhere, I encourage them to work on improving two critical abilities every

“LEADERSHIP IS CAUSE, EVERYTHING ELSE IS EFFECT'

day:
- Leading yourself
- Leading your team/people

I am also of the opinion that anyone who believes themselves to be a leader must be a 'solution provider or explorer'.

TGB: What advice would you give a young man or woman who aspires to build a successful career in banking?

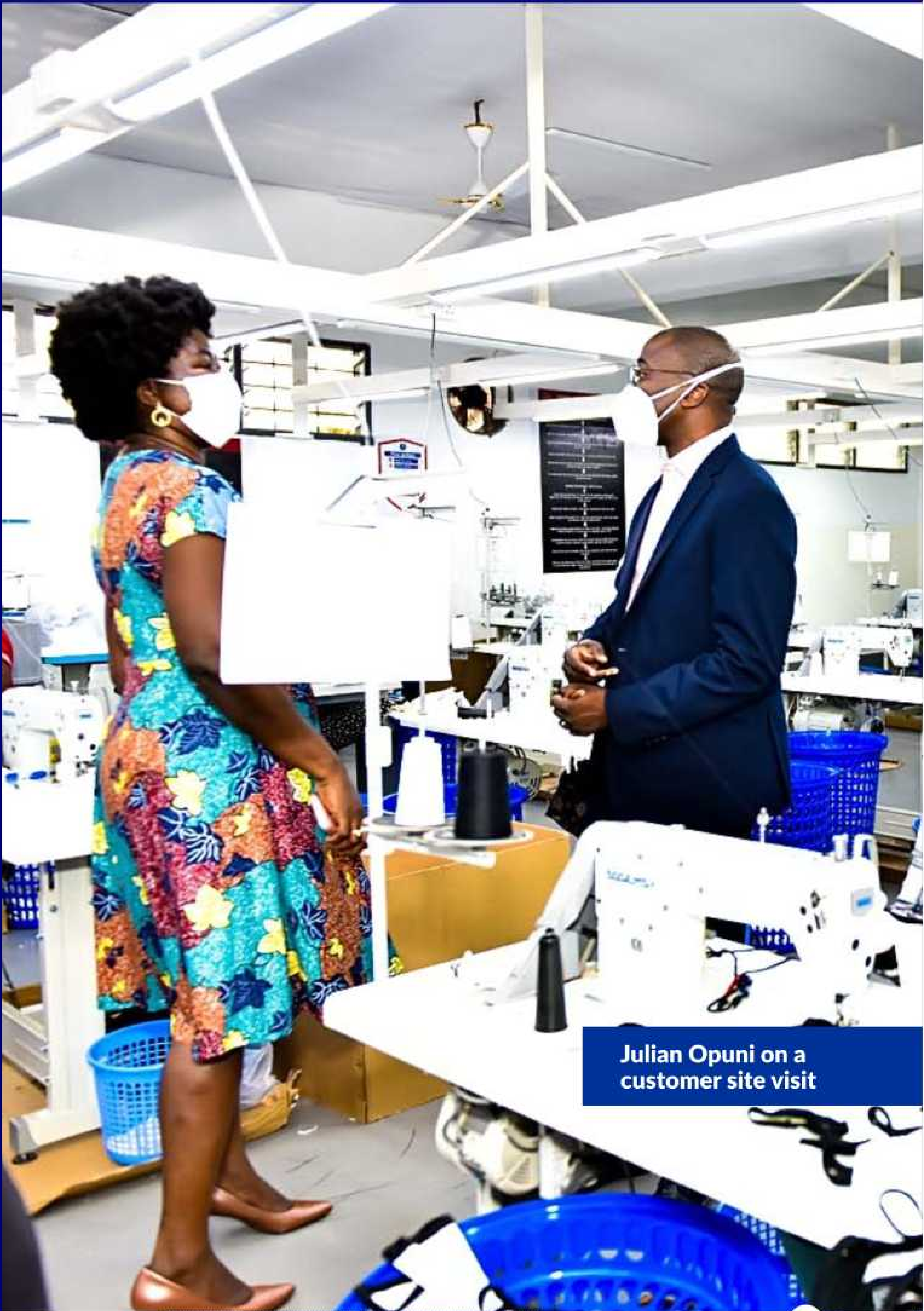
JKO: I believe that by and large, the requirements for success in the banking sector are very similar to the general characteristics required to succeed in life.
I will enumerate the key factors that anyone who seeks to pursue a successful banking career should adopt:

- Focus: If a career in banking is what you want, stay focused on that objective and invest your time in activities that will help you to achieve that career objective.
- Appetite for Learning: Never tire of learning and improving yourself.
- Enthusiasm for Technology: As already stated, technology is transforming the banking sector so it is advisable to develop an enthusiasm for technology. Keep yourself informed about critical developments in technology, especially those that pertain to the financial service industry.
- ·Discipline: This is a basic requirement for success in any endeavour; you need to maintain a high level of discipline. In relation to Banking specifically, discipline means you must be punctual and time-conscious, carry out your tasks with speed, meticulousness and rigour, abide religiously by the profession's code of ethics, and conduct yourself in accordance with the highest standards of integrity and professionalism.
- People Skills: Interpersonal skills and emotional intelligence are critical success factors in this industry as well. Whether you are engaging a customer, client, colleague or other stakeholder, you need to exhibit top-notch people skills.
- Strategy: Develop an ability to think and act strategically.
- Sales Skills and Personal Branding: These supplementary skills will take you very far in banking. Learn to build a positive personal brand and always be ready to pitch your ideas, products or services effectively.

TGB: Do you have a favourite life/motivational quote or guiding principle? Kindly share it with us.

JKO: I love the statement "To God be the glory". It resonates well with me because it crystallizes the Christian principle of thankfulness to God into a simple phrase. In 1st Thessalonians 5:16-18, Christians are admonished to "Rejoice always, pray continually and give thanks in all circumstances..." As a man of faith, the phrase "To God be the Glory" captures how grateful I am for all of the blessings that God has bestowed upon me. The hand of God has always been evident in my life and I can boldly proclaim that all that I am, all that I have achieved and all that I will accomplish in the future is a testament to God's grace. I am humbled by the presence of God in my life, and by the way in which He uses me to bless others and make a difference in their lives.

"... A LEADER MUST BE A 'SOLUTION PROVIDER OR EXPLORER



Julian Opuni on a customer site visit

The future of banking in Ghana

BACK FROM THE FUTURE:

BANKING INDUSTRY OUTLOOK

Subject to the emergence of the COVID-19 pandemic and any unimaginable disruption, the banking sector will continue its growth trajectory across key performance indicators. Banks will continue to seek new opportunities to deploy capital raised, to optimize appropriate Return on Equity and Assets.

The 2021 KPMG CEOs' outlook revealed that, globally, business leaders are getting confident at the prospects of business and economic recovery. Drawing on the perspectives of CEOs in Ghana's banking sector, we sense optimism which puts leadership in aggressive growth stance in their medium-term strategies. Market dominance, relevance, growth and digital agility are top of mind for banking sector CEOs.

Beyond COVID-19, its disruptions and unintended benefits, there are megatrends or deeply rooted forces that, we believe, will
continue to shape and redefine the business and operating models of banks in Ghana. The key themes emerging going into the future include but not limited to: the changing profile and expectations of customers, regulatory change, cyber security and fraud, digital and mobile acceleration, cost optimisation, technology disruption, sustainability and future of work and talent.

Customer and Customer Experience Obsession

We are in the customer age. The customer, as well as customer experience obsession is the new battleground for banks.The profile of the average Ghanaian banking customer and their expectations are constantly evolving. Across the world and virtually within every sector, businesses are keenly focused on accelerating revenue growth. For financial institutions and service-based organisations, success will hinge on customer experience obsession.

First, in our view, banks need a clear strategy around the customer and customer experience to win this battle. To do so, banks need to answer the strategic question: Are you pursuing a digital strategy in the customer age, or are you pursuing a customer strategy in a digital age?

ROBERT DZATO

LEAD, FINANCIAL SERVICES STRATEGY

KPMG
Marlin House
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP 242
Accra, Ghana

Tel: +233 (302) 770454, 770618
Email:
rdzato@kpmg.com
www.kpmg.com/gh

To win this battle with customer obsession...banks need to answer the strategic question: **Are you pursuing a digital strategy in the customer age or customer strategy in a digital age?**

Second, we note that most banks are data rich but insights poor. While data is the new oil, it is banks that are able to integrate their culture , operations, data analytics and technology that will be best positioned to create a truly customer-centric organization.

Again, it will be important for banks to remember these few points in order to win the customer experience battle:

- Keep your customer at the heart of your strategy and business;
- Customer experience leads to improved customer lifetime value
- Digital and technology can transform customer experience
- Your customer experience is a function of your employee experience

Lastly, there are six pillars to transforming customer experience, from KPMG perspective. These six pillars are Integrity, Personalisation, Empathy, Time and Effort, Resolution and Expectations.

Regulatory Change

That banking is a highly regulated industry is stating the obvious. This is particularly so because, banks are specialized institutions. Their successes or failures have significant socio- economic implications for the economy and the public purse, as we saw in the 2017-2019 financial sector reforms.

Going into the future, capital adequacy and liquidity, compliance with anti-money laundering rules and other regulatory directives of the Central Bank will continue to be important. We see an increasing focus of regulation on cybersecurity, customer data and customer protection, sustainability and digital innovation especially on digital currencies.

Unsurprisingly, the Bank of Ghana, like many other central banks, is already investing time and effort into the e-Cedi. It is estimated that, a cross-border central bank digital currency (CBDC) platform has the potential to shorten cross-border wholesale payments by 80%.

We see momentum picking up on digital currency and crypto assets for a number of reasons. Firstly, how banks compete in the digital world is being disrupted with the growing market acceptance of crypto assets and the rapid advancement of cryptocurrency technology.

Secondly, the Bank for International Settlements (BIS) is already coordinating this through its "mbridge" project. Central banks of China, Hong Kong, Thailand, UAE are working ardently with BIS on their own CBDCs.

Lastly, beyond the regulatory interest, we see two previously distinct market segments converging: Large banks are breaking into the crypto space while crypto- native companies are re-imagining digital offerings to traditional banking customers.

The Bank of Ghana, like many other central banks, is already investing time and effort into the e-Cedi.

Cyber Security and Fraud

The onslaught of COVID-19 has accelerated the digital train which was already in motion across banks before the pandemic. The recent disclosure that fraud in Ghana's banking industry, (including significant amounts in attempted frauds) has reached GHS1billion, is a major point of vulnerability. The fact that over 50% of fraud is committed by staff raises a number issues.
First, digital acceleration and customers' increasing preference for digital channels means cybersecurity will remain a high risk area that banks need to build more resilience in and fast. Second, banks need to not only tighten internal controls to minimize employee fraud, but must also put professionalism and ethics at the heart of their trade.

It is in this light that we see the efforts by the Chartered Institute of Bankers, Ghana in collaboration with Bank of Ghana and the Ghana Association of Banks to "re-professionalise" banking as very critical. We sense re-certification of banks and bankers will gain currency going into the future.

Digitization and Cost Optimisation

Digital agility, mobile-first approach and cost containment are high on the agenda of CEOs in Ghana's banking industry. Rightly so, these are imperatives for banks and there are a number of reasons.

An unintended benefit of COVID-19 is digital acceleration. Customers are increasing their preference for digital channels including mobile. Also, banks are under pressure to achieve cost efficiency. The cost-income ratio (CIR) of 53% across the industry is still high. Indeed, the fact that some banks have achieved 30% CIR means there is headroom for efficiency gains.

Cost transformation therefore is high on the agenda of most banks going into the future. From KPMG's point of view, cost transformation, by definition is a difficult journey. After all, many cost inefficiencies in some banks are systemic. They stem from banks complexities, legacy and social purposes of certain investments, including branch locations. This is particularly true for state- owned banks

An important focus for any cost optimisation strategy is its customer impact. A smart approach to cost transformation is to target activities that do not add customer value and consider expelling them to avoid cost build up.

Future of Work and Talent

As working from home has become the norm for so many, has the demise of the office been overstated? Perhaps the office is here to stay even though some institutions have seriously considered repurposing the use of their office spaces and investments. A number of themes have emerged which will continue to define the future of work and talent agility for organisations including banks in Ghana.

First, we are in a changed and flexible working environment. Second, new skills will be required to manage people remotely. The challenge for human resource management is equipping managers with skills of managing deliverables and maintaining organisational culture as people work remotely. Third, there is greater demand on leadership to find right talent and protect them during the pandemic, given the elevated operational risk to critical talent. Fourth, equipping staff with digital and risk management skills to align with the realities of the future will be critical going forward. One unintended benefit of the pandemic is that, organisations are now sourcing critical talent remotely beyond the shores of their operations.

Technology Disruption and Platformisation

Fintechs and Artificial Intelligence (AI) will continue to define business and operating models of banks. Increasingly, there is the blurring of lines between traditional and non-traditional delivery of financial services. High street presence and the high associated costs are no headache for Fintechs who are agile, efficient and customer focused.

Therefore, today, competition in the banking industry has assumed a new definition as the turf for financial services has expanded broadly with active participation of Fintechs, Telcos and some other tech giants. In KPMG's 2019 Millennial customer survey in Ghana, circa 40% of banking customers said they will bank with tech giants like google and amazon if they launch a bank.

Globally, we see significant investments in fintchs reaching new heights with USD98billion in investment by mid-year 2021. We see collaboration and partnerships between banks and Fintechs as a critical piece of strategy going into the future.

A key strategic approach for banks will be platformisation. This involves creating and leveraging an ecosystem of platforms to expand service offering beyond hard core financial products to customers. This will be key.

Conclusion

In conclusion, we have experienced optimism supporting our clients in the banking sector in Ghana. It won't all be plain sailing. Of course, the full impact of disruptions caused by the pandemic has yet to be assessed. I am pretty confident that the outlook for the banking sector is positive.

The megatrends outlined above and others such as macroeconomy performance (global, regional and local) and social, environmental and governance (ESG) issues will continue to be important for industry players. Balancing the optimism, managing the risks and getting it right on strategy execution will be critical if players are to deliver on their growth ambition.

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

Cost income ratio
Non-interest operating expenses/ Operating income

Financial leverage ratio
Total assets/ common equity

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

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

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

Loan loss rate: Bad debt provisions/ Average operating assets

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

Net interest income: Total interest income - Total interest expense

Net interest margin: Net interest income/ Average operating assets

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

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

Net profit
Profit before tax - Income tax expense

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

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

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

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

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

Profit after tax margin
Profit after tax/ Total operating income

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

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

Return on assets
Profit after tax/ Average total assets

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

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

Total assets
Total operating assets + Total nonoperating assets

Total debt ratio
Total liabilities/Total assets

ABBREVIATIONS

ABG	Access Bank Ghana Plc
ABSA	ABSA Bank Ghana Limited
ADB	Agricultural Development Bank Limited
AfCFTA	African Continental Free Trade Area
BOA	Bank of Africa Ghana Limited
BOD	Board of Directors
BoG	Bank of Ghana
CAL	CalBank Limited
CBG	Consolidated Bank Ghana Limited
EBG	Ecobank Ghana limited
ECB	Energy Commercial Bank Limited
FABL	First Atlantic Bank Limited
FBL	Fidelity Bank Ghana Limited
FBN	FBN Bank Ghana limited.
FNB	First National Bank
GAB	Ghana Association of Banks
GCB	GCB Bank Limited
GDP	Gross Domestic Product
GHS	Ghana Cedi
GRA	Ghana Revenue Authority
GRR	Ghana Reference Rate
GTB	Guaranty Trust Bank (Ghana) Limited
MPC	Monetary Policy Committee
MPR	Monetary PolicyRate
NBSSI	National Board for Small Scale Industries
NFSL	National Fiscal Stabilisation Levy
NGO	Non-Governmental Organisation
NIB	National Investment Bank Limited
NIM	Net Interest Margin
NPL	Non-Performing Loans
PBL	Prudential Bank Limited
PBT	Profit Before Tax
RBL	Republic Bank Ghana Limited
ROA	Return on Assets
ROE	Return on Equity
SBG	Stanbic Bank Ghana Limited
SCB	Standard Chartered Bank Ghana Limited
SG-GH	Société General Ghana Limited
SME	Small and Medium Scale Enterprises
T-bills	Treasury Bills
TIN	Tax Identification Number
UBA	United Bank for Africa (Ghana) Limited
UMB	Universal Merchant Bank Limited
VAT	Value Added Tax
WHT	Withholding Tax
ZBL	Zenith Bank (Ghana) Limited

CONTRIBUTORS

DANIEL ADOTEYE
PARTNER AND HEAD, MANAGEMENT CONSULTING AND DEAL ADVISORY

ROBERT DZATO
LEAD, FINANCIAL SERVICES, ADVISORY

AKISI ACKAH
HEAD, SALES & MARKETS

GORDON DARDEY
TAX

ANNE AIDOO-FORSON
CUSTOMER STRATEGY, ADVISORY

ASENSO ANTWI
RISK CONSULTING, ADVISORY

CHARLOTTE OBENG
STRATEGY & OPERATION, ADVISORY

ELIKEM SIKA NYATEFE
STRATEGY & OPERATION, ADVISORY

FABIOLA AMEDO
CYBER SECURITY, ADVISORY

NANA ADUSEI-POKU ABABIOH
AUDIT

PHILIP ODURO TWUM
DIGITAL TRANSFORMATION, ADVISORY

PRINCE ANNOR-ANTWI
FINANCIAL SERVICES, ADVISORY

TIMOTHY SCHANDORF
FINANCIAL SERVICES, ADVISORY

KWADWO BOATENG
RISK CONSULTING, ADVISORY

DIONNE OFORI KORANG
STRATEGY & OPERATION, ADVISORY

Connect with us:

MANSA NETTEY

PRESIDENT, GHANA ASSOCIATION OF BANKS

No. 12 Tafawa Balewa
Avenue,
GA-029-4444,
North Ridge Accra

Tel: +233-0302-667-138
0302-670-629
0508912091

JOHN AWUAH

CEO, GHANA ASSOCIATION OF BANKS

No. 12 Tafawa Balewa
Avenue,
GA-029-4444,
North Ridge Accra

Tel: +233-0302-667-138
0302-670-629
0508912091

ANDY AKOTO

PARTNER, HEAD OF ADVISORY SERVICES

KPMG
Marlin House
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP 242
Accra, Ghana

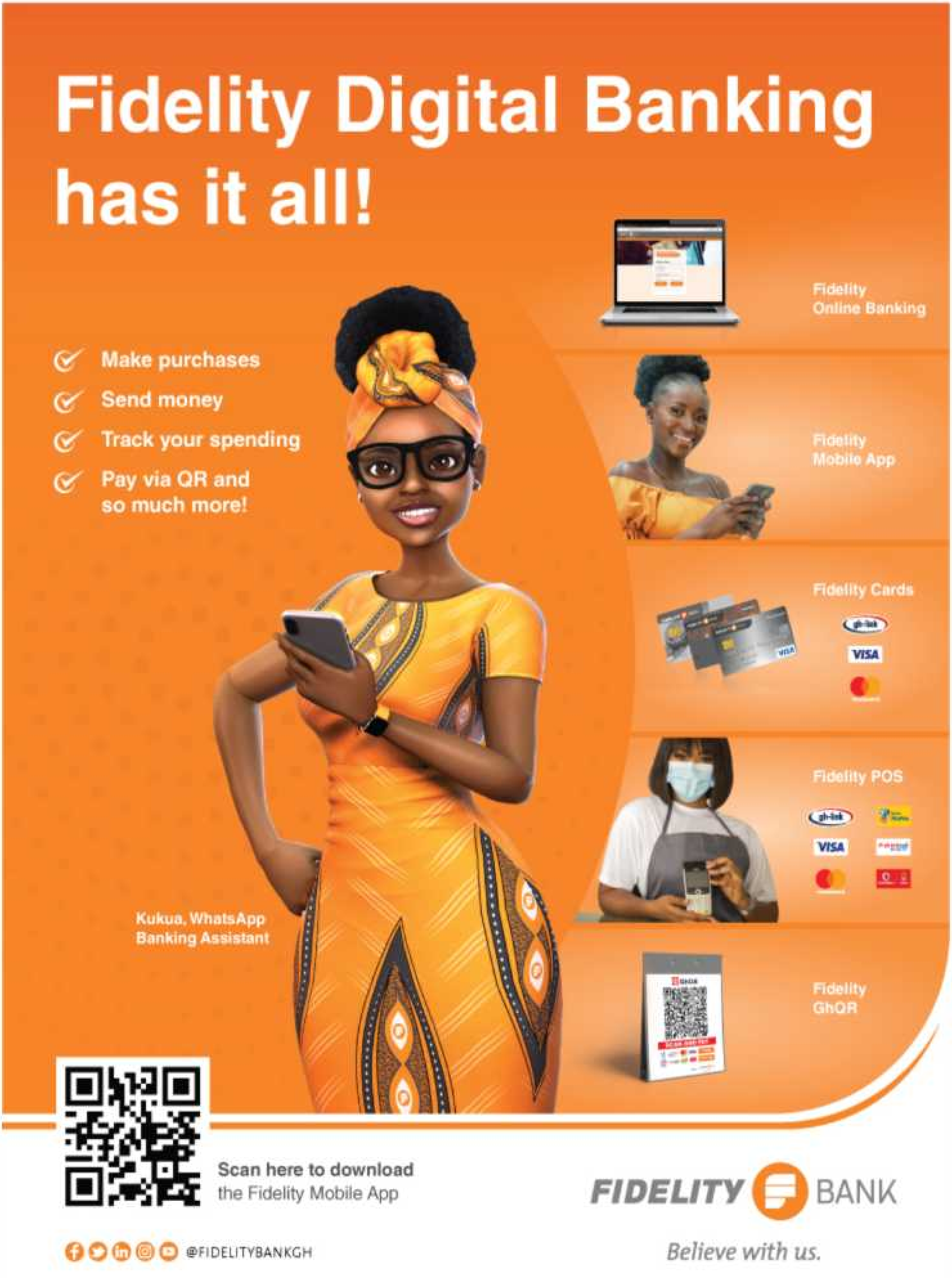
Tel: +233 (302) 770454,
770618
Email: aakoto@kpmg.com
www.kpmg.com/gh

ROBERT DZATO

LEAD, FINANCIAL SERVICES STRATEGY

KPMG
Marlin House
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP 242
Accra, Ghana

Tel: +233 (302) 770454,
770618
Email:
rdzato@kpmg.com
www.kpmg.com/gh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