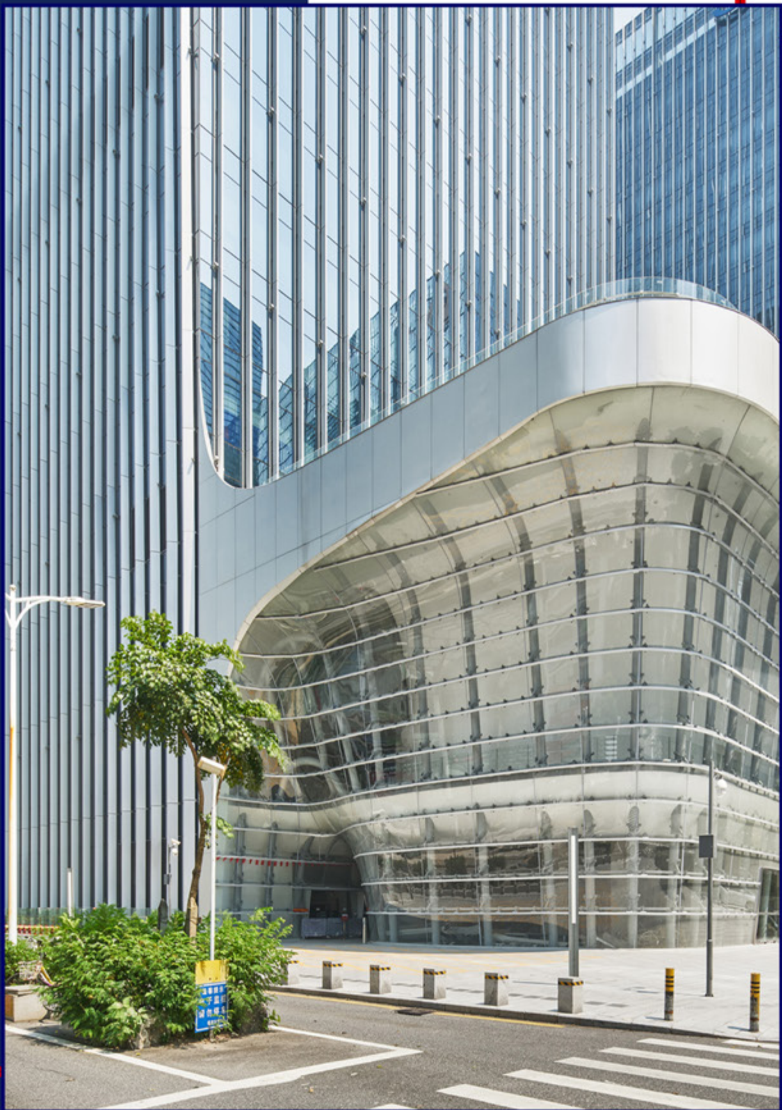
GHANA ASSOCIATION OF BANKS

2023

ANNUAL REPORT



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CONTENT

GHANA ASSOCIATION OF BANKS

Ghana Association of Banks

Annual Report

PROMOTING INTEREST OF BANKS AND CUSTOMERS

FOSTERING PARTNERSHIP AND SUSTAINABLE BANKING

Notice and Agenda

NOTICE AND AGENDA

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of Ghana Association of Banks will be held on Thursday, September 19, 2024 at 10am at the Ecobank Auditorium to discuss the following businesses:

- Review and adopt the President's Report for the financial year ended December 31, 2023.
- Receive short address by West African Bankers' Association (WABA) Secretary General
- Receive a report on GAB's activities for 2023.
- Introduce new Members to the Association.
- Receive, consider and adopt the audited financial statements as of December 31, 2023, together with the Auditor's report.
- Confirm and ratify the appointment of Auditors and their remuneration.

Ghana Association of Banks

GAB GHANA ASSOCIATION OF BANKS

About the Ghana Association of Banks

The Ghana Association of Banks (GAB) remains the country's mouthpiece and advocacy lead for the universal banking industry, currently representing the interests of 25 member institutions (including the ARB APEX Bank, which represents all Rural & Community Banks (RCBs); and Development Bank of Ghana (DBG).

It is a not-for-profit organisation originally formed to protect the interest and aspirations of its members; and provide a platform for bank-to-bank networking among members. At inception on May 29, 1980, there were seven universal banks in Ghana serving a population of approximately twelve million people. Over the years, membership has evolved; and our member banks have increased in number (currently at 25) mostly arising as a consequence of the economic liberalisation of the country in the late eighties; and partly in line with the economic expansion and population growth of the country.

GAB supports and promotes policies and initiatives that balance the interest of member banks; customer population; and wider stakeholder targets. The Association acts as the connecting rod between its members and the industry regulator; the media, law and policy makers; civil society organisations; and other business organisations or associations and the wider community. Further, GAB promotes good and continuous business relationship among members; proposes and highlights programmes, initiatives and emerging best practices to member institutions; facilitates better understanding of developments in the country; and beyond our borders.

Working with similar global bodies, GAB's work is underpinned by three core priorities:

- **championing and shaping the interest of the industry;**
- **helping customers; and**
- **promoting growth, including supporting Ghana's initiative as the financial gateway to the West African Sub-Region.**

We conduct research, analyse and disseminate information on issues affecting the banking industry's performance and growth prospects. As the mouthpiece for our members, we deploy creative channels in communicating with our stakeholders; and act as thought-leaders in our market and beyond. We invest in and support initiatives aimed at reducing risk factors affecting the industry; and influence policy discussions that create enabling business environment for our members and customers alike. We undertake self-introspection by conducting market surveillance to assess and evaluate the conduct of our members in the market in connection with compliance with banking laws, directives from the regulator, data protection; and treating customers fairly, amongst others.

Given the difference that knowledgeable and talented workforce can bring to bear on market performance, we assess people's development as critical to the attainment of industry objectives. As a result, we encourage our member institutions to ensure their employees have access to continuous professional development. This is achieved by providing business-specific educational opportunities to member banks.

We carry out our activities by liaising with key stakeholders such as the Bank of Ghana (BoG), Ghana Revenue Authority (GRA), Ghana Interbank Payment and Settlement Systems GhIPSS), Association of Ghana Industries (AGI), Ghana Employers' Associations (GEA), Private Enterprise Federation (PEF); and a host of other business associations, community leaders and Civil Society Organisations (CSOs).

VISION

GAB aspires to become the leading advocacy and network group utilising our unparalleled combination of quality, reach, high standards, openness, collaborative and innovative culture to create a forward moving platform for our member institutions; and other stakeholders. As a national association of universal banks, GAB would progressively work towards being the most influential financial institution body in Africa and beyond.

MISSION

GAB's mission is to support the banking industry in developing best practices and standards; by advocating regulatory, financial and economic policies that are in the broad interest of its members; and foster stability in the financial services sector, thereby ultimately engendering national economic growth and prosperity. We aim to be the sole voice of banks in Ghana; deploying unified voice for universal banks in the country in the areas of legislations, economic and fiscal discussions, market conduct, media interaction, financial stability and community development initiatives.

VALUES

As a representative body of an industry that builds on trust, our core values hold supreme and true to our 'Trust' foundation. As a consequence, our corporate values are a balancing act of Fairness, Responsiveness, Integrity, Sustainability and Confidentiality (FRISC):

Fairness

Our Fairness attribute transcends Honesty, Decency, Impartiality and Propriety.

Integrity

We operate with Probity, Principle, Candour and Sincerity.

Sustainability

We believe in Continuity, Viability and Feasibility of Operations.

Responsiveness

We strive to understand our member institutions, observe market practices and deploy open-mind in our engagements.

Confidentiality

We guarantee Privacy of deliberations.

GOVERNANCE AND STRUCTURE

The Ghana Association of Banks remains the national organisation of banks in the country. It was formed on May 29, 1980. Contemporary activities and operations of GAB are governed by the Revised Articles of Association adopted during 2022 financial year.

The Association seeks inter alia to promote, strengthen and improve on relations among Ghanaian universal banks; ensure effective representation of member banks on national discourse related to fiscal, monetary and other economic issues; with significant impact on effective performance of the financial system.

Further, GAB seeks to advance the cause of member banks through effective contribution of the banking industry to accelerated development of agriculture, industry, commerce and services; while engaging and dialoguing with regulatory authorities, government and other key stakeholders in the private sector towards shaping policy; and regulations related to financial intermediation, among other pertinent considerations.

Membership of the Association is open to all licensed universal banks operating in accordance with the Banks and Specialised Deposit-Taking Institutions Act of 2016, (Act 930); or any other legislation that remains in force and regulates the activities of Ghanaian banks and the Association of Rural Banks (ARB) Apex Bank; as well as the Development Bank of Ghana (DBG). The ARB Apex Bank represents rural banks in the country; while DBG was established under the Development Finance Institutions Act of 2020, Act 1032, to provide funding, guarantees and other credit enhancing structures to essential sectors of the economy; in a manner that is deemed financially sustainable.

The Governor of the Bank of Ghana remains an Honorary Member of the Association; and may attend the Association's meetings in person. Alternatively, the Governor may be represented by a nominated Deputy Governor of the Bank of Ghana. Respective Managing Directors (MDs) of member banks are expected to attend all meetings of the Association. In their absence,

Senior Executives not below the grade of a Director shall attend. A Senior Executive so-appointed should have been appointed by the implied Managing Director in prior period or periods.

Pursuant to its fundamental objectives, the Association strives to champion the exchange of ideas and experiences in the fields of banking and financial intermediation through the organisation of periodic meetings, seminars, conferences and short courses. Further, the Association sponsors research on pertinent issues with impact on the banking and financial sector; and other issues bordering on the economy in general. Outcomes of the research are published or disseminated as the Governing Council may deem appropriate.

The Association has three major organs. These include the Governing Council, General Assembly and Administrative Office. The Governing or Executive Council remains the supervisory arm of the Association. Its membership comprises Managing Directors of the five largest banks, referred to as Tier I banks; two Managing Directors who are representatives of the next five large banks (known as Tier II banks); two Managing Directors, representing all other banks (called Tier III banks); and the Chief Executive Officer of the Association. The Governing Council may co-opt one additional Managing Director to the Council. This may become necessary if the Council seeks specific interest or skill that is not available in its constitution or composition by tiers.

The highest decision making body of the Association is the General Assembly or Council. It comprises a representative each of all member banks of the Association. Specific functions of the General Council include, but not limited to granting of honorary membership; amendment of the Articles of Association; election of persons to various offices of the Association; readmission of a suspended Member after successful appeal; review of Membership fees and other financial contributions; exclusion of a Member; and dissolution of the Association.

MEMBERS OF THE
GOVERNING COUNCIL
OF GHANA ASSOCIATION OF BANKS

KOFI ADOMAKOH — PRESIDENT
Ghana Association of Banks
MD, GCB BANK

HAKIM OUZZANI — VICE PRESIDENT
Ghana Association of Banks
MD, SG BANK

HENRY CHINEDU ONWUZURIGBO — TREASURER
Ghana Association of Banks
MD, ZENITH BANK

ABENA OSEI-POKU — MEMBER
MD, ECOBANK

THOMAS ATTA JOHN — MEMBER
MD, GT BANK

MANSA NETTEY — MEMBER
MD, STANCHART

KWAMINA ASOMANING — MEMBER
MD, STANBIC BANK

EDWARD NARTEY BOTCHWAY — MEMBER
MD, ABSA BANK

BENJAMIN DZOBOKU — MEMBER
MD, REPUBLIC BANK

JOHN AWUAH — MEMBER
CEO, GHANA ASSOCIATION OF BANKS

GENERAL COUNCIL OF THE
GHANA ASSOCIATION OF BANKS

EDWARD NARTEY BOTCHWAY
MD / ABSA

OLUMIDE OLATUNJI
MD / ACCESS BANK

ALHASSAN YAKUBU-TALI
MD / ADB

ALEX K. AWUAH
MD / ARB APEX

Abderrahmane Belbachir
MD / BOA

CARL SELASI ASEM
Ag. MD / CAL BANK

DANIEL ADDO
MD / CBG

KWAMINA DUKER
CEO / DBG

ABENA OSEI-POKU
MD / ECOBANK

VICTOR ASANTE
MD / FBN

JULIAN OPUNI
MD / FIDELITY

ODUN ODUNFA
MD / FAB

WARREN ADAMS
MD / FNB

KOFI ADOMAKOH
MD / GCB

THOMAS ATTA JOHN
MD / GT BANK

Tweneboa Kodua Fokuo
MD / NIB

DANIEL ASIEDU
MD / OmniBSIC

BERNARD GYEBI
MD / PRUDENTIAL

BENJAMIN DZOBOKU
MD / REPUBLIC

HAKIM OUZZANI
MD / SG BANK

KWAMINA ASOMANING
MD / STANBIC

MANSA NETTEY
MD / STANCHART

Uzoechina Molokwu
MD / UBA

HENRY CHINEDU ONWUZURIGBO
MD / ZENITH

ADMINISTRATIVE OFFICE

Administrative Office of the Association is located at Number 12 Tafawa Balewa Street, North Ridge, Accra. The Office is headed by the Chief Executive Officer, appointed by the Governing Council. The Chief Executive Officer is supported by three Divisional Heads, namely Head, Banking Operations, Risk and Cyber Security; Head, Research, Media, Business Intelligence and Market Conduct; and Head, Legal, Ethics, Compliance and Welfare. Employment terms and conditions of the Chief Executive Officer and Divisional Heads are determined by the Governing Council.

GAB SECRETARIAT TEAM

Mr. John Awuah
(Chief Executive Officer)

Mr. Lawrence Sackey
(Research Manager)

Mrs. Audrey Mnisi Mireku
(Banking Operations, Risk and Cyber Security Specialist)

Ms. Jane Keziah Karikari
(Administrative Manager)

Ms. Rita Alifo
(Administrative Assistant)


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Key Messages

John Kofi Adomakoh

PRESIDENT'S Message

The 2024 Annual General Meeting (AGM) marks the 41st meeting of our esteemed Association. I extend my heartfelt gratitude to all members of the Governing and General Councils, as well as our Auditors, for their invaluable contributions to this significant milestone.

This being my first year as president of the Ghana Association of Banks, I would like to express my profound appreciation to my predecessor, Mrs. Mansa Nettey, for her exceptional leadership and significant contributions to the industry. Despite numerous challenges, including the COVID-19 pandemic, global economic downturn, Russian-Ukraine war, and Domestic Debt Exchange Programme (DDEP), her leadership championed innovative solutions that helped the industry navigate these difficulties. Her notable achievements include the launch of the GH Bankers' Voice, working with the industry regulator for regulatory forbearance for the banking industry during the pandemic, promotion of a cash-lite agenda, training of board of directors on cybersecurity, expansion of eligible collaterals, deepening relationships with relevant stakeholders, promotion of green finance initiatives, review of Corporate Insolvency and Restructuring Act, adoption of ESG principles, extended and enhanced advocacy, and the development of the DDEP framework for the banking industry.
Mrs. Nettey's leadership laid a strong foundation for GAB, proving that great leaders emerge during challenging times.

The performance of the banking sector improved significantly in 2023 compared to the previous year, driven by improved macroeconomic conditions, innovative investments, effective deployment of income-generating strategies by banks, and execution of expense management priorities by industry players. Total assets grew by 27.9 percent,

KOFI ADOMAKOH

President,
Ghana Association of Banks (GAB)
& MD of GCB Bank

"The performance of the industry is driven by improved macroeconomic conditions, innovative investments, effective deployment of income-generating strategies by banks, and execution of expense management priorities by industry players."

from GHS 212.0 billion in 2022 to GHS 274.90 billion in 2023, largely funded by sustained growth in deposits and increased capital levels.

Total deposits saw a significant increase of 34.7 percent, rising from GHS 159.3 billion in 2022 to GHS 214.5 billion in 2023. This growth occurred despite concerns that the Domestic Debt Exchange Program (DDEP) would erode customer confidence and reduce deposits. Financial intermediation was also enhanced, with total advances increasing from approximately GHS 67.7 billion in 2022 to GHS 77.0 billion in 2023, representing a 13.8 percent growth. This indicates the banks' willingness to lend to both existing customers and new prospects, underscoring the industry's resilience and commitment to fostering economic growth despite challenges.

Profit-before-tax experienced an impressive growth rate of 267.1 percent in December 2023, a substantial recovery from the 207.2 percent contraction recorded the previous year. Similarly, profit after-tax saw a significant increase, rising by 224.6 percent to GHS 8.3 billion, compared to a loss of GHS 6.6 billion in December 2022. The strong performance on key income lines was a major factor in the improved profit outcomes for banks in 2023. Net interest income grew by 41.5 percent, up from 18.7 percent in 2022, and accounted for 76.8 percent of total income in December 2023, compared to 75.7 percent in December 2022. However, the share of income from fees and commissions declined to 10.8 percent from 11.3 percent in 2022, while the proportion of other income to total income decreased to 12.4 percent from 13.0 percent over the same period.

Profitability indicators for the banking sector turned positive in December 2023, reflecting the improved profit performance throughout the year. The sector's Return on Assets (ROA) increased to 5.4 percent in December 2023, up from -3.8 percent in December 2022. Similarly, banks' Return on Equity (ROE) rose to 34.2 percent from -25.5 percent over the same period.

During the review period, the banking sector demonstrated relative cost efficiency, with key efficiency indicators returning to pre-DDEP levels by the end of December 2023. The cost-to-income ratio fell significantly from 120.8 percent in December 2022 to 80.1 percent in December 2023. Additionally, the cost-to-total assets ratio improved from 18.2 percent to 12.1 percent. The operational cost-to-gross income ratio also showed improvement, decreasing from 92.9 percent to 55.1 percent, while the operational cost-to-total asset ratio declined from 14.0 percent to 8.3 percent over the same period. These improvements highlight the sector's ability to manage costs effectively and enhance profitability despite the challenging economic environment.

The positive shift in profitability indicators underscores the resilience and adaptability of the banking sector in navigating financial and operational challenges.
Banks also reported lower impairments on financial assets in 2023, which contributed to the enhanced profit performance. Total provisions and impairments decreased by 79.2 percent in December 2023, following a sharp increase in December 2022 due to significant impairments on restructured Government of Ghana bonds.

However, asset quality risks remained elevated in 2023, reflecting the lingering impact of the 2022 macroeconomic challenges on the banking sector. Despite a moderation in the growth of non-performing loans (NPL), the industry's NPL ratio increased to 20.7 percent in 2023, up from 16.6 percent in 2022. The increased NPL ratios underscore the persistent asset quality risks within the banking sector, necessitating continued vigilance and effective risk management strategies.

The banking industry is gradually recovering from the COVID-19 pandemic and the Domestic Debt Exchange Program (DDEP), but broader economic trends require continuous monitoring. The sector's interconnectedness with the overall economic system makes it vulnerable to policy decisions and external factors. The IMF projects a decline in global growth from 3.04% in 2022 to 2.53% in 2023 and 2.4% in 2024, similar to Fitch Solutions' forecasts of 2.6% for 2023 and 2.1% for 2024. Advanced economies are expected to see a slowdown due to inflation-combating policies. Ghana's growth is projected to decline to 1.16% in 2023 due to contractionary policies under the IMF program, with recovery anticipated at 2.69% in 2024.

Globally, inflationary pressures are easing with softening demand and commodity prices, but growth is expected to fall short of consensus expectations in 2024 due to the delayed effects of 2023's monetary tightening. The US is projected to outperform Europe, while China faces structural challenges despite a policy-driven recovery. Inflation is expected to decrease in advanced economies from 4.59%(2023) to 2.62%(2024); and emerging markets from 8.34% (2023) to 8.29%(2024), but Ghana and its sub-region are projected to have high inflation rates of 22.27% and 15.28%, respectively by the end of 2024, with a sharp decline expected in 2025 as economic recovery progresses.

To combat inflation in 2023, Ghana's central bank raised the policy rate by 200 basis points, maintaining it at 30% for the rest of the year. This was effective in reducing monthly pressures but not overall inflation, which rose from 31.46% in 2022 to 40.28% in 2023. The Ghanaian cedi has however depreciated against major currencies by 33.25% from an exchange rate of 8.27 in 2022 to 11.02 in 2023. Despite the depreciation, the absence of the random spikes and volatilities seen in 2022 indicates improved external buffers supporting exchange rate stability. However, Ghana's external debts remained unserviced in 2023 following the suspension of payments by the country.

The Bank of Ghana anticipates improved foreign exchange inflows due to increased IMF-ECF disbursements, funds from the cocoa syndicated loan, and expected World Bank Development Policy Operations funding. The gold-for-oil program, repatriation of foreign exchange from mining and oil companies, and reduced debt service payments are also expected to enhance reserve accumulation, improving the external sector's outlook. These projections began to materialize in early 2024, indicating a tentative economic recovery. However, this growth is not inclusive. Microeconomic conditions, such as the rising cost of living and production, persistent unemployment, high lending rates, and business failures, remain problematic. Ghana's economic challenges stem from structural disconnections, and current policy measures may be insufficient or may lack the robustness needed to address these deep-seated issues effectively.

Recent events in the Middle East, Russia-NATO tensions, and the DR Congo conflict threaten global oil prices, trade, and the banking industry. With Ghana's election year ahead, I urge political parties and stakeholders to maintain peace and avoid chaos. We must protect our nation and ensure economic stability.

As I look to the future, I do so with confidence. Against a volatile economic backdrop, we continue to demonstrate the strength and resilience of our business, delivering strong financial performance while proactively supporting our customers, communities, and shareholders by laying the foundations for growth.

As an industry, let's continue to position ourselves strategically to leverage the ongoing economic recovery and contribute to Ghana's development.
Once again, I am grateful to our supportive regulators and stakeholders for their continued trust and confidence in the banking sector.

Thank you.

Mr. John Kofi Adomakoh
(President, Ghana Association of Banks)

CEO's Message

JOHN AWUAH
CEO, Ghana Association of Banks (GAB)

On the occasion of our 41st Annual General Meeting, I would like to acknowledge the new leadership of the Ghana Association of Banks (GAB), starting with the new president, Mr. Kofi Adomakoh, Mr. Hakim Ouzzani (Vice President), Mr. Henry Chinedu Onwuzurigbo (Treasurer), and the entire Governing Council. I would also like to take this opportunity to express my hearty appreciation to the preceding president, Mrs. Mansa Nettey, for her immense contributions during her tenure and members of the previous Governing and General Councils of the Association. Since our last meeting in the first quarter, it was evident that a few MDs have left the industry while new others have joined. We wish all the best of luck in their respective endeavours.

As we reflect on our operations over the past year, I would like to acknowledge and express my profound appreciation to our major stakeholders, including the Bank of Ghana (BoG), Ministry of Finance (MoF), Ghana Revenue Authority (GRA), Ghana Interbank Payment and Settlement Systems (GhIPSS), Economic and Organised Crime Office (EOCO), Financial Intelligence Centre (FIC), Ghana Police, Cyber Security Authority (CSA), Lands Commission, The Judiciary, Driver and Vehicle Licensing Authority (DVLA), International Finance Corporation (IFC), World Bank, German Development Cooperation (GIZ), Chartered Institute of Bankers – Ghana (CIBG), leading Accountancy Firms in the country, and other key stakeholders. Their input, collaboration, and strategic interventions have been vital in ensuring that banks operating in Ghana are consistently empowered to remain competitive and are adequately equipped to meet the needs of customers while effectively assuming their essential role in national economic growth and development.

The banking industry in 2023 mildly recovered with some overhangs from the huge impairment loss of over GH¢19 billion, largely induced by the Domestic Debt Exchange Programme (DDEP), which plunged the entire industry into a significant loss of GH¢7.4 billion before tax in the 2022 financial year. The 2023 end-of-year financial data from twenty universal banks showed a significant improvement in impairment losses to GH¢7 billion, though this is considered higher than expectation. The industry, which was submerged in a loss in 2022, recorded profit of GH¢11.8 billion before tax in 2023. Return on assets (ROA) increased by 5.4% in 2023 compared to -3.8% recorded in 2022; average net interest margin (NIM) rose marginally from

8.18% in 2022 to 9.72% in 2023, while return on equity (ROE) for the industry improved from -25.5 to 34.2% at the end of the 2023 financial year. Liquidity of the industry has not been an issue, as banks hold a significant portion of their assets in short-term financial instruments. The average liquidity ratio for the 20 referenced banks was 92.3% at the end of 2022 but declined marginally to 85.7% in 2023. However, solvency remains a critical issue of concern for a few banks. The average capital adequacy ratio (CAR) for the industry decreased slightly from 21.87% in 2022 to 20.85% in 2023. Non-performing loans (NPLs) continue to be the bane of the banking industry, with the average NPL rising fractionally from 18.97% in 2022 to 19.13% in 2023.

Though the industry is gradually recovering from the huge losses incurred as a result of the DDEP, it is worth mentioning that the economic conditions within which banks operate are challenging and regressive. A current review of the macroeconomic conditions of the country signifies economic recovery as projected by the IMF, World Bank, and Fitch Solutions. However, the growth being experienced is non-inclusive, and economic activities continue to contract at the base level as per the Bank of Ghana's Composite Index of Economic Activity (CIEA). The CIEA data from Bank of Ghana shows that economic activities increased by 16.8% in 2021 but contracted to 0.48% and -1.9% in 2022 and 2023 respectively. Hence, our economic growth trajectory does not fully reflect the short-term dynamics in economic activity. This foregoing raises question on the actual determining factors of the level of inflation in the country and the volatile Cedi, which continues to fall against other international currencies. The IMF programme focuses on fiscal consolidation and enhancing revenue generation.

While the policy directions aimed at achieving the IMF programme are contributing to economic growth, they are also presenting challenges for the SME sector. High inflation and a depreciating exchange rate are increasing the operational costs for businesses and also increasing the cost of living. These policies are producing positive results on one hand, but they are also causing significant strain on the other side of the divide.

In spite of the turbulent macroeconomic environment, GAB managed to deliver on strategic assignments aimed at minimising the impending threat posed by the DDEP programme. First was the development of a media communication plan that would restore hope in the industry. Owing to the losses incurred in the 2022 financial year because of the DDEP, GAB, through the heads of communication of some selected banks, developed a media communication plan to reduce public uproar and improve market confidence.

As part of its proactive measures to ensure a positive industry outlook, a mystery shopping exercise was conducted in the Eastern and Ashanti regions of Ghana to understand how bank staff in these regions are offering services to customers and to gauge customers' sentiments on prevailing issues relating to the banking industry. This was to assist the industry take pre-emptive measures to prevent any potential disruption. Additionally, GAB participated in the CIB Thought Leadership Programme

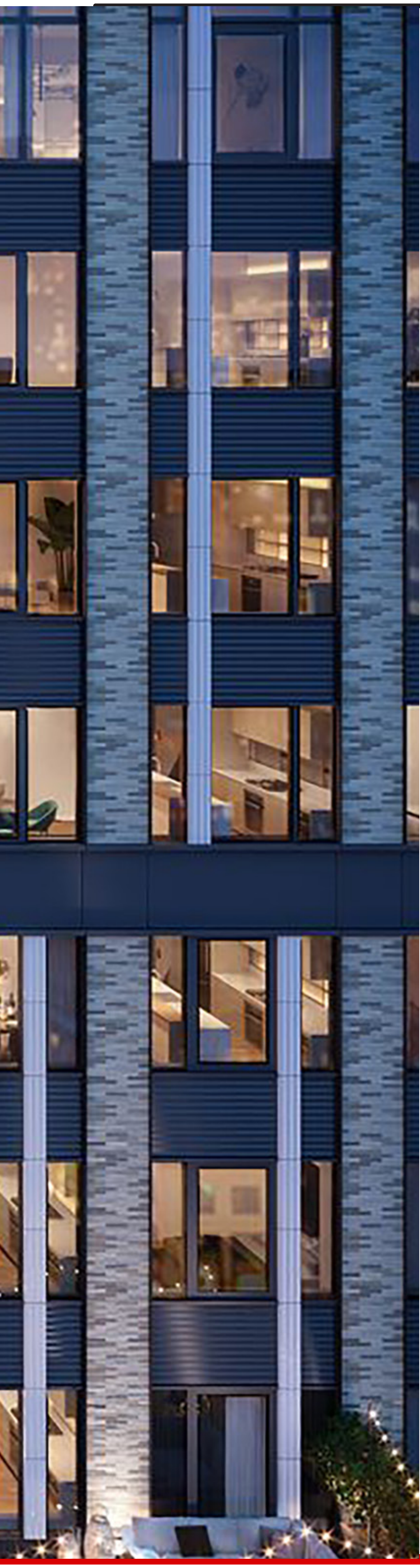
> **Though the industry is gradually recovering from the huge losses incurred as a result of the DDEP, it is worth mentioning that the economic conditions within which banks operate are challenging and regressive.**

dubbed "Sustaining Confidence in the Financial Sector", where I clarified misconceptions and false narratives regarding banks' loan-to-deposit ratio. I also took the opportunity to educate the public on the composition of banks' investments in securities. This was necessary because the majority of the public held the view that the DDEP negatively impacted banks simply because banks used a large portion of customers' deposits to purchase government securities instead of releasing them as loans to businesses. These seeming misrepresentation of sentiments are always peddled without recourse to the huge NPLs that have befogged the industry, and the overall poor credit culture in the country.

During the financial year under review, GAB, in collaboration with the International Finance Corporation (IFC), organised a one-day training programme for 50 compliance and trade finance officers from 23 universal banks, Development Bank Ghana (DBG), and the Bank of Ghana on trade-based money laundering. This training focused on trade-based money laundering trends, correspondent bank relationships, de-risking typologies, risk assessment methodologies, controls, and international standards. Again, GAB, in collaboration with the Economic and Organised Crime Office (EOCO) and the Financial Intelligence Centre (FIC), held dialogue on how to improve overall service delivery in the financial sector by aligning with Ghanaian legal regimes and international best practices.

In 2023, GAB participated in a variety of significant activities aimed at enhancing the country's financial and regulatory landscape. One such event was the Cyber Security Roundtable meeting organised by the Embassy of the United States of America, which convened industry players and key policymakers for an informal, closed-door discussion on Ghana's cybersecurity landscape, including its concerns, needs, and regulatory approach. Additionally, GAB engaged with the Embassy of Switzerland to discuss trends and developments in the banking sector following the Domestic Debt Exchange Programme (DDEP). Further engagements included discussions with the International Finance Corporation, the International Monetary Fund (IMF), Standard Group, West African Monetary Institute (WAMI) and the African Development Bank Group, all centred on the performance and future of the banking industry post-DDEP.

GAB also took part in the Presidential Breakfast Meeting on Agriculture and Agribusiness Financing, organised by the Ministry of Food and Agriculture (MOFA). This meeting focused on exploring the opportunities and challenges



related to agricultural financing, a critical component of the nation's economic development and food security. Moreover, the association participated in the National Banking and Ethics Conference hosted by the Chartered Institute of Bankers (CIB). The conference, themed "Redefining Professionalism in Banking through Ethics," featured a comprehensive report on ethics and business conduct within the banking industry, which was thoroughly discussed and presented at the event.

Though the industry is recovering steadily, there is urgent need to deepen our stakeholder engagement with the industry regulator to pre-empt any tendency for regulatory breaches lifting the regulators hand often in a manner that further depresses banks recovery efforts. In a quest to minimize regulatory sanctions and improve industry performance in 2024, GAB intends to review all directives and notices from regulators so they can be streamlined into a unified document devoid of contradictions and inconsistencies in their application.

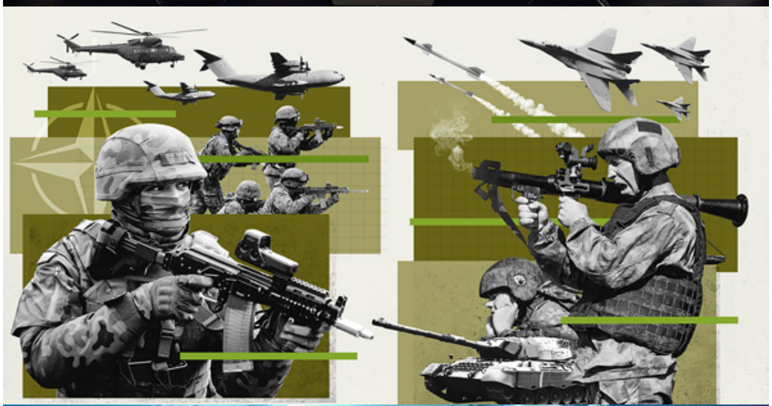
Furthermore, sustainable banking practices are now at the centre stage of banking. Consistent improvement in the business operating environment of member banks remains one of the core mandates of GAB. To ensure the practical realisation of this mandate, GAB plans to embark on a nationwide training of bankers and customers on Sustainable Banking Principles and ESG practices, and how banks and customers alike can incorporate sustainability into their operations. This initiative underscores GAB's commitment to promoting sustainable banking practices, green financing, gender equality, ethics, and good corporate governance.

As the saying goes, "A smooth sea never made a skilled sailor." This year, Ghana stands on the brink of what is expected to be a fiercely contested general election, a pivotal moment that holds significant implications for many sectors, including banking. As Abraham Lincoln once remarked, "The ballot is stronger than the bullet." The outcome of this democratic process will shape the economic and regulatory landscape, influencing the strategies and stability of the banking industry in Ghana. Even before the elections, GAB intends to have stakeholder engagement with the Ghana Police so that security provisions can be made for banks during a period where there will be significant demand on law enforcement for national assignments. Additionally, I'd like to use this medium to appeal to all citizens to uphold peace in the upcoming elections. Our politics does not always have to be adversarial but rather a quest to transform the country from its successive wobbling state. Our debates and political discussions should revolve around ideas and be devoid of tribal bigotry and religious sentiments, which could potentially plunge us into uncharted territories. Also, the politics of insult should be nipped in the bud. GAB will join forces with other leading Business Associations and Civil Society Organisations to fruitfully engage all contesting parties in the upcoming presidential elections to better understand policy alternatives and how those initiatives would be funded without further jeopardising the fiscal position of the country.

To cap it all, I would like to extend my heartfelt gratitude to our member institutions and other stakeholders for their tremendous support and invaluable contributions to the success of the Association. It is no exaggeration to state that the unwavering commitment, dedication, and sacrifice of the twenty-five Managing Directors (MDs) and Chief Executive Officers (CEOs) consistently underpin the administrative and various functions of the Association. Furthermore, GAB wishes to express its sincerest thanks to the General Assembly for their diverse support as well as the staff at the Association. We have skeletal staff with big ambitions in advocacy, productive dialogue, broader stakeholder engagement and a Thought leadership oriented organisation – if you want to know how we do that, please join me in sending a big thank you to our various professional network platforms such the CFO's Technical Working Group, Chief Compliance & Anti-money Laundering Network, Legal Committee, Trade Services Committee, Internal Auditors Technical Working Group, Technology & Cyber Committee, HR Network, Network of Treasurers, etc. We look forward to deepening our relationship in the current and subsequent financial years.

Thank you.

Mr. John Awuah
(CEO, Ghana Association of Banks)



ECONOMIC AND INDUSTRY REVIEWS

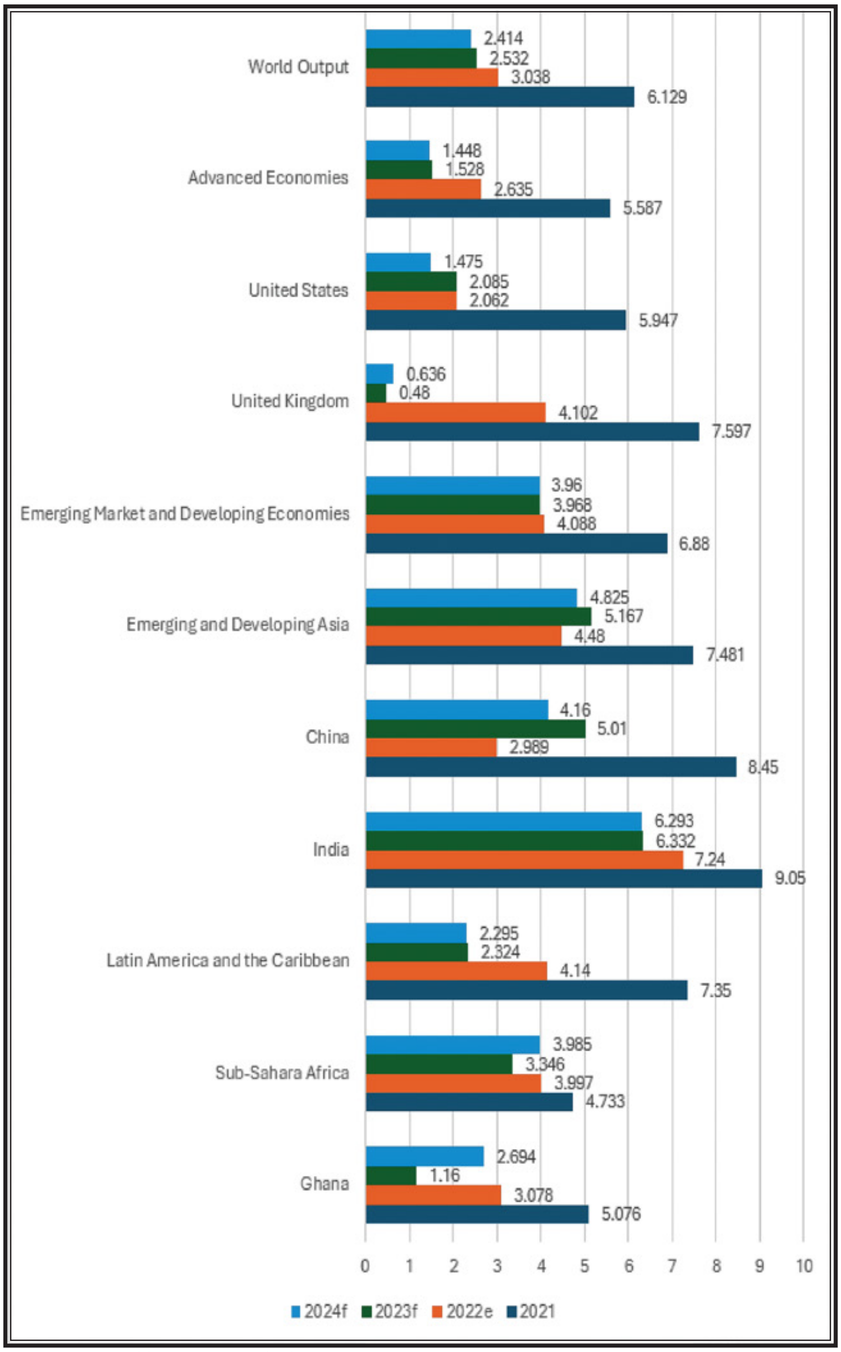
ECONOMIC REVIEW

GROWTH

Global growth, according to the IMF, is projected to slow down from 3.04% in 2022 to 2.53% in 2023 and 2.4% in 2024. These forecasts do not differ significantly from those of Fitch Solutions, which predicted growth rates of 2.6% and 2.1% for 2023 and 2024, respectively. Among the key driving forces behind the sharp slowdown in economic activity is the growth rate in advanced economies, which are expected to experience economic decline as a result of tightening policies intended to douse inflationary pressures that accompanied economic recovery in 2021. The decline in economic growth in advanced economies will be largely driven by a significant slowdown in US growth from a projected 2.08% to 1.48% in 2024. However, growth in emerging and developing economies in 2024 will not vary significantly from 2023 output. Major giants—China and India—in the emerging markets are also projected to experience a slight decline in economic growth in 2024. Economic growth in China and India is expected to decline from 5.01% and 6.33% in 2023 to 4.15% and 6.29%, respectively. Growth in emerging and developing economies is projected at 3.96%, which will partly offset the significant economic decline in advanced economies, thus causing a mild global economic decline of 2.41% in 2024. (See Figure 1 for details)

Sub-Saharan Africa (SSA), on the other hand, is projected by the IMF to experience economic recovery from a growth rate of 3.35% in 2023 to 3.98% in 2024, closer to the 10-year

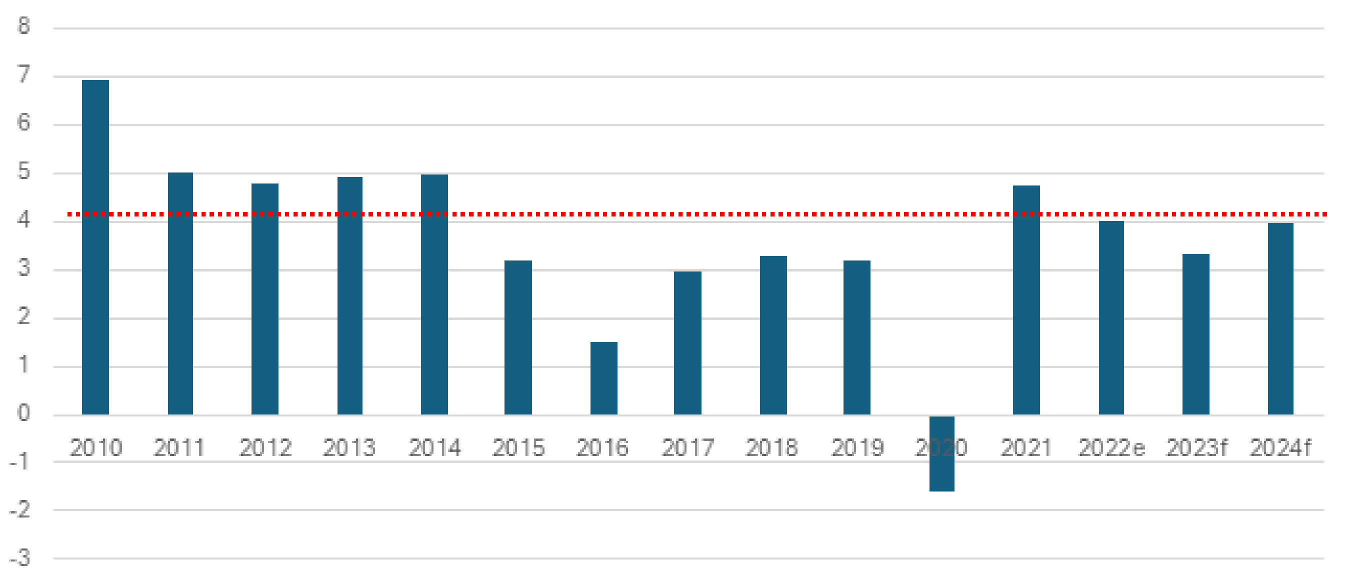
Figure 1: Global Economic Growth Outlook



Source: IMF, World Economic Outlook, 2024.

pre-pandemic average of 4.07% (see Figure 2). The decline in economic growth in SSA in 2023 was due to the heavy debt burden on most SSA countries and tighter monetary policy, which has kept currencies under pressure, adding to inflationary pressures and eroding purchasing power and corporate investment. However, anticipated growth in the East and Central African region is projected to fuel growth in SSA. Nonetheless,

Figure 2: Real GDP Growth Outlook for Sub-Saharan Africa



Source: IMF, World Economic Outlook, 2024.

recent clashes and unrest in DR Congo may undermine the projected growth.

In the case of Ghana, the IMF projected growth to decline to 1.16% in 2023 due to contractionary economic policy under the IMF programme, with economic recovery anticipated to set in in 2024 with a growth rate of 2.69%. Stronger economic activity in 2024 will increase demand for imported goods and services, which will narrow the country's trade surplus and drag on economic growth. Consistent with IMF projections, growth declined from 3.07% in 2022 to 2.9% in 2023. However, the growth of 2.9% is higher than the 2.26% projected by the IMF. Data from the Ministry of Finance indicates that the economy has grown by 4.7% in the first quarter of 2024 and has outperformed other targets set for the first and second quarters of 2024. These developments signal a positive path to recovery.

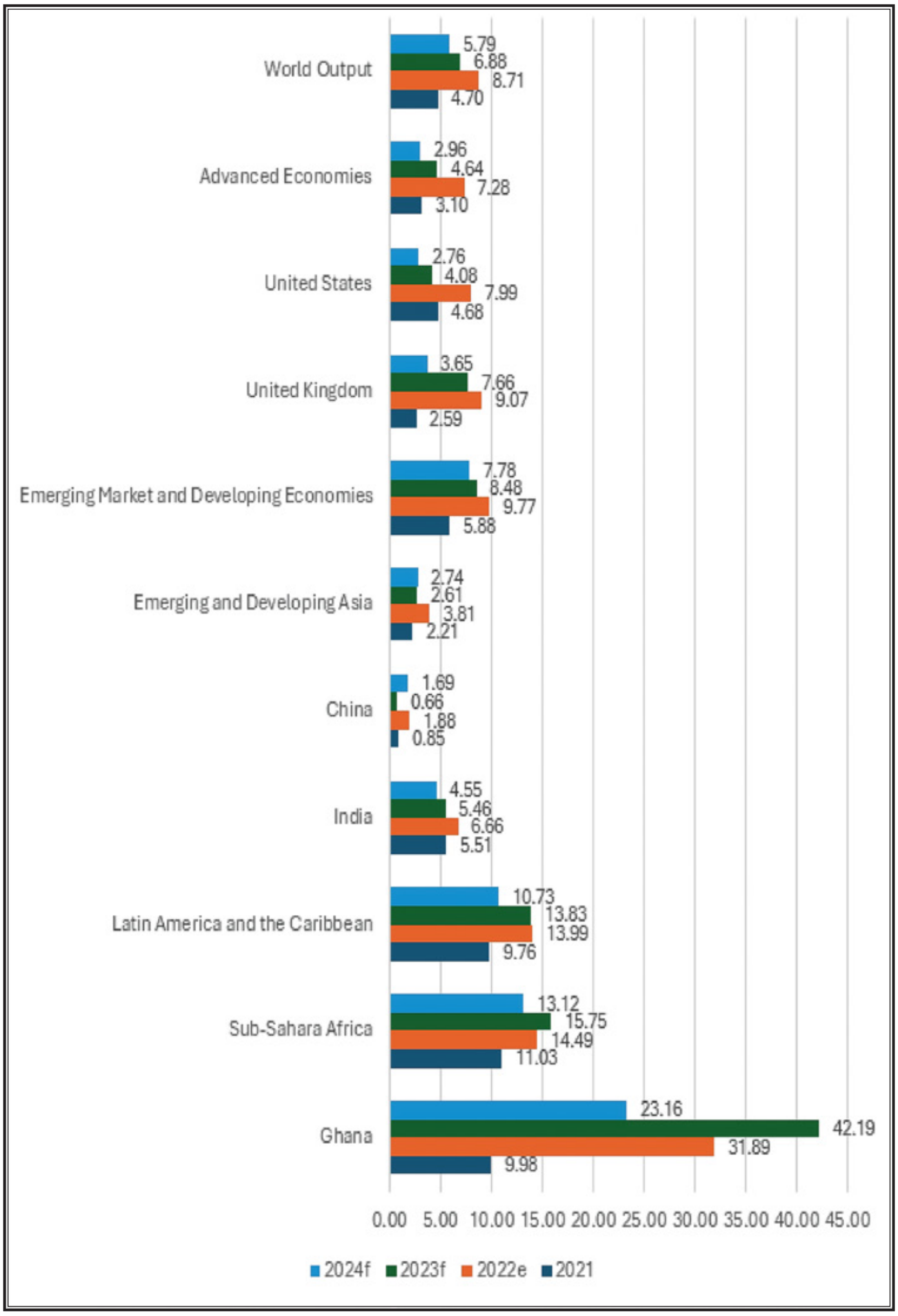
Inflation

Growth and recovery-induced policies post-COVID-19 caused significant growth in 2021 but also led to skyrocketing inflation in 2021 and 2022. Although inflationary pressures are projected to ease in Advanced Economies (4.64%) and emerging market & developing economies (8.48%) in 2023 and 2024, Ghana and the sub-region were projected to experience high inflation rates of 42.19% and 15.75%, respectively, by the end of 2023, with a sharp decline anticipated in 2024 in line with economic recovery. Inflation in Ghana decreased from 53.6% in January 2023 to 23.2% at the end of December 2023.

Globally, inflationary pressures have begun to abate, reflecting softening demand and easing commodity prices. Global growth is expected to fall short of consensus expectations in 2024 as the delayed effects of monetary policy tightening in 2023 take hold. Among the advanced economies, the US is expected to continue outperforming Europe. While China's policy-induced recovery is set to continue in the near term, strong structural headwinds will likely put the economy back on a weaker track by the second half of 2024.

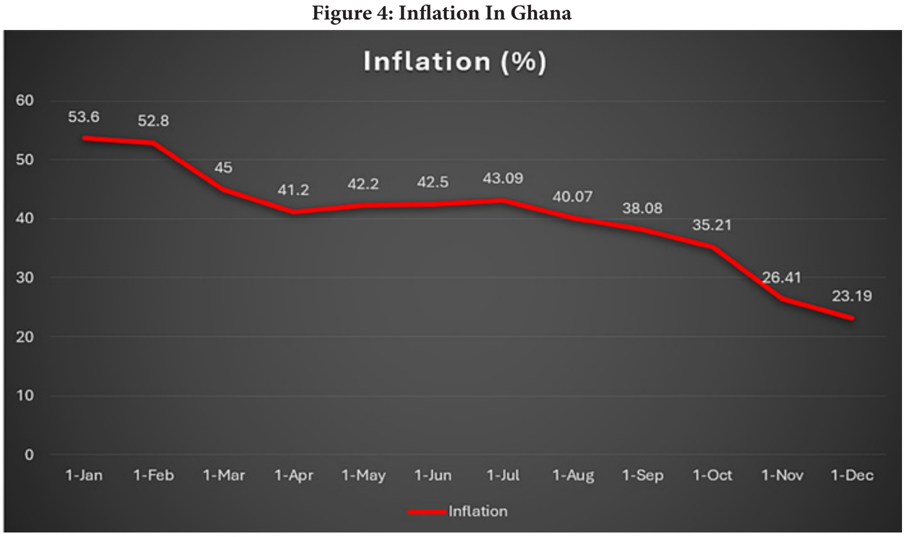
The subdued growth environment is likely to bring inflation back to central banks' targets sooner than most anticipate. While the world economy is expected to experience a soft landing from the monetary tightening cycle in 2023, global growth is anticipated to undershoot consensus expectations in 2024. With inflation set to fall close to – or actually reach – central bank targets this year, 2024 should also see broad-based cuts in policy interest rates, which have a bi-directional relationship with inflation.

Figure 3: Global Inflation Outlook



Source: IMF, World Economic Outlook, 2024.

Figure 4: Inflation In Ghana



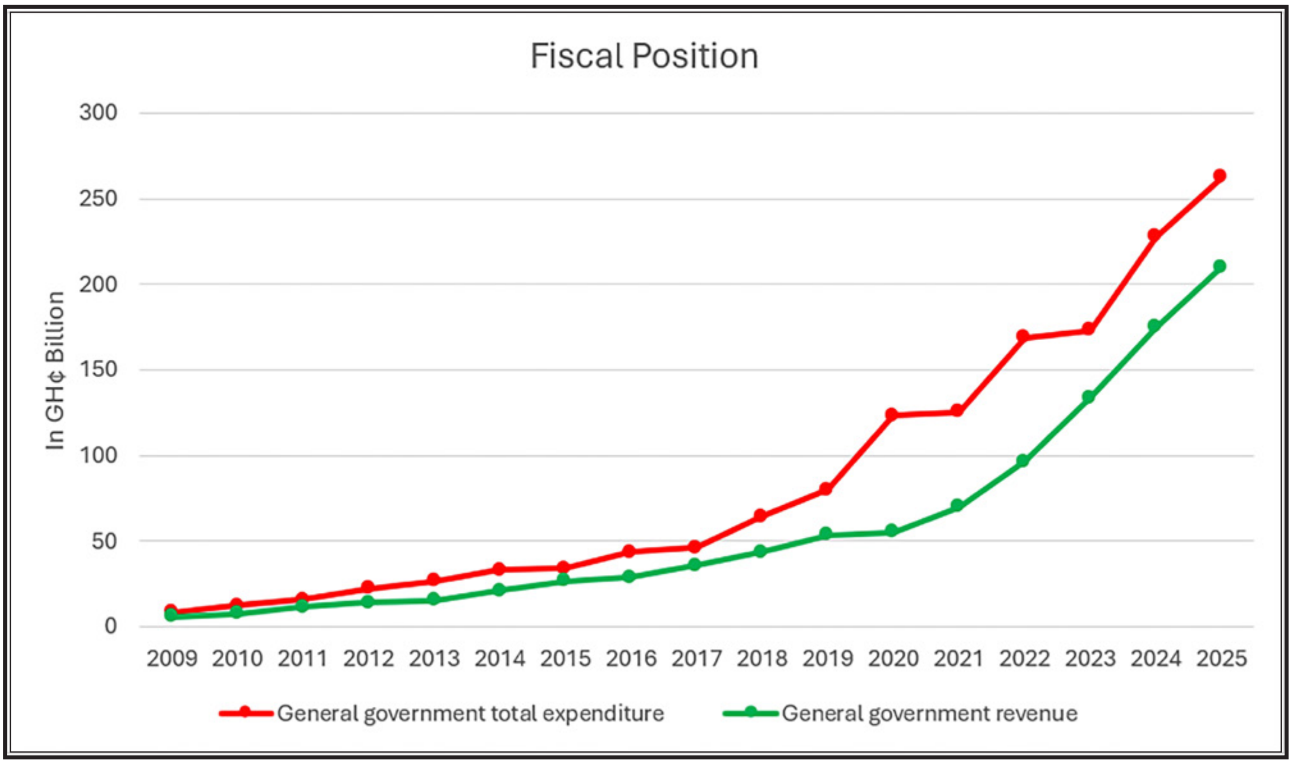
Source: Bank of Ghana, Online Database, 2024

Government's Fiscal Position

Ghana remains a growing economy with significant potential for expansion. Despite this, the country's fiscal position has been negative due to the persistent increase in government expenditure relative to its limited revenue base. Over the years, government expenditure has significantly exceeded its revenue, resulting in a substantial deficit. These deficits are often funded through substantial loans and other debt instruments. Under the IMF programme, government expenditure levels have moderated while significant efforts have been made to increase revenue.

According to the IMF, total government revenue increased from GH¢96.16 billion in 2022 to GH¢133.8 billion in 2023, compared to expenditure, which rose from GH¢168.9 billion in 2022 to GH¢173.2 billion in 2023. Since 2009, the deficit gap has continued to widen due to large government expenditures, debt repayment, and a depreciated Ghanaian cedi. Both expenditure and revenue are projected to increase in 2024 to GH¢227.9 billion and GH¢175.2 billion, respectively.

Figure 5: Fiscal Position



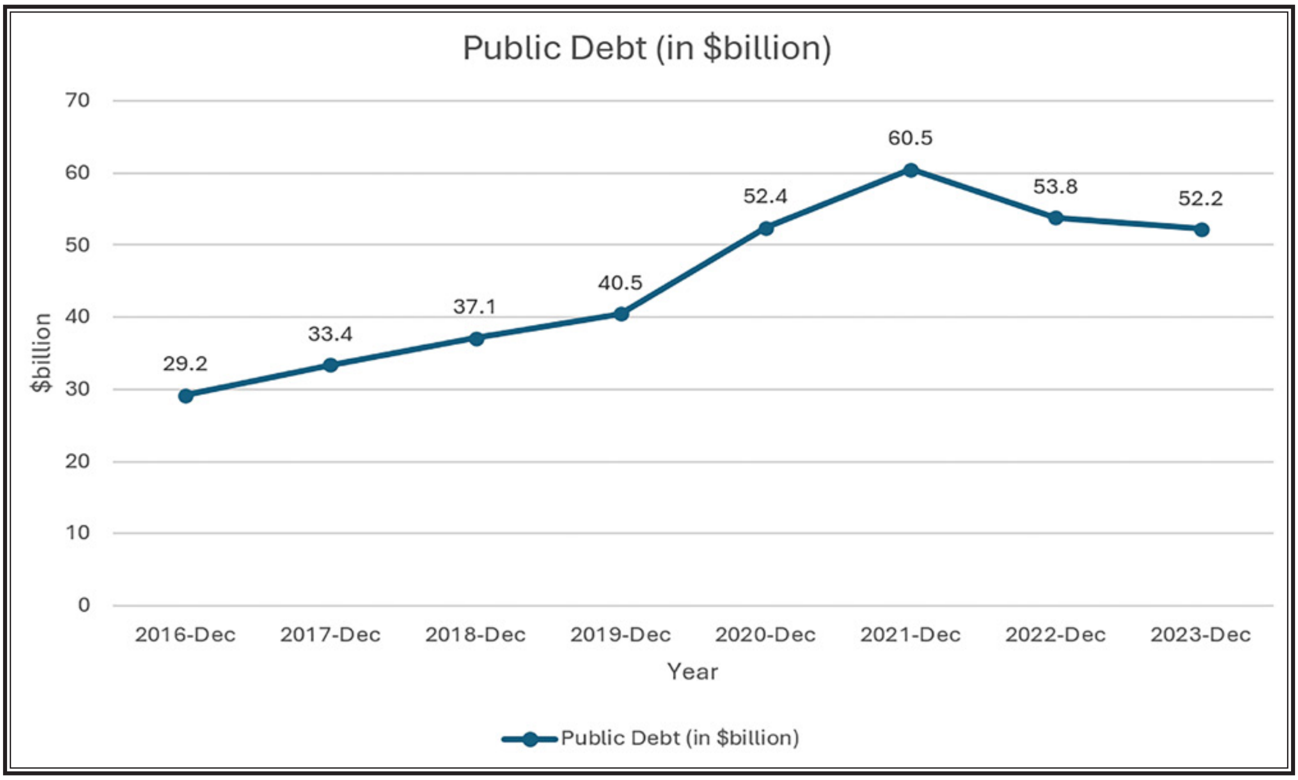
Source: Bank of Ghana, Online Database, 2024

Public Debt

As of the end of December 2023, the provisional central government and guaranteed debt in nominal terms stood at GH¢608.4 billion, equivalent to $52.2 billion. This comprised GH¢351.1 billion (equivalent to $30.03 billion) in external debt and GH¢257.2 billion (equivalent to $22 billion) in domestic debt.

The public debt stock has been rising since 2016 due to government borrowing and the depreciation of the cedi, which increases the interest on debt repayments. Ghana's debt stock significantly increased to an unsustainable level of $60.5 billion in 2021. Due to the government's inability to meet revenue targets via the e-levy to offset some of the debts, the country fell into debt distress and subsequently returned to the IMF for a credit facility. Among the key criteria for assessing IMF credit support was the reduction of debt levels to a sustainable level, leading to the government debt restructuring programme. This programme caused debt levels to dip marginally from $60.5 billion in 2021 to $53.8 billion in 2022 and $52.2 billion in 2023.

Figure 6: Public Debt



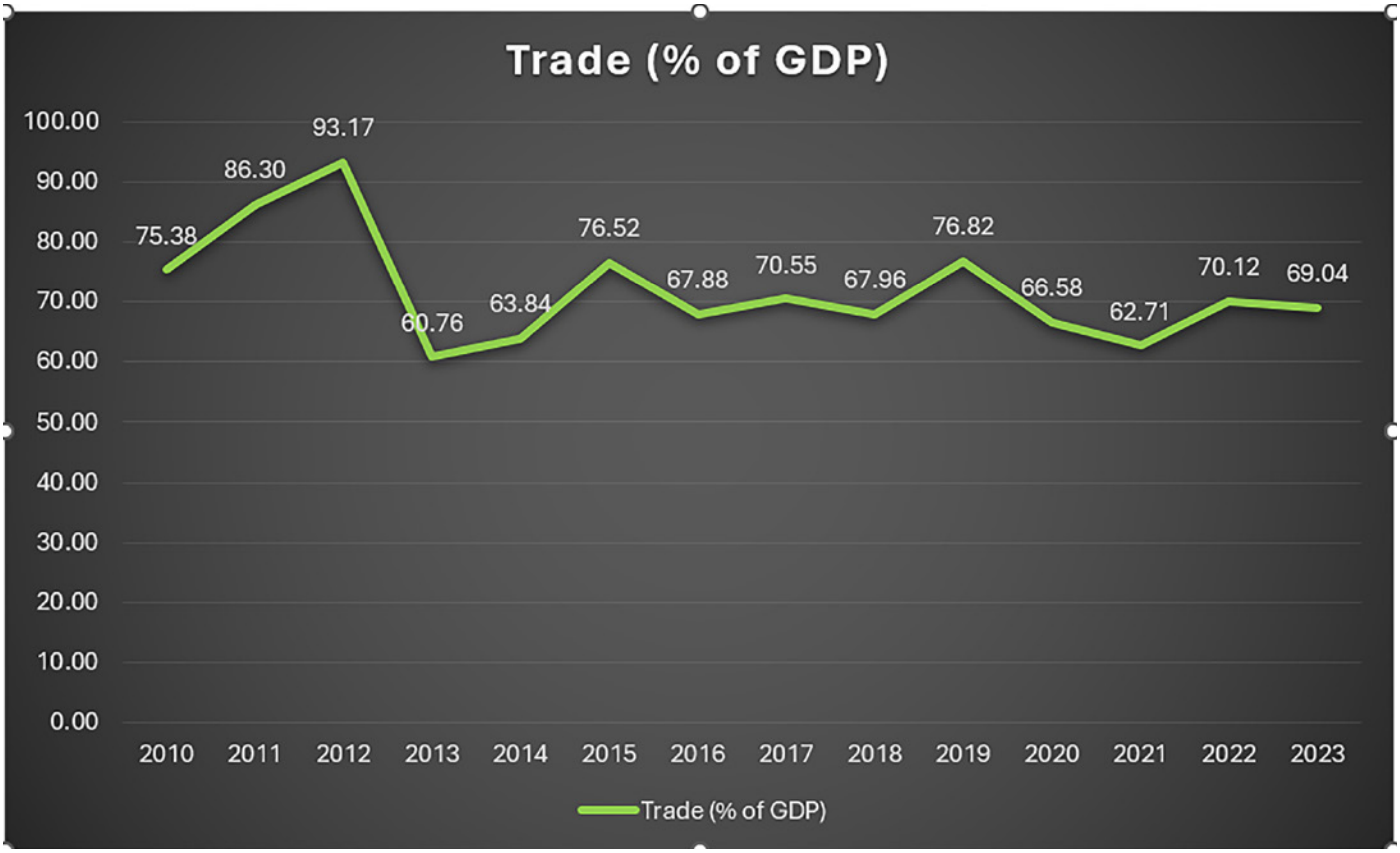
Source: Bank of Ghana, Online Database, 2024

Trade and Balance of Payment

The sum of exports and imports of goods and services, measured as a share of gross domestic product (GDP), decreased to 66.6% in 2020 due to COVID-19. It further declined to 62.7% in 2021 because of the lingering effects of COVID-19 and global inflationary pressures. However, it rebounded to 70.1% of GDP in 2022 but dipped slightly to 69.03% by the end of 2023. Although Ghana has experienced significant trade deficits in the past, the exploration of oil and the discovery of new oil fields have changed the narrative since 2017. The country has consistently recorded trade surpluses since then. However, this has not had any significant effect on the exchange rate due to substantial debt repayments and a weak real sector. The trade surplus is driven extensively by the exportation of oil.

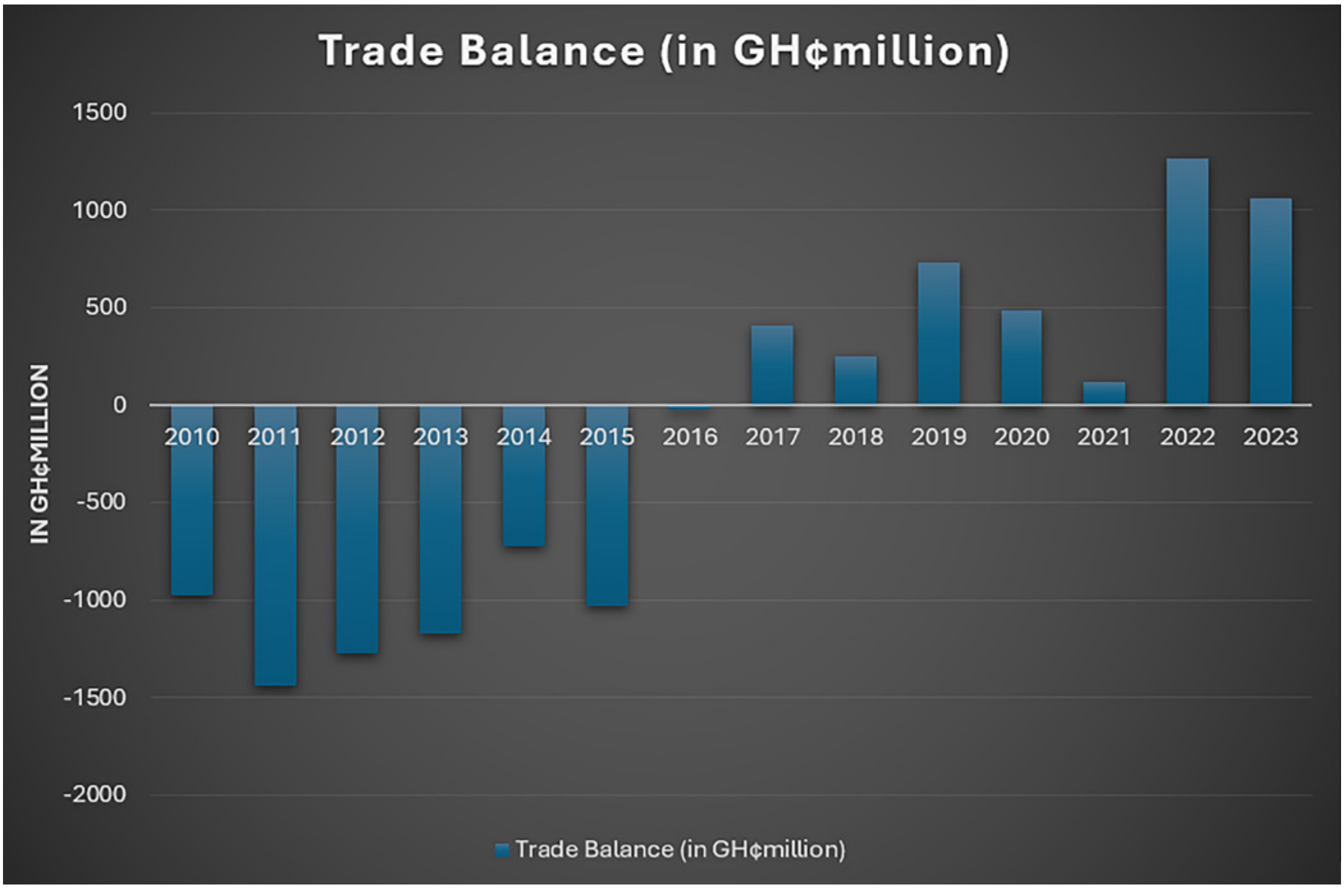
According to the Bank of Ghana (BoG), Ghana's trade balance for the financial year 2023 was $1.06 billion. As stated earlier, the increase in the favourable trade balance is often driven by the exportation of oil from the country. Meanwhile, non-oil exports continue to be negative, raising concerns about the productive capacity of the real sector and the extent to which the economy has become import-dependent.
In 2023, the country recorded significant trade, current account, and capital account surpluses. The capital account surplus was primarily caused by the non-payment of debt due to the debt restructuring programme. This has culminated in a substantial balance of payments surplus of $461.6 million.

Figure 7: Trade (% of GDP)



Source: World Bank, World Development Indicators, 2024

Figure 8: Trade Balance



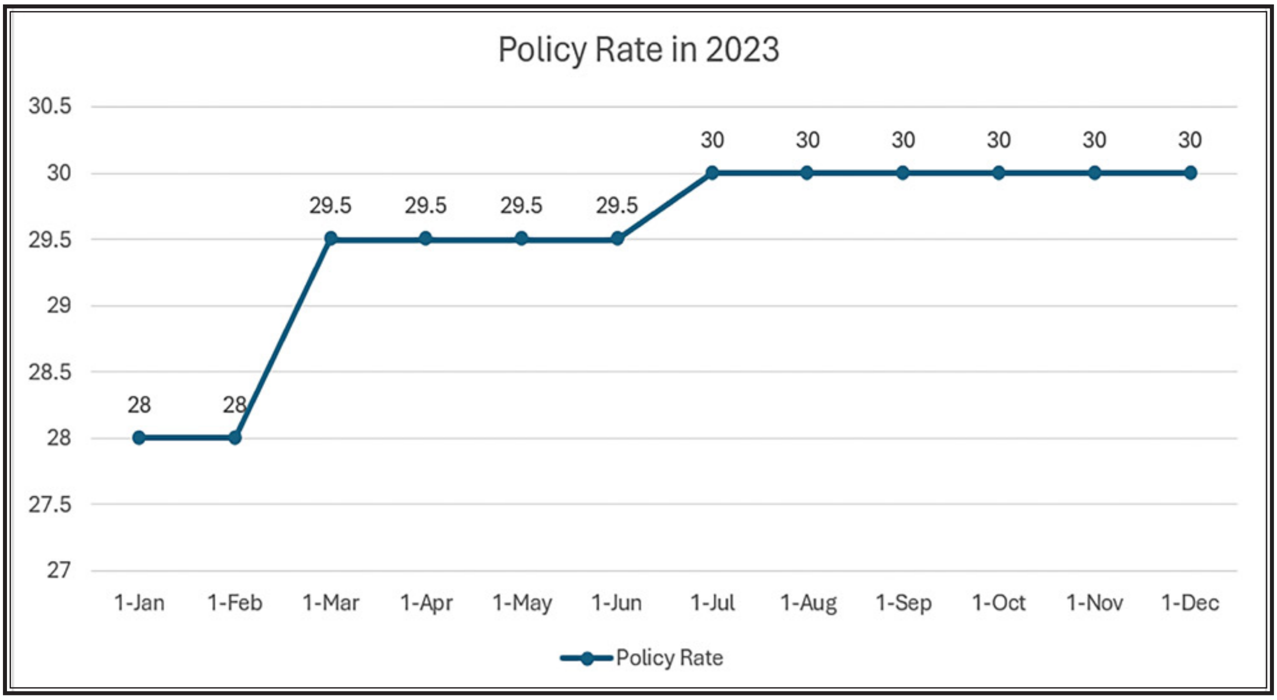
Source: Bank of Ghana Online Database, 2024

Monetary Policy Development

The monetary policy direction in 2023 was contractionary, as the central bank increased the Monetary Policy Rate (MPR) by 150 basis points to manage inflationary pressures. Additionally, the Gold-for-Oil programme was introduced to eliminate the necessity for foreign exchange, specifically dollars, in the pricing mechanism of petroleum products. The overarching objective is to help minimize exchange rate volatility and the persistent depreciation of the cedi.

During the period under review, Ghana was among the top remittance recipients in Sub-Saharan Africa, receiving $4.6 billion in 2023. This can largely be attributed to the numerous initiatives taken by the central bank, particularly within the FinTech arena. The increase in remittances normally helps shore up the strength of the cedi in the short term; however, more deliberate policy direction is needed to address the structural weaknesses of Ghana's economy.

Figure 9: Monetary Policy Rate



Source: Bank of Ghana Online Database, 2024

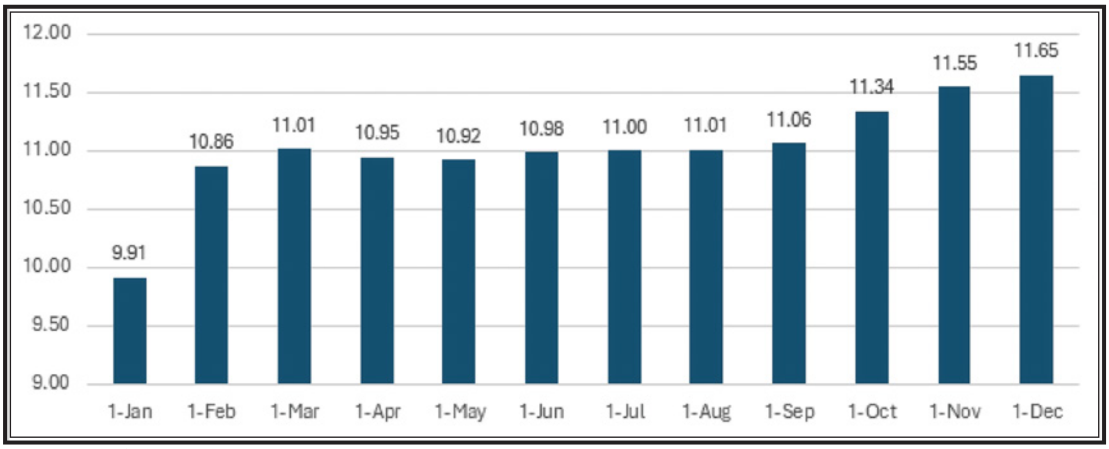
Exchange Rate

Efforts by the central bank to manage the fluctuations of the Ghanaian cedi against major trading currencies were notably unsuccessful in 2023, similar to 2022. The annual average exchange rates of the cedi against the US dollar, British pound, and euro on the inter-bank market in 2022 were GH¢8.4, GH¢10.3, and GH¢8.8, respectively, compared with the 2021 rates of GH¢5.8, GH¢8.0, and GH¢6.9. The cumulative depreciation rates on the interbank market in 2022 were 53.8%, 45.5%, and 46.8%, respectively, much higher than in 2021 when the rates were 4.1%, 3.1%, and -3.5% (appreciation) against the US dollar, British pound, and euro (BoG, 2023).

In 2023, the annual average exchange rate on the inter-bank market increased by 33.25%, from GH¢8.27 in 2022 to GH¢11.02 in 2023 (see table below for details). However, the random spikes and volatility associated with the exchange rate in 2022 were generally absent in 2023, as the country's external buffers increased, providing support for exchange rate stability. Despite this, the exchange rate depreciated by 27.8%, 31.9%, and 30.3% against the US dollar, the pound sterling, and the euro, respectively, in 2023, even though Ghana's external debts were not serviced in 2023. The situation would have been worse if external creditors had been paid (which would have been in Dollars).

According to the Bank of Ghana (2024), an improvement in foreign exchange inflows is anticipated through increased disbursements from the IMF-ECF, the acquisition of funds from the cocoa syndicated loan, and anticipated funding from the World Bank's Development Policy Operations. The Bank's gold-for-reserve programme, repatriation of foreign exchange from mining and oil companies, and a decrease in debt service payments are expected to further bolster reserve accumulation, contributing to an improved outlook for the external sector.

Figure 10: Monetary Policy Rate



Source: Bank of Ghana Online Database, 2024

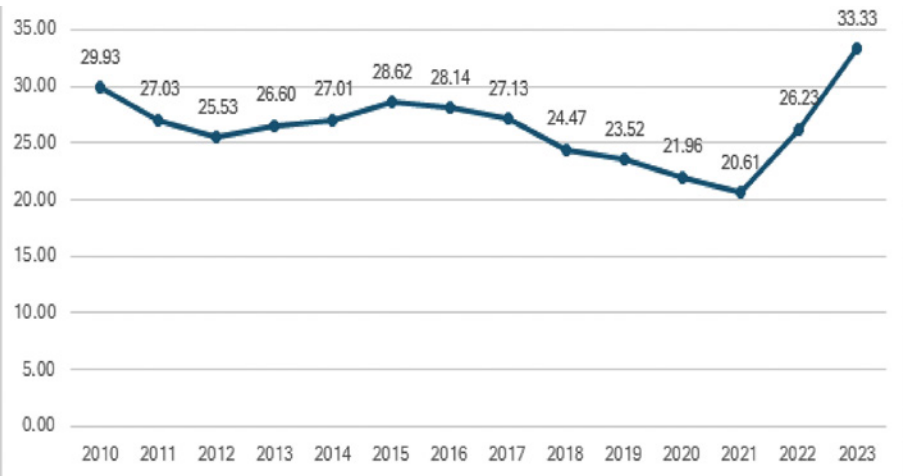
Interest Rates

Nearly all nominal rates were higher in 2023 than in 2022. Meanwhile, real rates in 2023 fell appreciably below their respective values in 2022 due to the higher inflation rate in 2023. The average commercial banking lending rate in Ghana over the past 13 years has generally been high and has been the highest compared to neighbouring countries in the ECOWAS region. Following the IMF credit facility from 2009 to 2010, the average interest rate for commercial banks narrowly dipped from 29.93% to a trough of 25.53% in 2022. This was associated with significant growth rates of 7.77% (2010), 13.95% (2011), and 8.43% (2012).

However, the economic growth rate began to decline steadily from 7.24% (2013), to 2.86% (2014), and 2.12% (2015). This decline was associated with increasing interest rates, skyrocketing inflation, deteriorating exchange rates, and ballooning debts *(see Figure 11 and Table 1)*. Despite domestic debt restructuring and the government's inability to pay external creditors, debt levels remain unsustainable (84.1% of GDP), raising concerns about the structural robustness of the Ghanaian economy. Another IMF deal was signed in 2015 and extended to April 2019. During this period, there was a significant decline in commercial banks' lending rate from 28.62% (2015) to 23.52% (2019). The rate dipped further to 20.61% (2021) but began to rise again, reaching a new peak of 33.13% in 2023. This data suggests that politicians may be hesitant to make difficult decisions that could cause temporary discomfort for the populace but lead to stable long-term growth, unless pressured by IMF conditionalities.

The general view of interest rates in 2022 and 2023, therefore, appears unfavourable, as higher past inflation may have increased inflationary expectations, resulting in higher nominal rates generally *(see Figure12)*. However, the average savings deposit rate has been insignificant and continues to decline, widening the interest spread. A nominal average lending rate of 33.33% at the end of 2023 is excessively high, especially compared with much lower rates globally. Nonetheless, the very high nominal rate suggests that the risk premium for investment remains high in Ghana, indicating a need to improve macroeconomic stability and the business environment.

Figure 11: Average Commercial Banks Lending Rate (%)



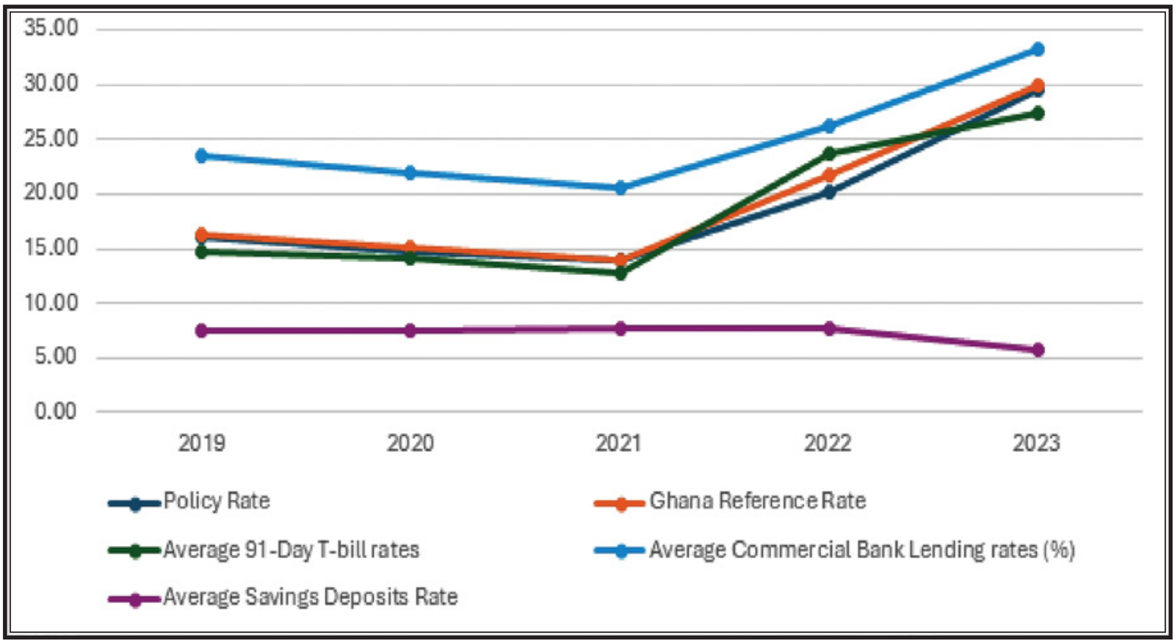
Source: Bank of Ghana Online Database, 2024

Table 1: Macroeconomic Indicators

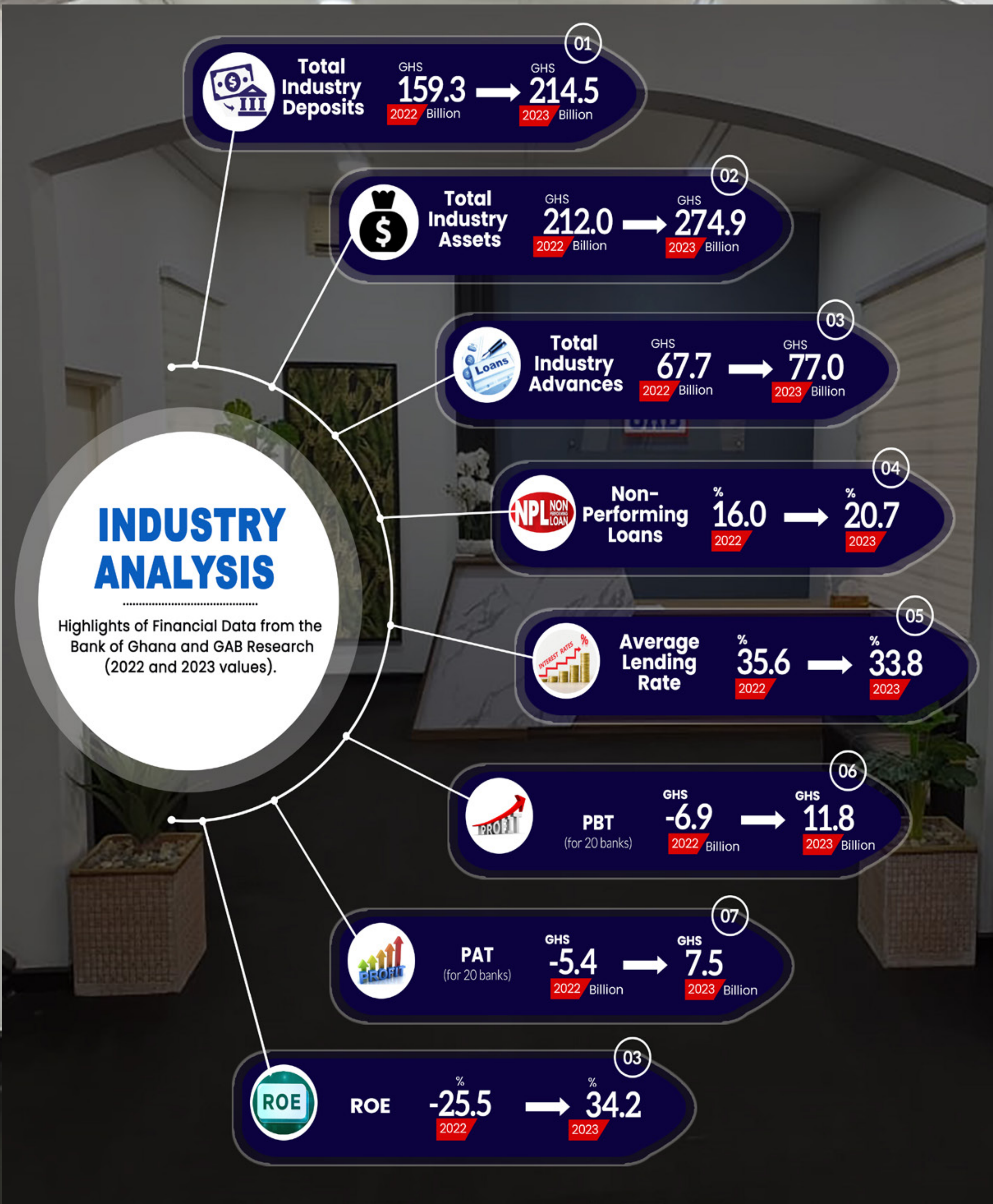
Year	Average Commercial Banking Lending rates (%)	Growth Rate (%)	Real GDP ($B)	Inflation (%)	Dept-to-GDP (%)	Exchange Rate (LCU&$%)
2010	29.93	7.77	93.95	6.70	34.51	1.43
2011	27.03	13.95	107.05	7.68	31.26	1.52
2012	25.53	8.43	116.07	7.07	35.35	1.82
2013	26.60	7.24	124.48	11.67	42.93	1.98
2014	27.01	2.86	128.03	15.49	50.11	2.90
2015	28.62	2.12	130.75	17.15	53.90	3.71
2016	28.14	3.37	135.16	17.46	55.94	3.91
2017	27.13	8.13	146.15	12.37	56.98	4.35
2018	24.47	6.20	155.21	9.84	61.98	4.59
2019	23.52	6.51	165.31	7.14	58.34	5.22
2020	21.96	0.51	166.16	9.89	72.34	5.60
2021	20.61	5.08	174.59	9.98	79.16	5.81
2022	26.23	3.08	179.97	31.89	92.38	8.27
2023	33.33	1.16	182.05	42.19	84.91	11.02

Source: BoG, WEO, and WDI, 2024

Table 1: Macroeconomic Indicators



Source: BoG, Online Database, 2024


INDUSTRY ANALYSIS
Highlights of Financial Data from the Bank of Ghana and GAB Research (2022 and 2023 values).
01
Total Industry Deposits
GHS 159.3 2022 Billion → GHS 214.5 2023 Billion
02
Total Industry Assets
GHS 212.0 2022 Billion → GHS 274.9 2023 Billion
03
Loans
Total Industry Advances
GHS 67.7 2022 Billion → GHS 77.0 2023 Billion
04
NPL NON LOAN
Non-Performing Loans
% 16.0 2022 → % 20.7 2023
05
INTEREST RATES %
Average Lending Rate
% 35.6 2022 → % 33.8 2023
06
PROFIT
PBT (for 20 banks)
GHS -6.9 2022 Billion → GHS 11.8 2023 Billion
07
PROFIT
PAT (for 20 banks)
GHS -5.4 2022 Billion → GHS 7.5 2023 Billion
03
ROE
ROE
% -25.5 2022 → % 34.2 2023

INDUSTRY ANALYSIS

Introduction

The Ghanaian banking industry has been the fulcrum of economic stability, financial inclusion, investment, policy impact, innovation, and technological development. There has been tremendous growth in bank account ownership in the country since 2013, reflecting a projected 78 percent penetration rate by 2028. In fact, as of 2022, nearly half of Ghana's population had an account at a financial institution (Statista, 2023).

However, the industry performance has been inconsistent since 2018 after the change in the minimum capital requirement to GH¢400 million, which saw the closure and merger of some banks. This policy decision was part of the central bank's broader agenda of cleaning up the financial sector as a result of high non-performing loans, poor corporate governance structures, risk management issues, liquidity issues, seeming insolvency, non-compliance, etc., that have inundated the sector. This adversely affected the private sector, particularly those who could not retrieve their funds from collapsed banks and individuals who lost their jobs as a result. This incident caused a steep drop in consumer confidence in the industry.

Consistent with the regulator's and researchers' almanacks, the industry experienced a boom in the following year as a result of the policy decision. However, this rebound was short-lived as the advent of COVID-19 caused significant credit risk and economic contraction. Regulatory adjustments, such as moratoriums on loan repayments, liquidity support, adjustments to capital adequacy requirements and the cash reserve ratio, and deferments of dividend payments, temporarily helped the industry weather the storm in 2020 and 2021.

However, the lingering effects of COVID-19, the Russia-Ukraine war (which has partly disrupted the global supply chain), macroeconomic instability (primarily fuelled by the global economic climate and huge public debt stock), high-interest rates, reduced money supply, more assertive regulations, and climate change have become disruptive forces reshaping the foundational architecture of the banking industry.

Despite these headwinds, the banking sector exhibited remarkable resilience, with financial institutions experiencing significant growth and adaptability to changing market conditions. In 2022, Ghana's macroeconomic environment was under stress due to revenue shortfalls and high debt levels, causing the government to solicit a credit facility from the IMF. Amongst the conditionalities for the IMF credit facility are fiscal consolidation, debt minimisation to sustainable levels (through debt restructuring), and increased revenue generation through taxation. These conditions, alongside the credit facility, are expected to exacerbate economic downturns from 2024 through 2027. However, one of the preconditions – domestic debt exchange – has caused significant impairments in the banking industry, leading to a substantial industry loss of GH¢7.4 billion at the end of the 2022 financial year. Nonetheless, the industry quickly recovered in the first quarter of 2023 with a GH¢3.2 billion profit-before-tax. This momentum was maintained throughout the year, with the industry recording a GH¢9.8 billion profit-before-tax by the third quarter of 2023.

This industry report presents key highlights on banks' assets, profitability, liquidity, efficiency, asset quality, payment systems, and the sector's performance on the stock exchange. Although there are currently twenty-three (23) universal banks in the industry, the analysis was based on 20 banks that have released their 2023 end-of-year financial statements. These banks constitute about 87% of the entire banking industry. Therefore, all estimations based on the 20 banks are representative of the industry.

Balance Sheet

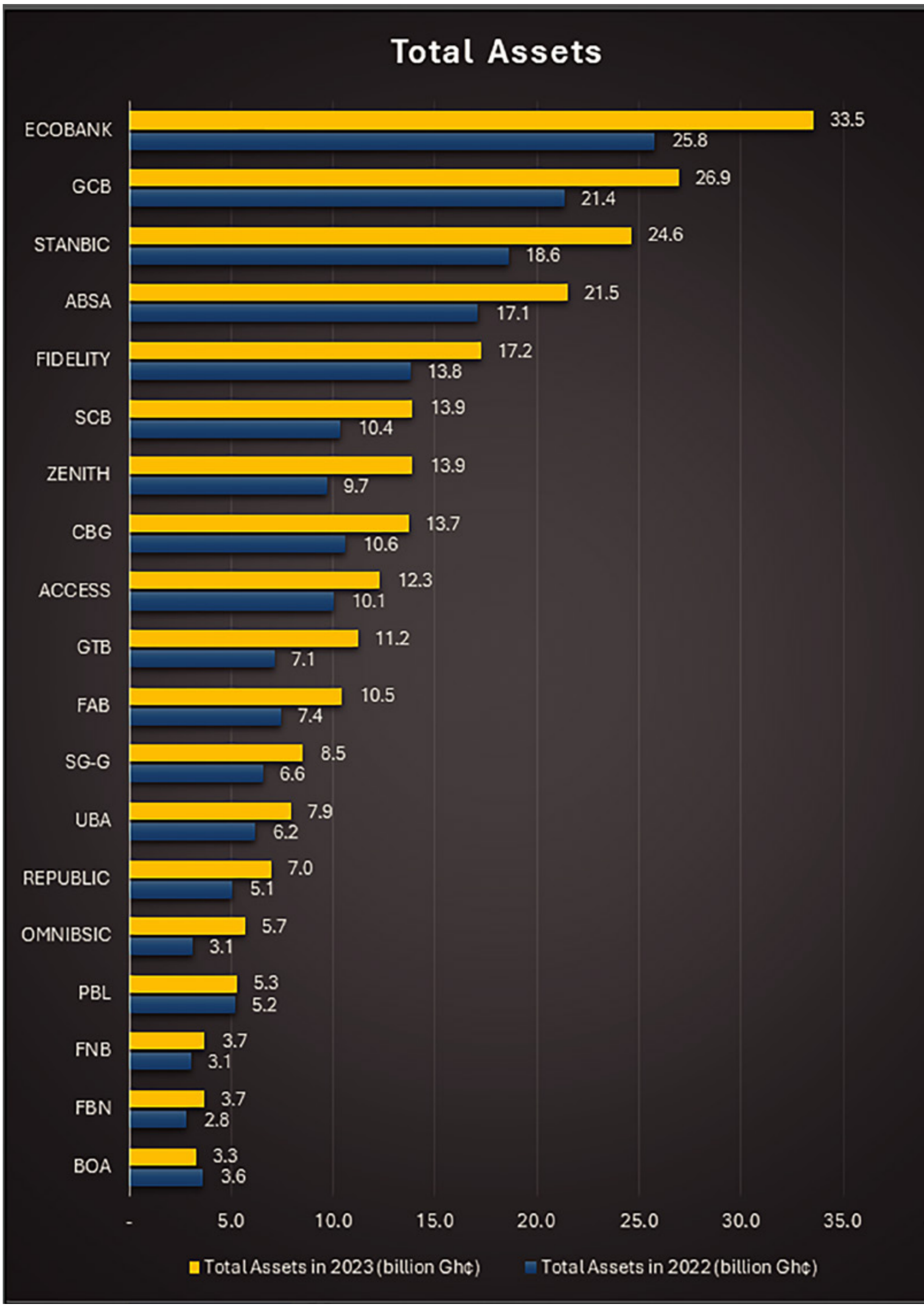
This section provides a snapshot of the banks' financial positions at the end of the 2023 financial year. It takes into consideration the banks' assets, liabilities, and equity; showing what the banks own, owe, and the value of the shareholders' stakes in the banks.

Total Assets

Total assets for the 20 banks at the end of the 2023 financial year amounted to GH¢254.2 billion, representing a 29.2% increase from the 2022 total assets of GH¢196.8 billion. The key drivers of the industry's total assets are banks' investments in securities, which constitute 31.9%, cash and cash equivalents (29.7%), and loans and advances to customers (22.4%).

All the banks under consideration experienced a significant surge in their total assets, partly attributed to the substantial increase in their cash and cash equivalents and the quantum of loans and advances extended to customers. Although investment in securities appreciated from GH¢53.9 billion in 2022 to GH¢81 billion in 2023, a historical assessment of banks' investments in securities shows that it increased in 2023 at a decreasing rate.

Out of the 20 banks, Ecobank, GCB, Stanbic, Absa, and Fidelity Bank constitute 48.72% of the industry's total assets. Despite persistent shocks such as COVID-19 and other external factors affecting the industry, total assets have maintained an upward trajectory. Additionally, the compound annual growth rate (CAGR) of the industry's total assets between 2019 and 2023 is 20.15%. The Figures and table below present the total assets of banks in the industry.

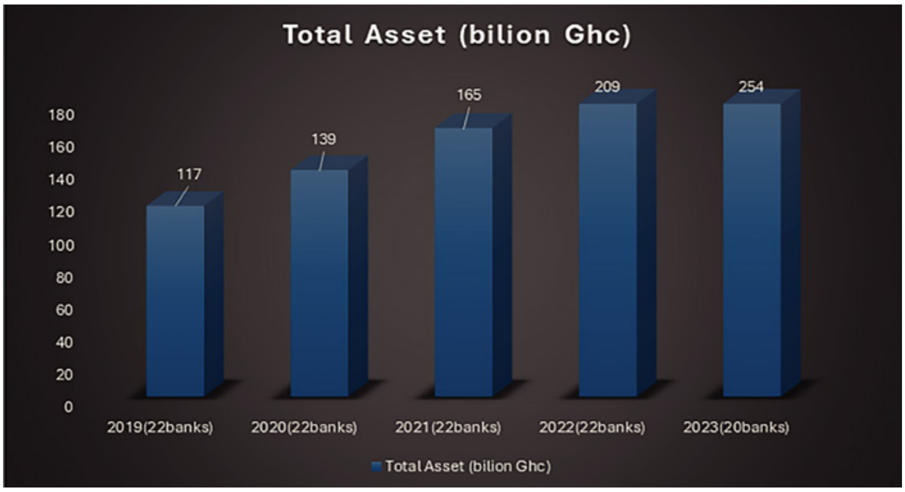


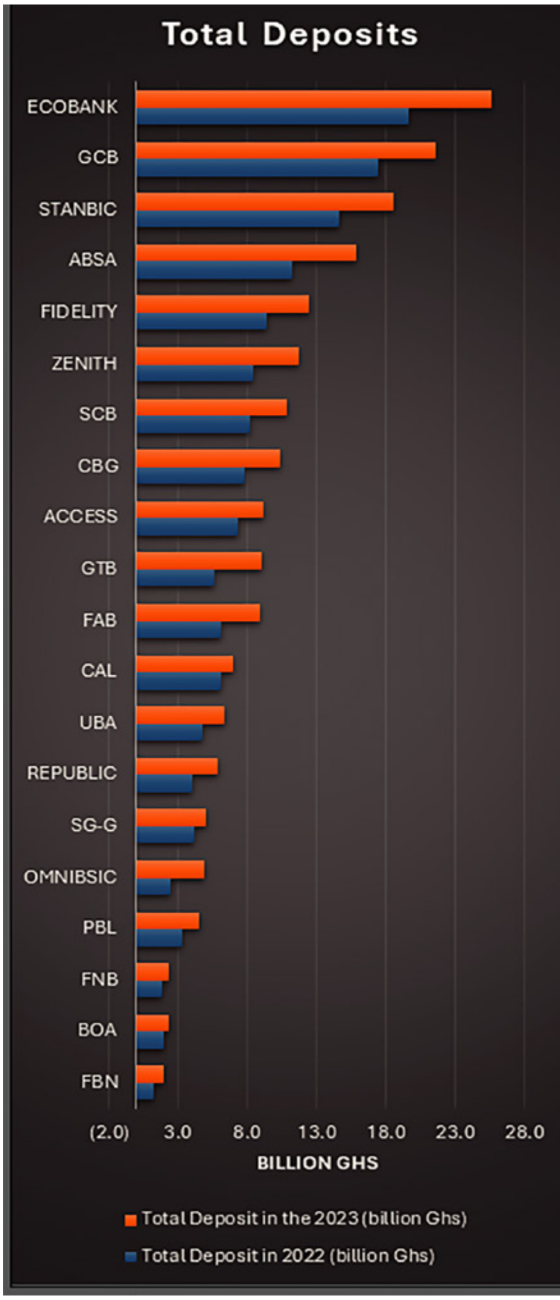
Source: Audited Bank Financials.
NB: Computations based on 20 banks

Total Assets of Top 5 Industry Players in 2023

Rank	Bank	Total Assets (GHs)	% Share of Industry's Total Assets	% Change: 2022 to 2023	Rate of Change
#1	Ecobank	33.5bn	13.19%	+29.8%	▲
#2	GCB	26.9bn	10.60%	+25.7%	▲
#3	Stanbic	24.6bn	9.69%	+32.3%	▲
#4	ABSA	21.5bn	8.46%	+25.7%	▲
#5	Fidelity	17.2bn	6.78%	+24.6%	▲

Industry Total Assets





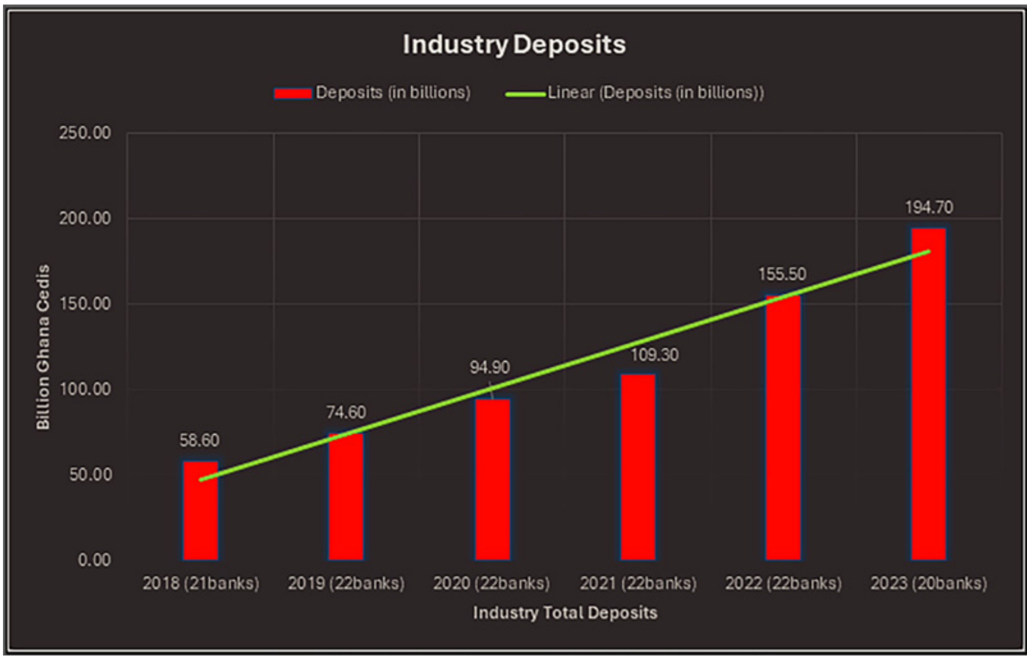
Liabilities

The industry's total liabilities increased sharply by 26.9%, from GH¢177.1 billion in 2022 to GH¢224.7 billion in 2023. This rise was largely influenced by the increase in customers' deposits. The result suggests that, despite the DDEP and other macroeconomic upheavals, customer confidence in the industry remains strong. The industry's liabilities consist of deposits from banks and non-bank financial institutions, deposits from customers, borrowings, creditors, accruals, etc. Among the liabilities, deposits from customers constituted 86.7% of the total industry liabilities.

Total Deposits

All the banks in question have recorded significant increases in customer deposits. Ecobank recorded the highest deposit of GH¢25.6 billion, followed by GCB (GH¢21.6 billion), Stanbic (GH¢18.6 billion), ABSA (GH¢15.9 billion), Fidelity (GH¢12.4 billion), and others. Despite the top five banks (Ecobank, GCB, Stanbic, ABSA, and Fidelity) accounting for 48.4% of total deposits in the industry, OmniBSIC experienced the highest percentage growth in deposits, with a 93% increase between 2022 and 2023. This was followed by FirstBank Ghana and GT Bank, which recorded 66% and 60% growth in deposits, respectively. Total deposits at the end of the 2023 financial year stood at GH¢194.7 billion, representing a 33.3% increase compared to the 2022 value of GH¢146.1 billion. As indicated earlier, the increased deposits by customers could be partly attributed to customer confidence in the industry, effective marketing strategies, and numerous financial literacy programmes.

Industry Deposits



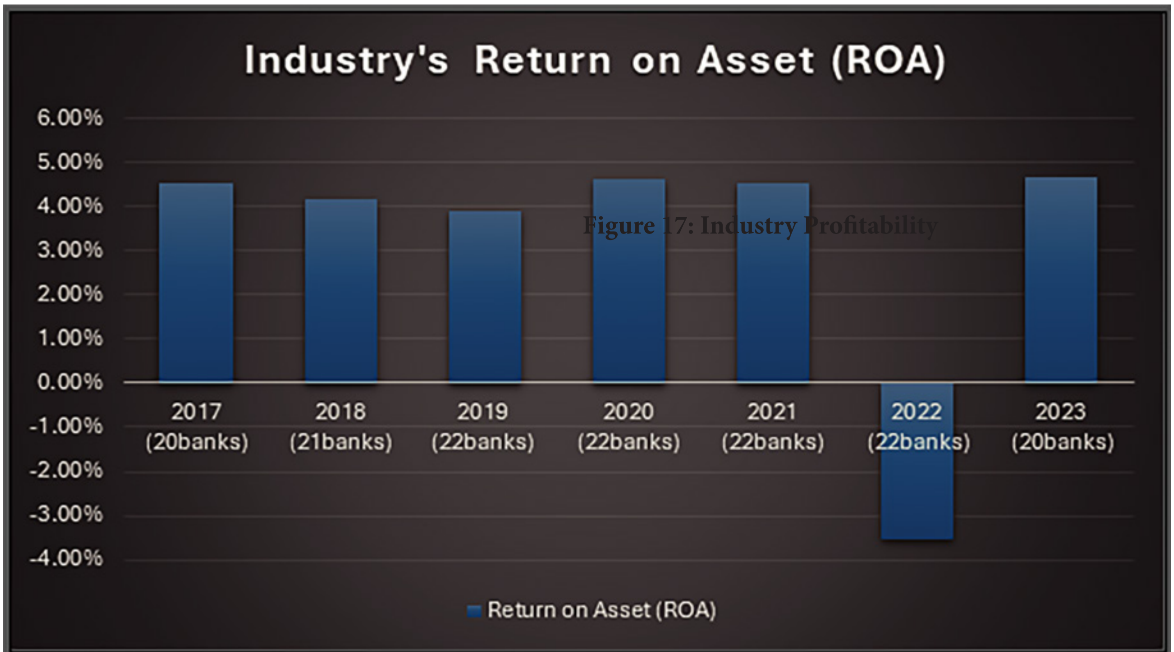
ASSET UTILISATION AND EFFICIENCY TRENDS

Asset utilization is a ratio that measures how efficient an organization is in using the assets at its disposal to turn a profit. In the banking industry, it measures how well the banks optimise their assets such as cash & cash equivalents, investments, loans & advances, property, plant & equipment, etc. into profits. The asset utilization metric is important for accurately gauging business performance and also assessing the efficiency of assets. Amongst the variables for evaluating efficient asset utilisation are return on assets (ROA), return on equity (ROA), and earning assets ratio (EAR)

Return on Assets

Industry return on assets (ROA) experienced a wavelike pattern from 2018 through 2021 but dipped sharply into negative returns (-3.55%) in 2022 as a result of the DDEP. However, it rose sharply to 4.66% at the end of the 2023 financial year, showing a significant increase in the asset quality of banks in the industry. Apart from Cal Bank, CBG, First National Bank, and Prudential Bank, which recorded negative returns on their assets, all the banks recorded a significant increase in their ROA. The negative ROA accrued by the aforementioned banks was occasioned by the lingering effect of the DDEP, which significantly repressed the returns on banks' assets, especially those invested in securities.

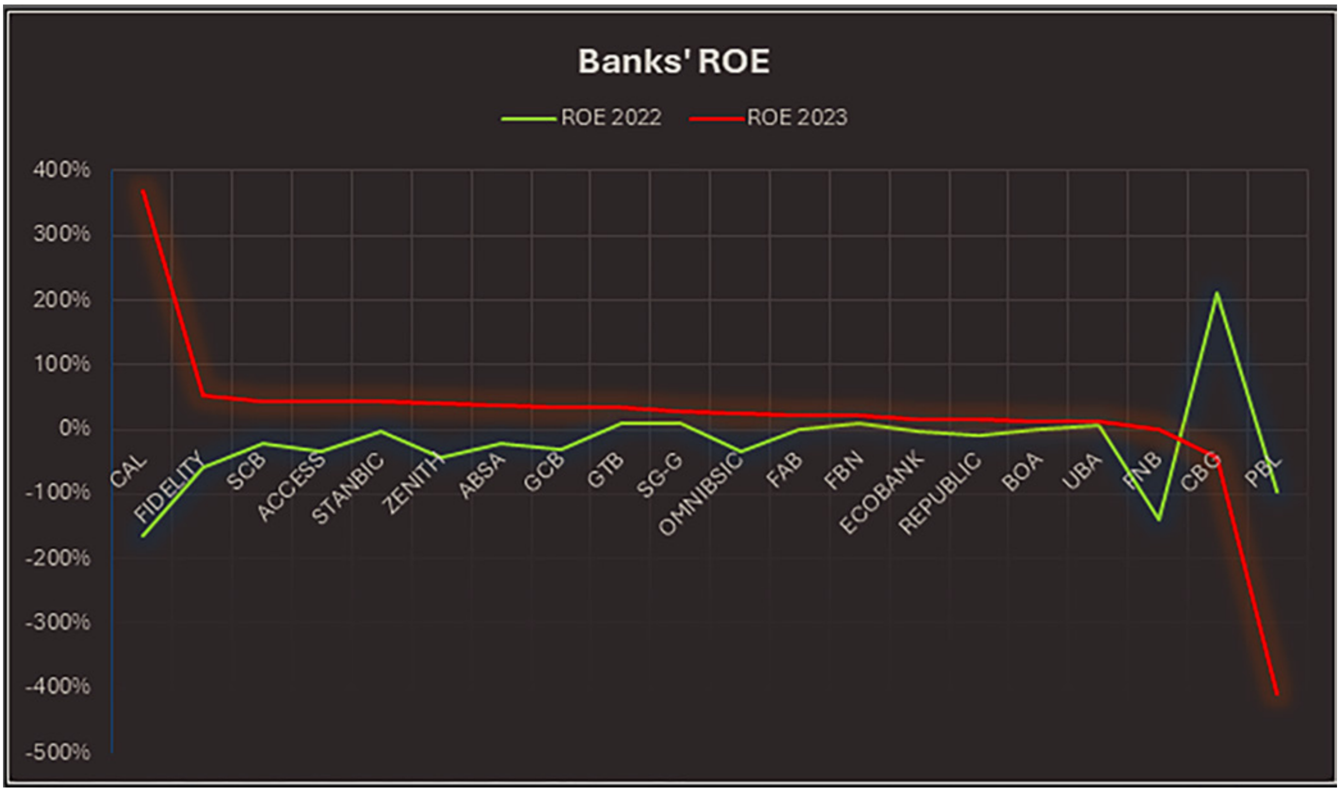
Industry's Return on Assets



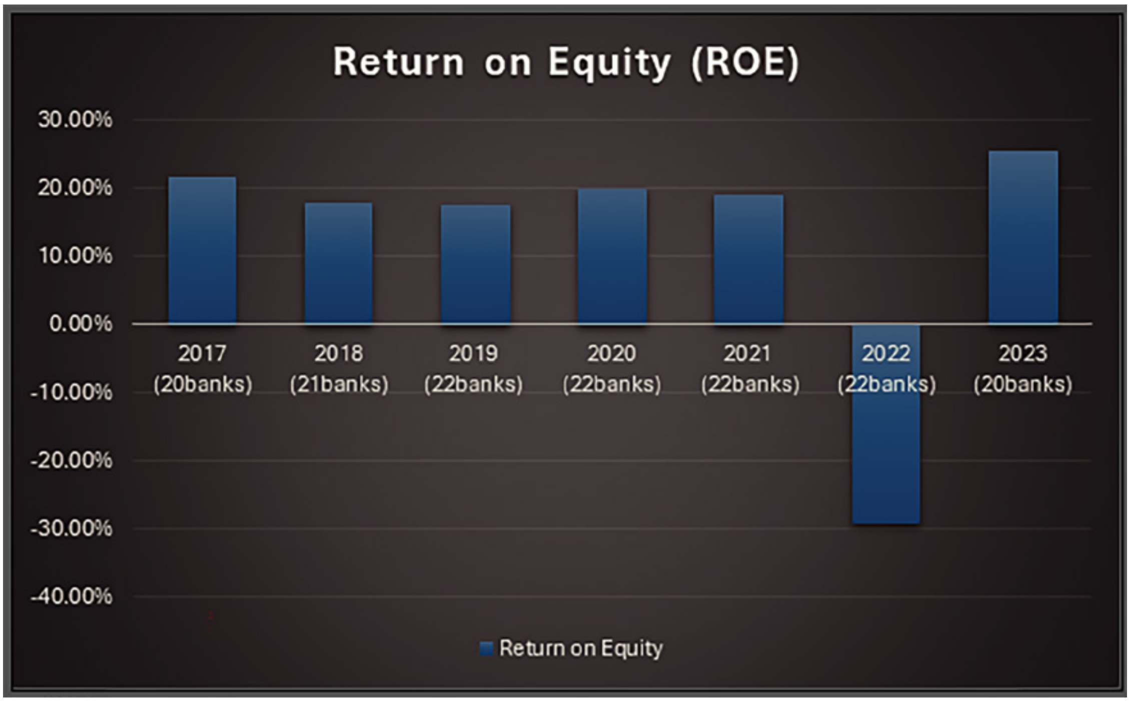
Source: Audited Bank Financials, compiled by GAB.

Return on Equity

Consistent with the ROA results, the industry's Return on Equity (ROE) hovered between 17% and 26% but dropped significantly to -29.27% in 2022. However, the situation was reversed in 2023, with the industry experiencing an ROE of 25.38%. As a result of the strong recovery in the sector, there was a relative increase in banks' ROE, with Fidelity Bank (52.12%), Stanchart (44.91%), Access Bank (44.09%), Stanbic (43.01%), and Zenith (40.77%) recording over 40% ROE, depicting efficient management of shareholders' capital. Although Cal Bank recorded an ROE of 367.91%, it was merely a drift from a huge loss (GH¢815 million) in 2022 as a result of the DDEP to a relatively lower loss position of GH¢680 million in 2023. Amongst the banks under consideration, Cal Bank was the only bank that recorded negative equity of GH¢184.9 million. As indicated earlier, the loss incurred was largely influenced by the DDEP, which caused significant impairment in the industry.



Industry's Return on Equity



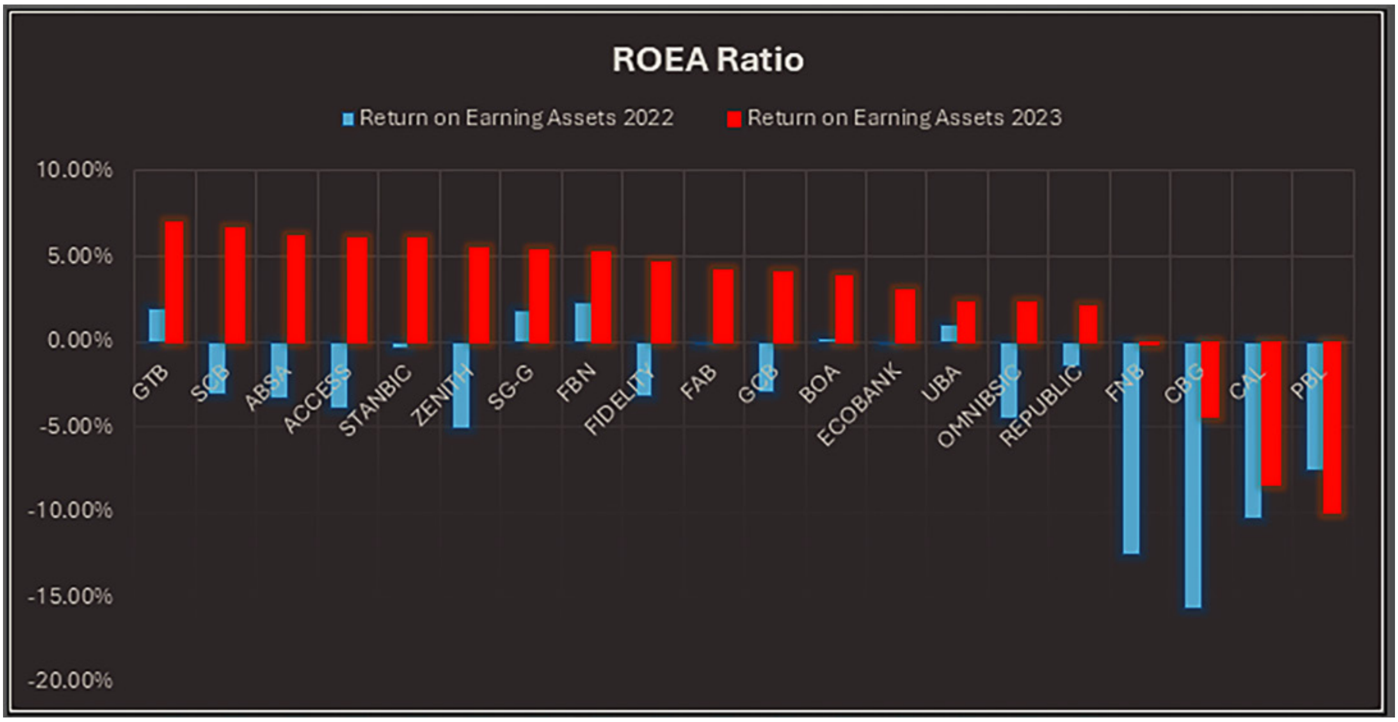
Source: Audited Bank Financials, compiled by GAB.

Return on Earning Assets (ROEA)

The asset mix of banks in 2023 is dominated by investment securities, cash & cash equivalents, and loan & advances to customers, which constitutes about 84% of banks' assets. Earning assets to total assets ratio for the industry dipped marginally from 83.1% (2019) to 82.4% (2020); it declined further in 2021 to 79.8% in 2022 before surging to 84% in 2023.

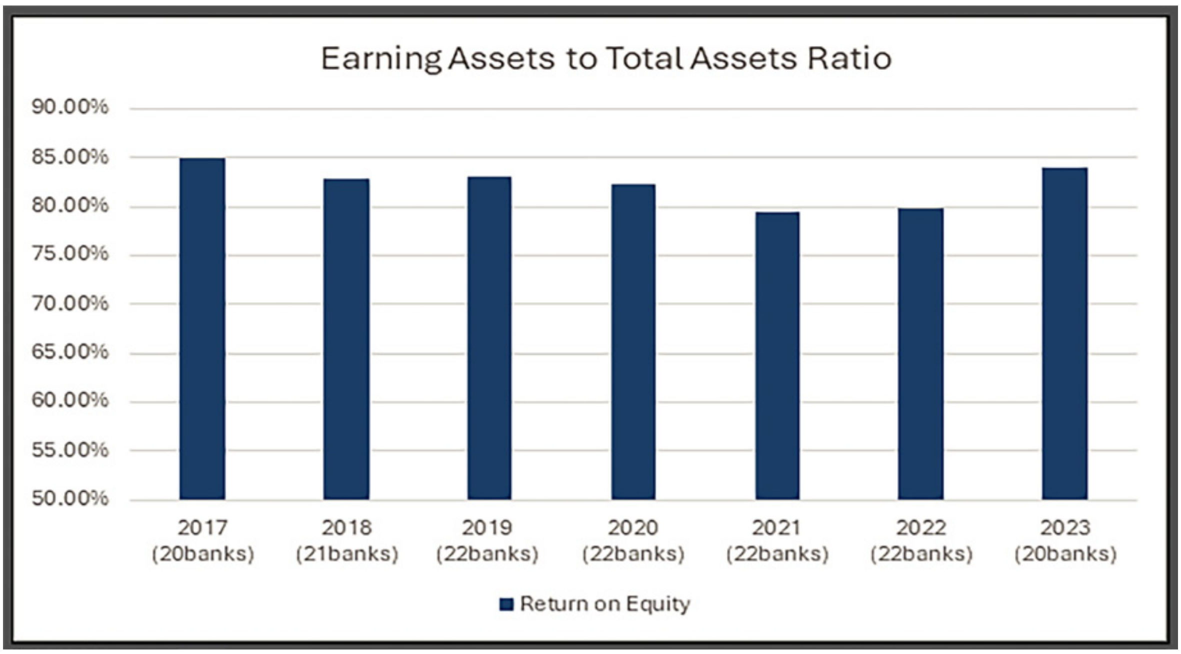
Similarly, return on earning assets (ROEA) for all banks in 2022 was negative, except for Bank of Africa, First Atlantic bank, FirstBank Ghana, GT Bank, Societe Generale Ghana, and UBA. ROEA in 2023 has improved significantly for all banks with the exception of Prudential Bank which recorded -10.06% of ROEA in 2023 compared to -7.63% in 2022; indicating a further deterioration of the bank's assets.

Banks' Return on Earning Assets (ROEA)



Source: Audited Bank Financials
NB: Computations based on 20 banks

Industry Earning Assets to Total Assets Ratio



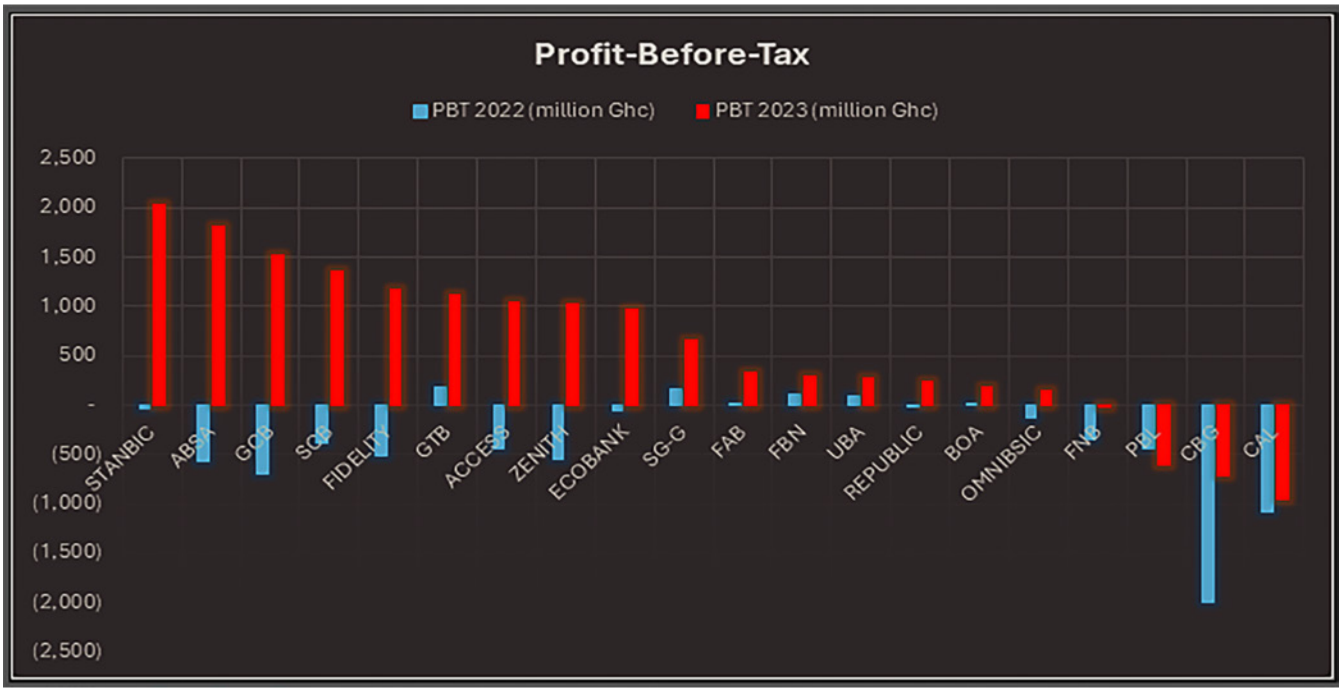
EARNINGS AND PROFITABILITY

Profitability

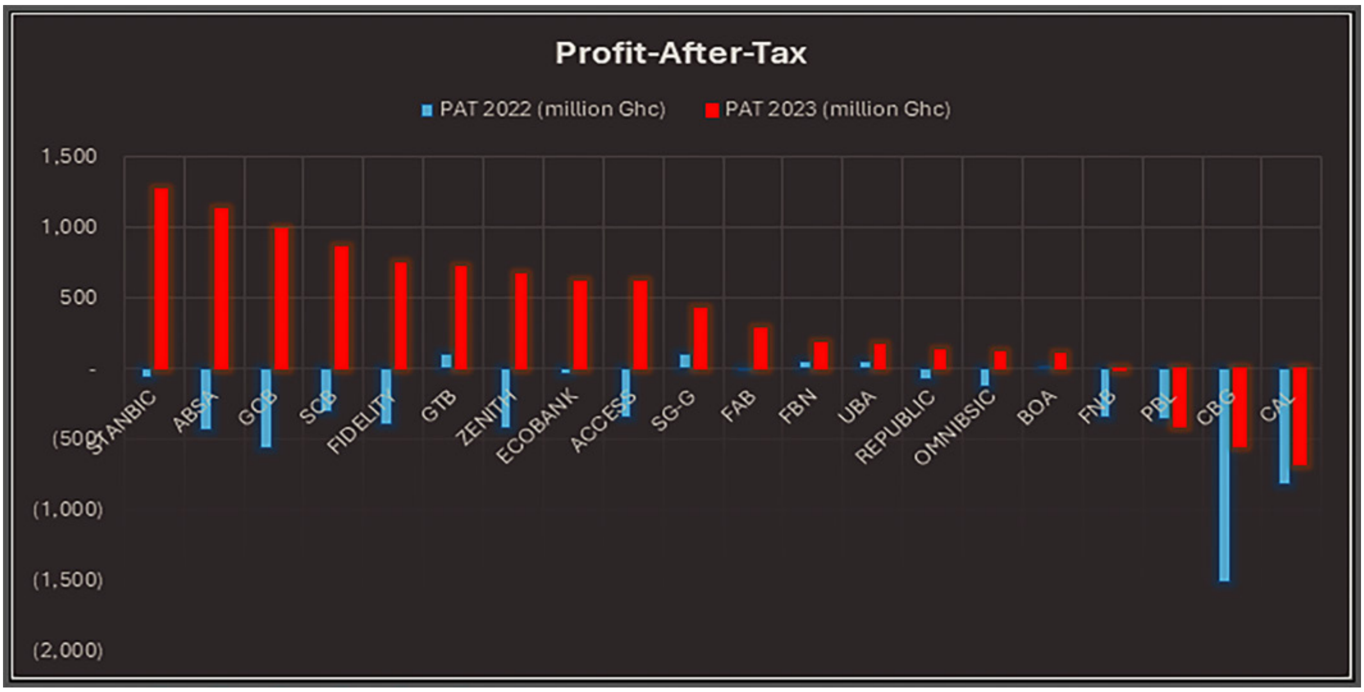
After being plunged into a mammoth industry loss of GH¢7.4 billion before tax, industry data from 20 banks shows a significant profit of GH¢11.9 billion before tax which is far higher than the pre-DDEP profit-before-tax of GH¢7.5 billion in 2021. The result shows that eventhough some few banks may be battling solvency issues as a result of the DDEP, the industry at large remained profitable and robust; indicative of a strong capital base to withstand shocks.

The most profitable bank during the period under review is Stanbic bank with a profit of GH¢2 billion before tax, and a GH¢1.28 billion profit-after-tax. In summary, All the banks recorded profits-before-tax in 2023, with the exception of Cal bank, CBG, First National Bank, and Prudential bank who recorded losses as a result of the DDEP. Whiles the loss-before-tax component for Prudential bank increased from GH¢438 million (2022) to GH¢604 million (2023), CBG, and First National Bank work assiduously to bring down their losses.

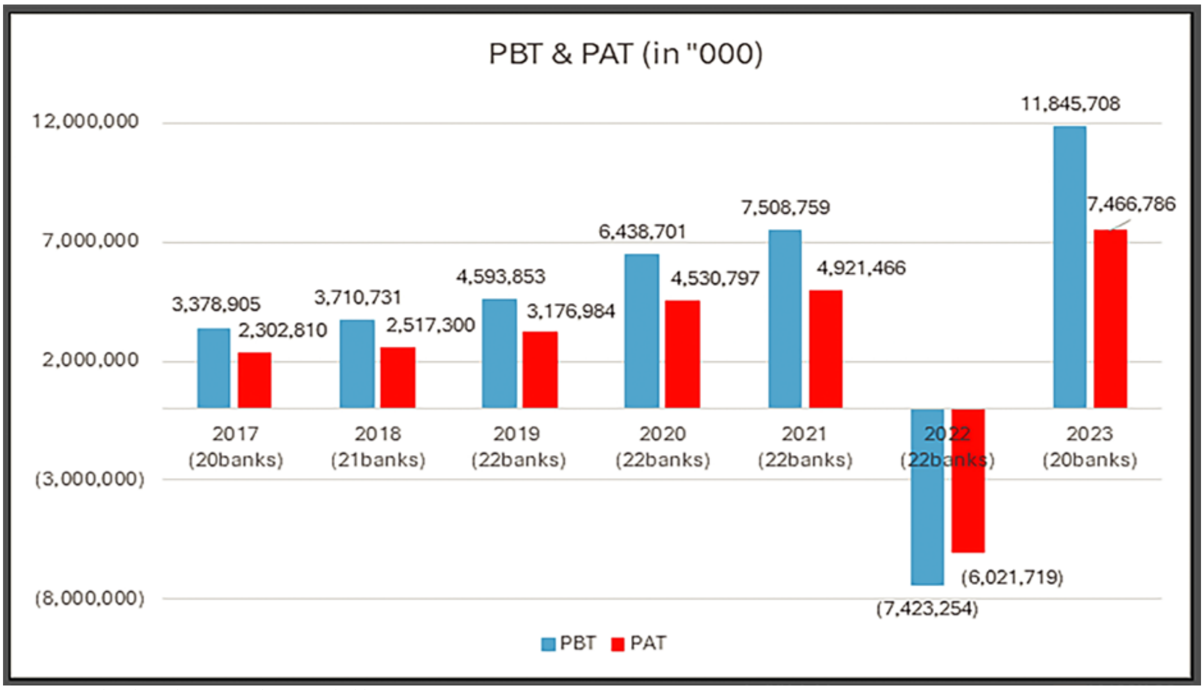
Profit-before-Tax (PBT) 2022 & 2023



Profit-After-Tax (PAT) 2022 & 2023



Industry Profitability: PBT and PAT



Source: Audited Bank Financials, compiled by GAB.

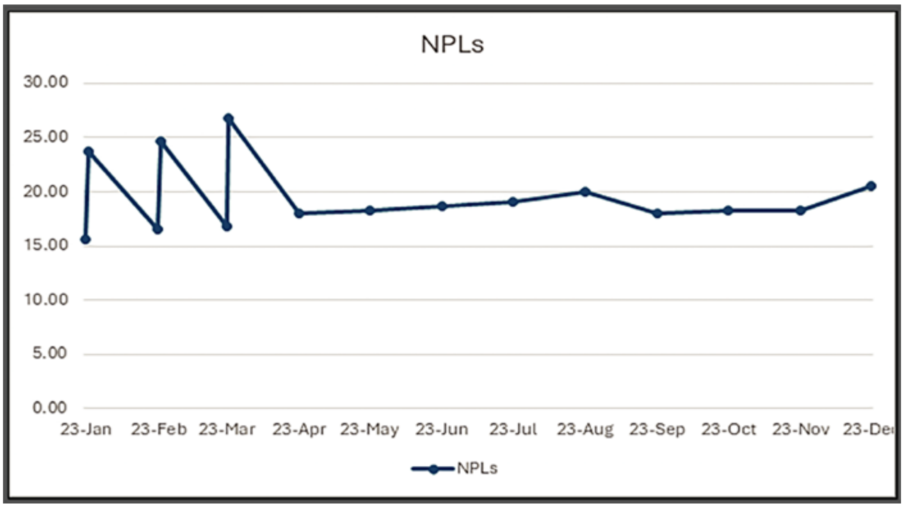
ASSET QUALITY AND FINANCIAL SOUNDNESS

Non-Performing Loans (NPLs)

Non-performing loans (NPLs) have been the bane of the banking industry, posing a serious threat to banks' assets and overall credit accessibility in the country. NPLs in the banking industry have not exhibited a consistent trend, showing significant variability over the past year, with the lowest in 2023 being 15.67% and the highest 20.05%. This volatility suggests that the determining factors of NPLs are diverse, including credit culture, interest rates, inflation, exchange rates, economic performance, taxation, and external factors. Although NPL levels in 2023 ranged between 15% and 21%, they increased sharply in the first quarter of 2024, rising to 26.74% by the end of March 2024.

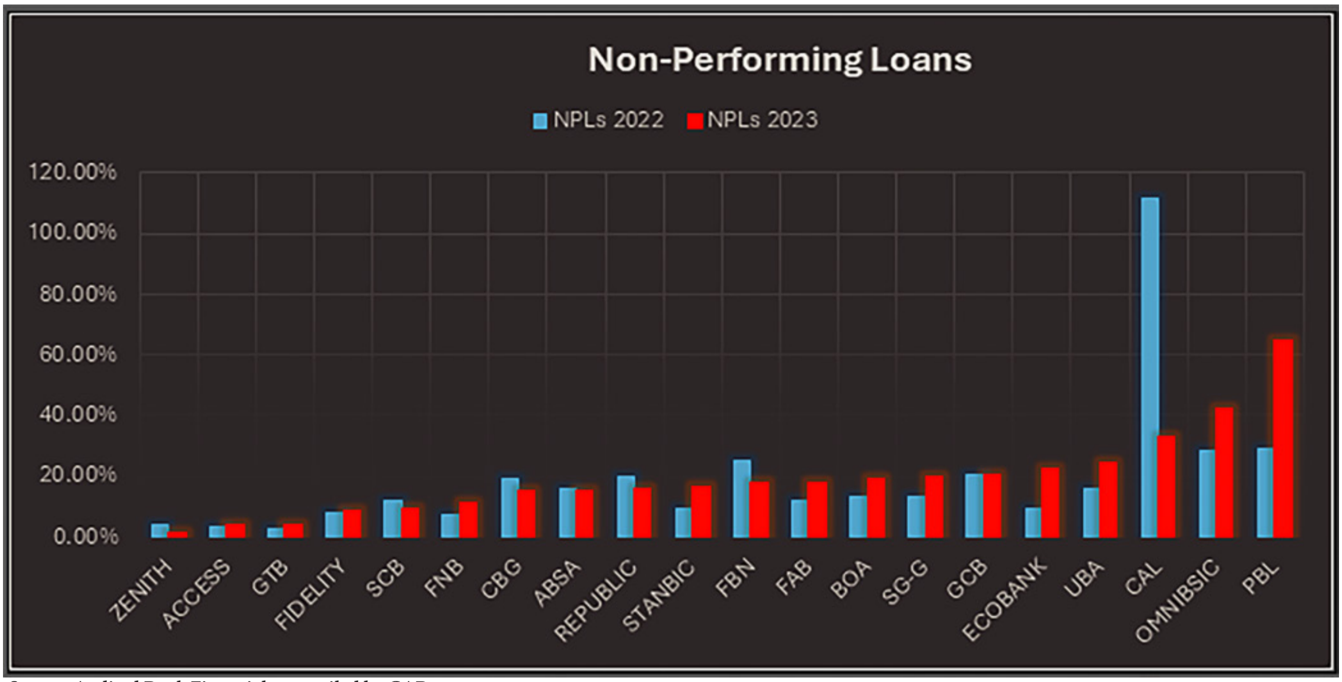
Amongst the banks, Zenith recorded the lowest NPL of 1%, followed by Access Bank (3.90%), GT Bank (3.96%), Fidelity (8.88%), and Stanchart (9.29%); the rest of the banks recorded NPLs above 10%. Prudential Bank had the highest NPL at 64.44%. Empirical evidence shows a negative correlation between NPLs and profitability; hence, banks with lower NPLs tend to have higher profitability.

Industry NPL in 2023



Source: Bank of Ghana Online Database.

Banks' NPLs

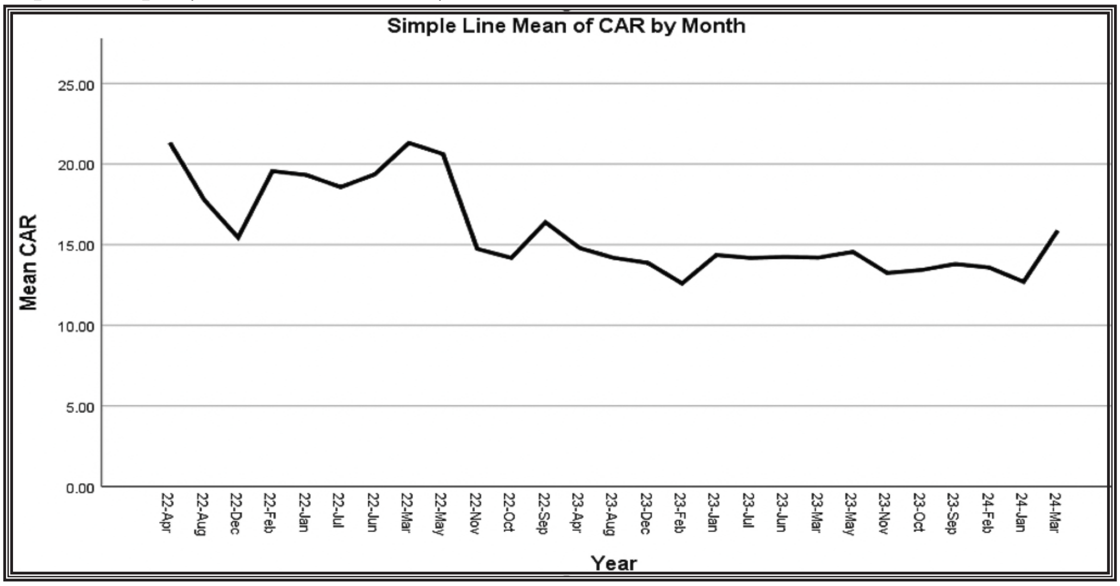


Source: Audited Bank Financials, compiled by GAB.

Capital Adequacy Ratio (CAR)

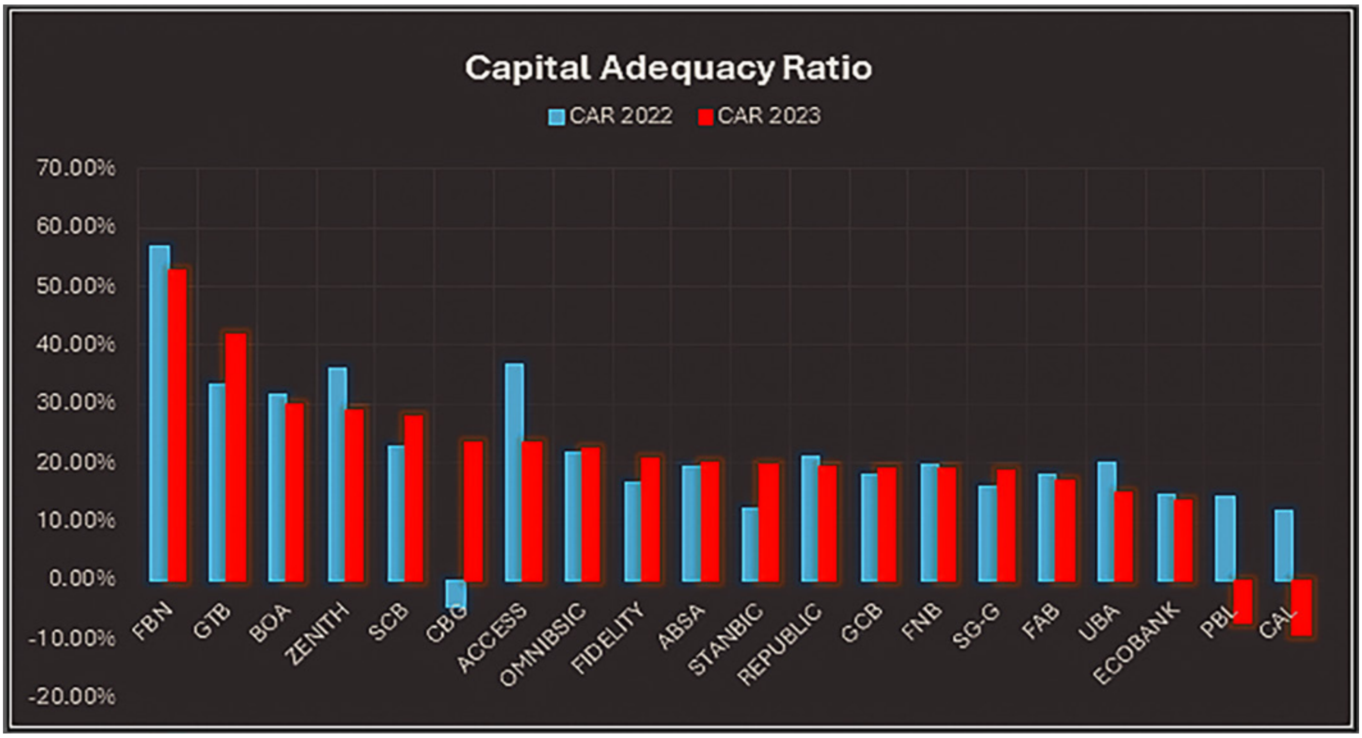
In 2023, the average minimum capital to risk-weighted assets ratio for the banking industry decreased dramatically from 18.22% to 13.96%, which is somewhat higher than the revised regulatory minimum of 10%. Again, the ratio has consistently remained above the minimum threshold set by Basel II and Basel III, suggesting that banks maintain a strong level of capitalization and possess sufficient reserves to withstand a respectable amount of losses. Nevertheless, the consistent decrease in the CAR indicates a certain degree of weakness in the industry that must be addressed in order to prevent any potential systemic risk that may arise from insolvency. The central bank, in partnership with the World Bank, has established the Financial Stability Fund to provide support to a small number of banks facing solvency problems due to the DDEP.

Capital Adequacy Ratio for the industry



Source: Bank of Ghana Online Database.

Banks' Capital Adequacy Ratio



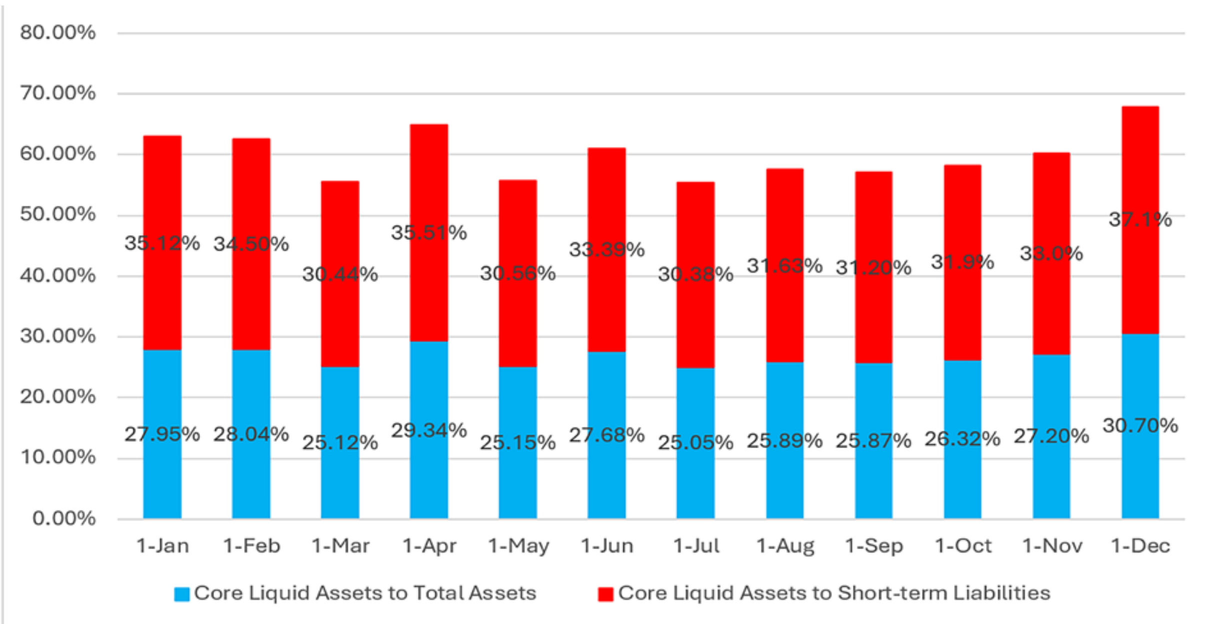
Source: Audited Bank Financials, compiled by GAB.

Liquidity Ratio

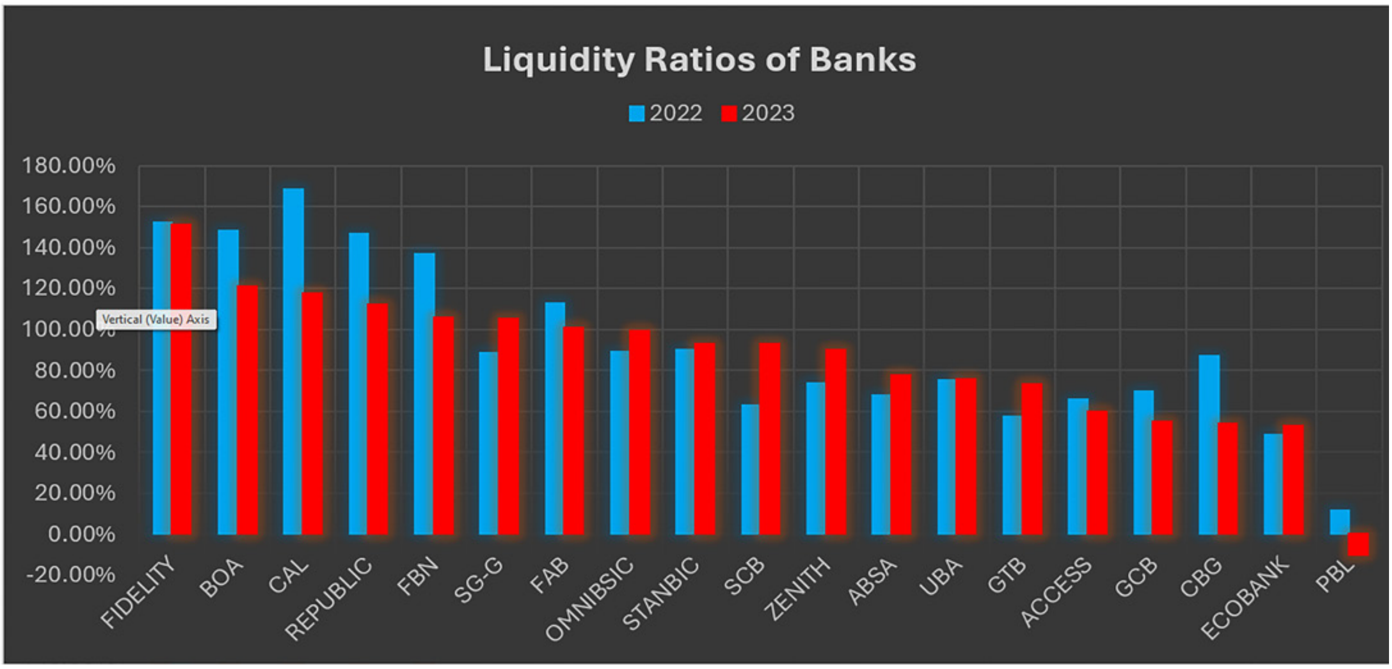
The liquidity of the banking sector is crucial in preventing bank runs and the cascading effect on the entire financial system. Understanding liquidity ratios is crucial for assessing an organization's capacity to efficiently convert assets into cash to meet its financial obligations. Data on the banking industry in 2023 indicated the banking sector is relatively liquid; as the average ratio of core liquid asset of banks to short-term liabilities has increased from 30.6% (2022) to 32.89% in 2023; and the ratio of core liquid assets to total assets also increased from 23.8% (2022) to 27.03% in 2023. The latter (27.03%) was above the required minimum limit for liquidity ratio (11.5%) sanctioned by the regulator. The analysis suggests liquidity of the banking industry remained strong and efficient, in spite of the economic uncertainty and the DDEP experienced during 2023.

Furthermore, out of 19 banks, 10 banks namely; Access bank, Bank of Africa, Cal bank, CBG, Fidelity, First Atlantic bank, FirstBank Ghana, GCB, Prudential Bank, and Republic Bank have experienced a marginal decline in their liquidity in 2023 compared to 2022. The remaining 9 banks experienced a marginal increase in their liquidity in 2023 compared to 2022. Overall, majority of the banks are highly liquid, with 74% of them having liquidity ratios above 70%.

Liquidity Indicators



Banks' Liquidity Ratios



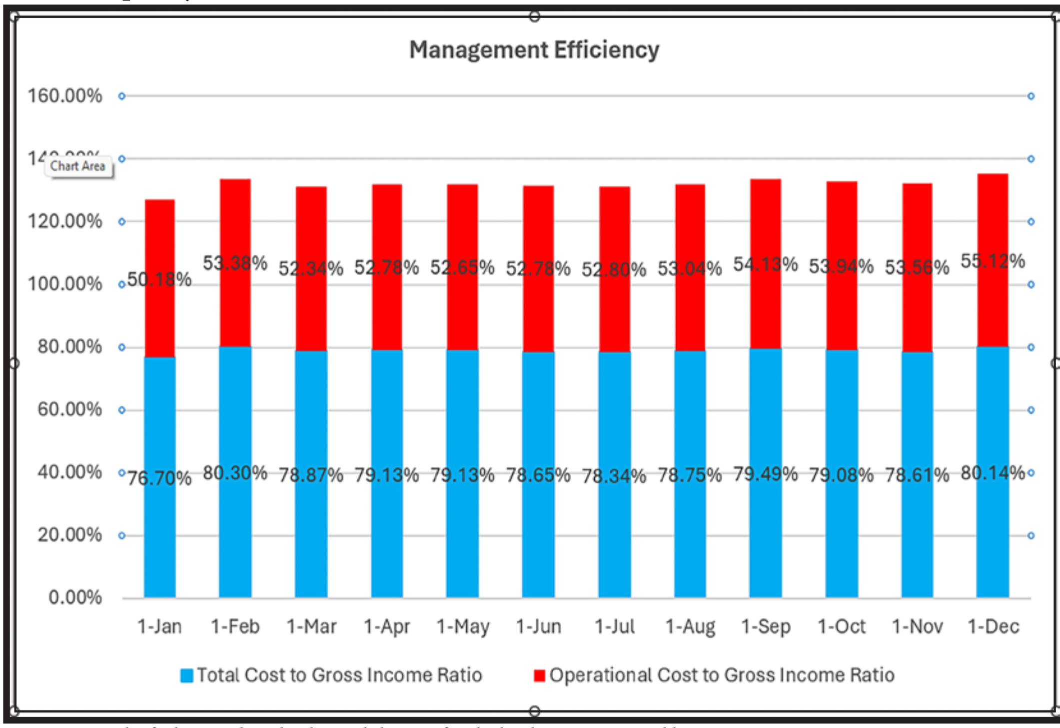
Source: Audited Bank Financials, compiled by GAB.

MANAGEMENT EFFICIENCY

- **Total Cost to Gross Income Ratio**
- **Operational Cost to Gross Income Ratio**
- **Net Interest Margin**

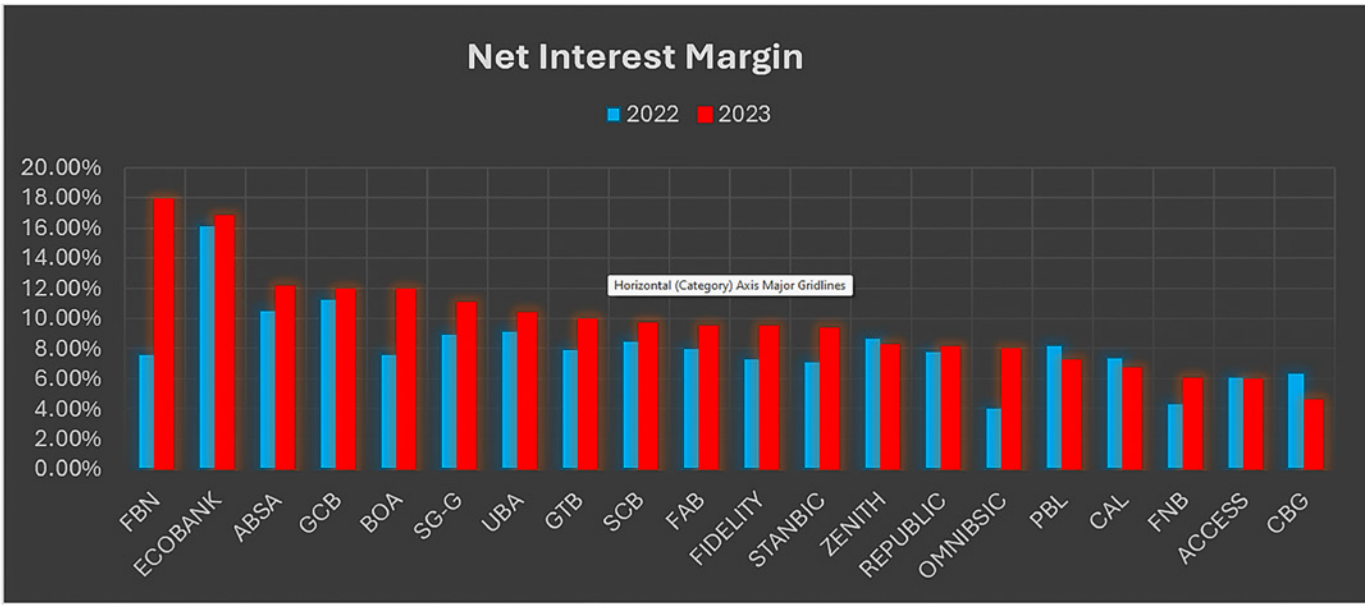
The management efficiency of the sector is evaluated by analysing the total cost-to-gross income ratio, operational cost-to-gross income ratio, and net interest margin. The average total cost-to-gross income ratio for the banking industry declined marginally from 82.81% in 2022 to 78.93% in 2023. The average operational cost to gross income ratio also declined slightly from 56.7% (2022) to 53.06% in 2023, however, the average net interest margin (NIM) increased marginally from 8.18% (2022) to 9.72% in 2023, indicating efficiency in revenue generated from the banks' interest-bearing assets. Though there was a marginal decline in total cost to gross income ratio, and operational cost to income, the efficiency indicators remained adequate; implying the banking industry was relatively cost-efficient during year under review.

Banks' Liquidity Ratios



Source: Bank of Ghana online database while NIM for the banks was computed by GAB.

Banks' Net Interest Margin

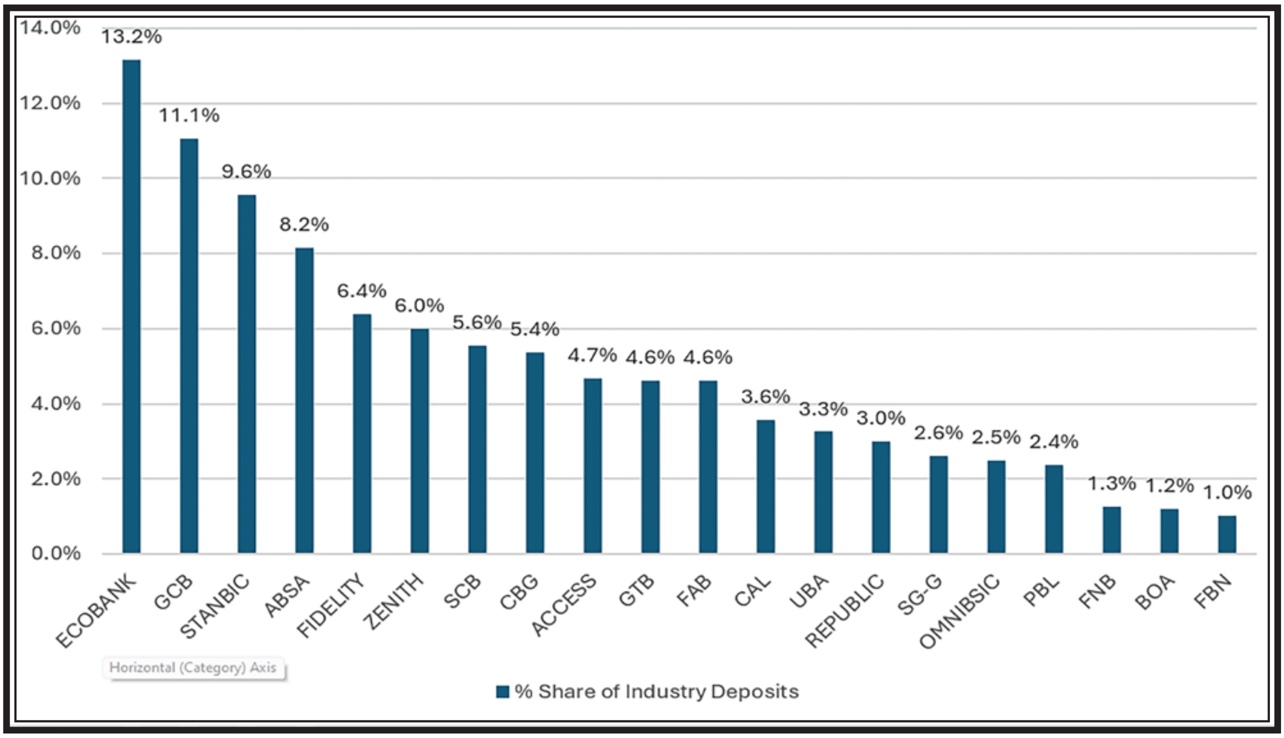


MARKET SHARE ANALYSIS

- **%Share of Industry Deposits**
- **%Share of Industry Advances**
- **%Share of Industry Assets**

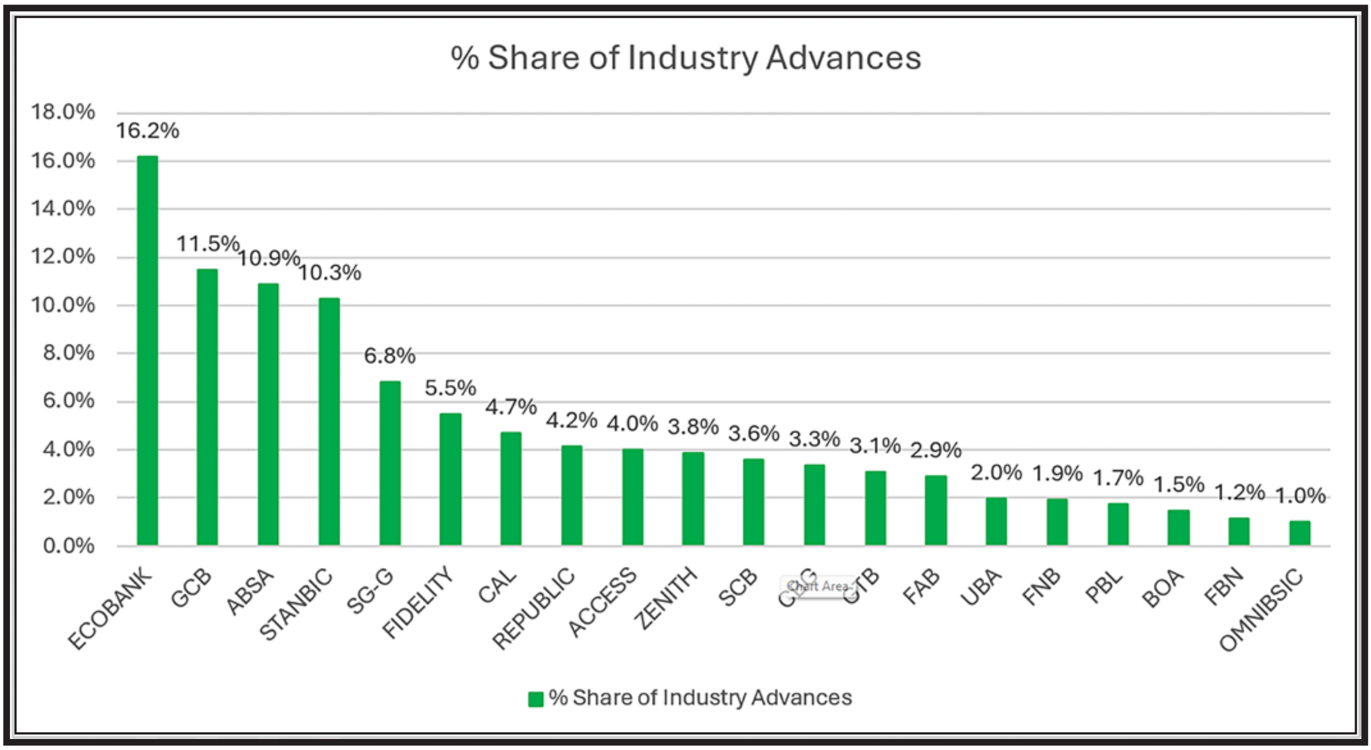
The share of industry deposits, advances and assets is grossly concentrated among five major banks, namely Stanbic, Ecobank, GCB, Absa, and Fidelity bank. These banks have 48.35% share of the industry's total deposits. Furthermore, 54.26% of the industry's advances is under the management of these banks; while 48.72% of the industry assets is accounted for by the five banks. Generally, the 2023 data has shown a significant improvement in the banks' growth in deposits, advances, assets, and profitability compared to 2022.

% Share of Industry Deposits



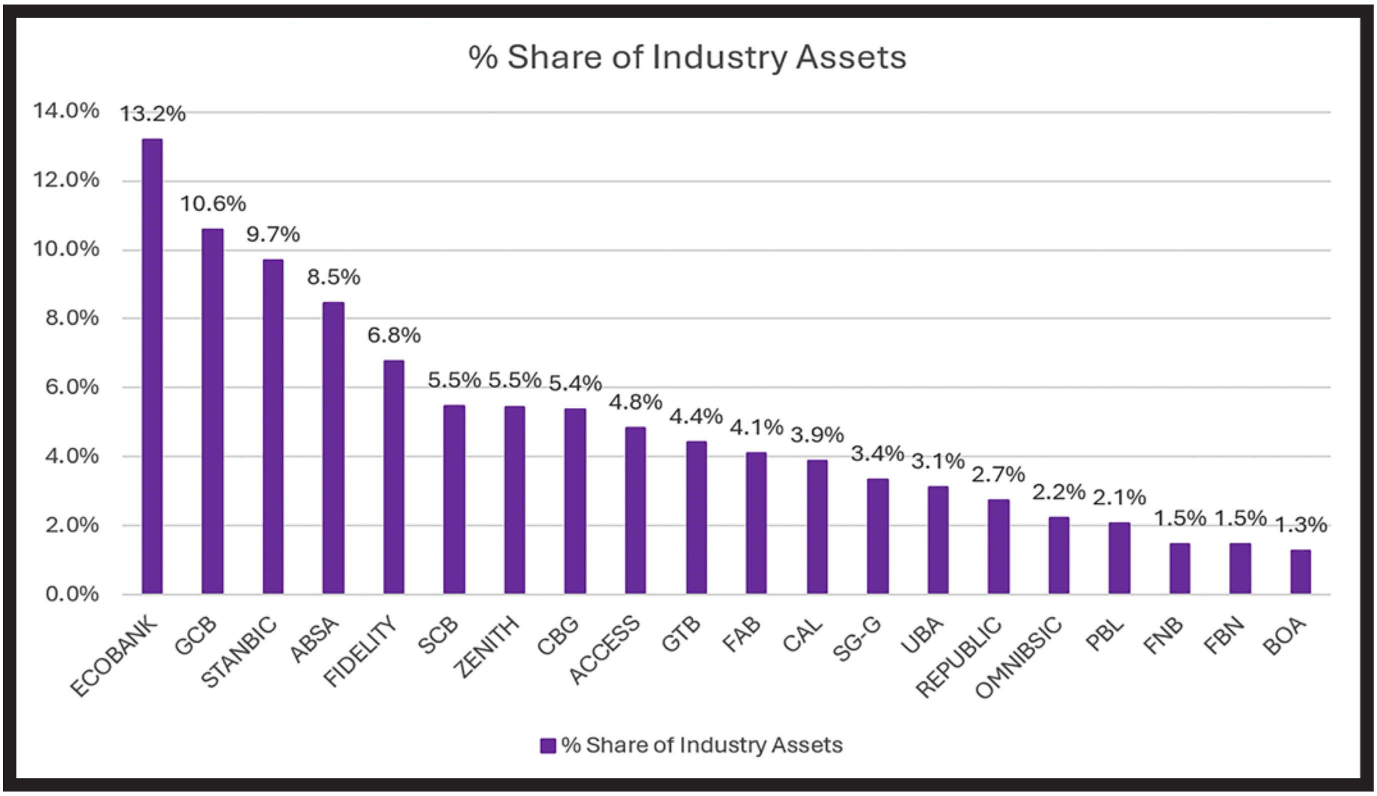
Source: Audited Bank Financials, compiled by GAB. NB: Computation based on 20 banks

% Share of Industry Advances



Source: Audited Bank Financials, compiled by GAB. NB: Computation based on 20 banks

% Share of Industry Assets

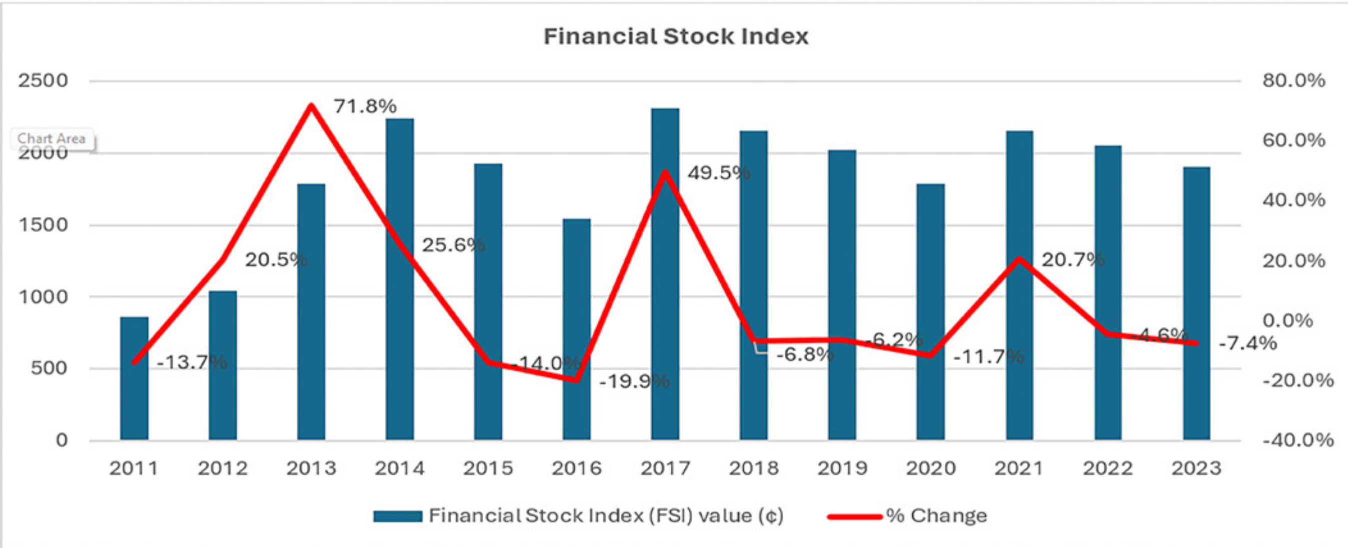


Source: Audited Bank Financials, compiled by GAB. NB: Computation based on 20 banks

FINANCIAL STOCKS PERFORMANCE ON THE GHANA STOCK MARKET

The banking sector has been performing exceptionally well on the stock exchange, with a consistent rise in the value of the Financial Stock Index (FSI). Nevertheless, the index value has experienced a slight decline following the cleanup of the financial sector, causing investors to exercise caution when investing in financial stocks. There was a decrease in the index value from 2310.58 in 2017 to 2153.74 in 2018. The FSI value experienced a significant decline, dropping from 2019.65 to 1782.76 due to the impact of the Covid-19 pandemic. In the midst of the 2021 economic recovery, there was a significant surge in the index value, which rose by 20.70% to reach 2151.85. Unfortunately, the DDEP in 2022 resulted in yet another decline in the value of the financial stock index, which continues to persist in 2023 with the index being valued at 1901.57. In 2023, the financial sector stocks had the second highest trading volume, reaching 12,445,653 traded equities, with a total value of GH¢6,547,737.47.

Financial Stock Index



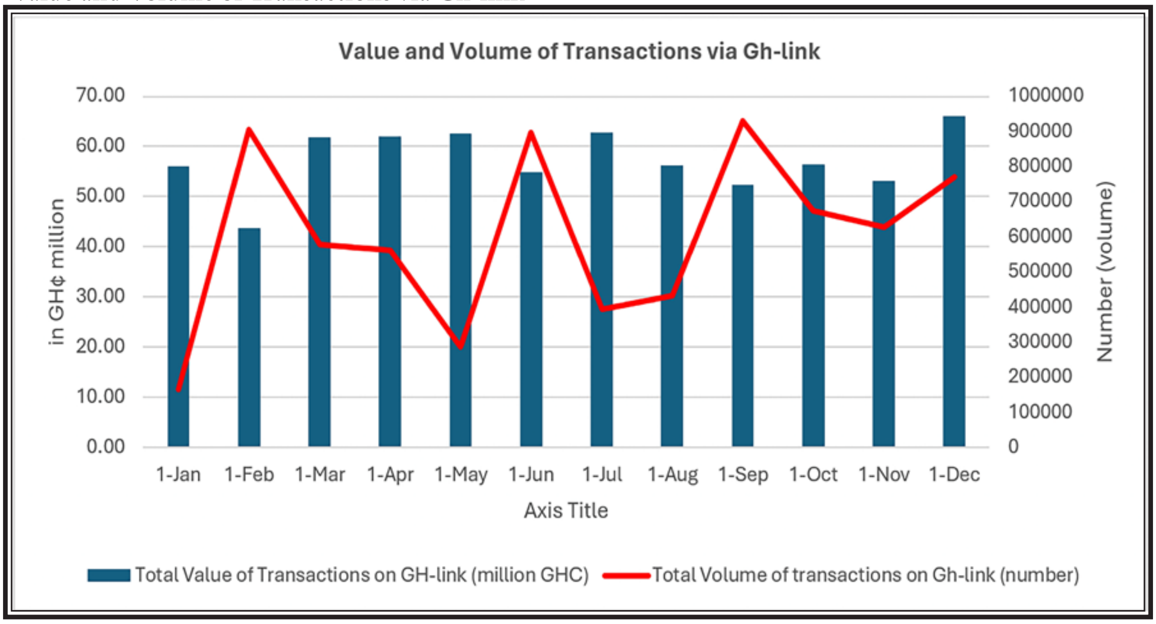
Source: GSE Equities Market Report, January, 2024

PAYMENT SYSTEM IN THE BANKING SECTOR

The payment system in the financial sector is crucial for promoting financial inclusion, increasing the velocity of money in the economy, and driving efforts to create a cash-lite society. Here are the different payment systems commonly used in the banking industry. Once again, mobile money continues to dominate the financial sector as the most popular payment platform. It boasts an impressive average transaction value of Gh¢159.36 billion and an average volume of 566.9 million mobile money transactions. In addition, the rise of Fintech companies has resulted in the growth of various payment platforms that are playing a crucial role in advancing financial inclusion and facilitating remittances.

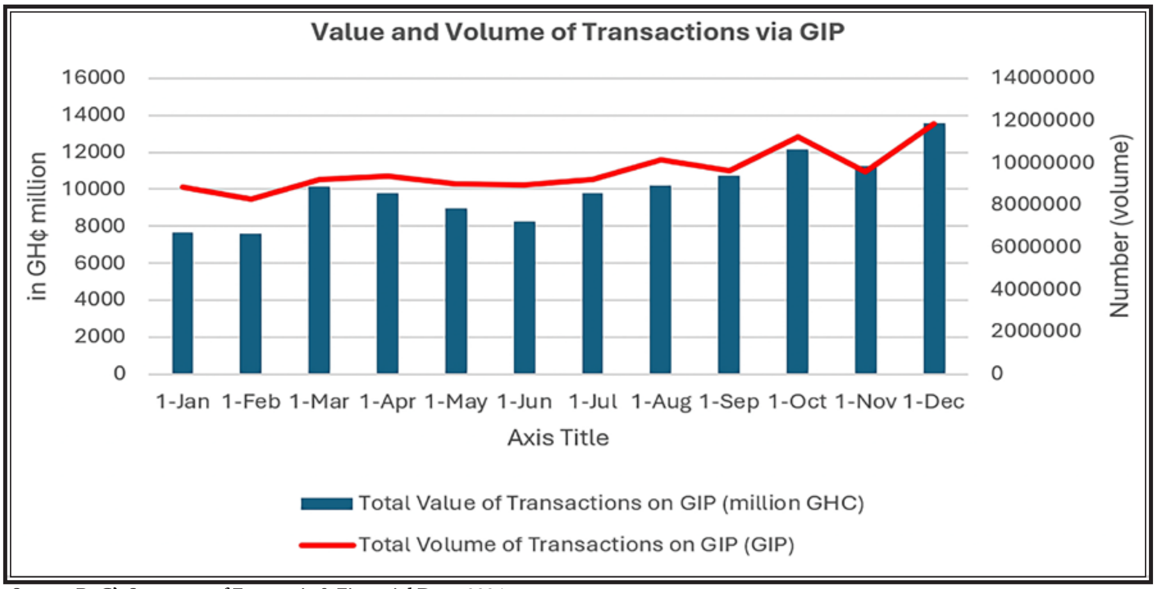
Source: Bank of Ghana (2023)

Value and Volume of Transactions via Gh-link



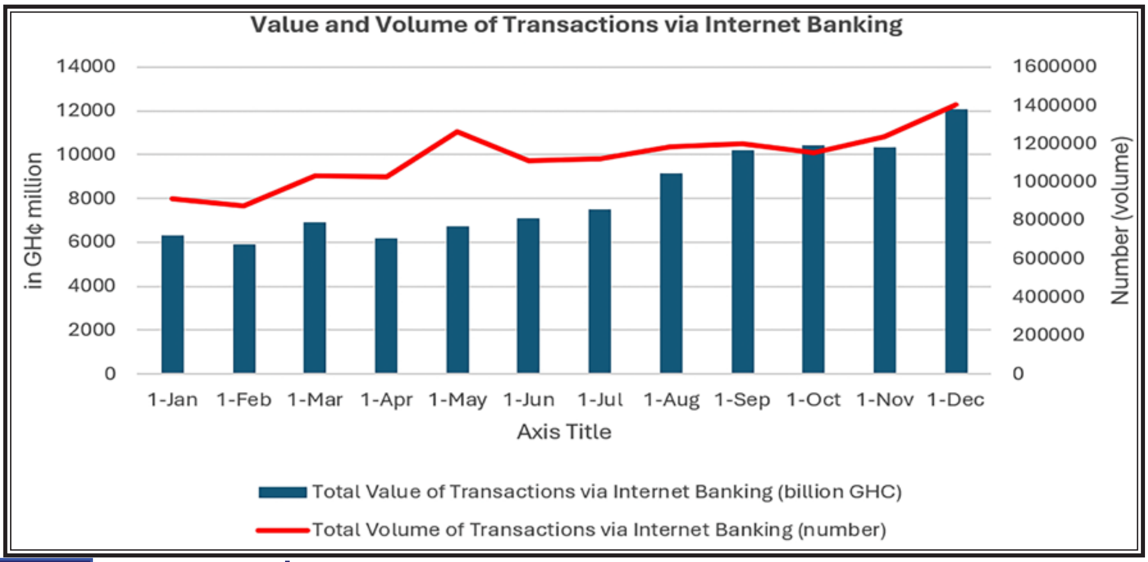
Source: BoG's Summary of Economic & Financial Data, 2024

Value and Volume of Transactions on Ghipss Instant Pay (GIP)

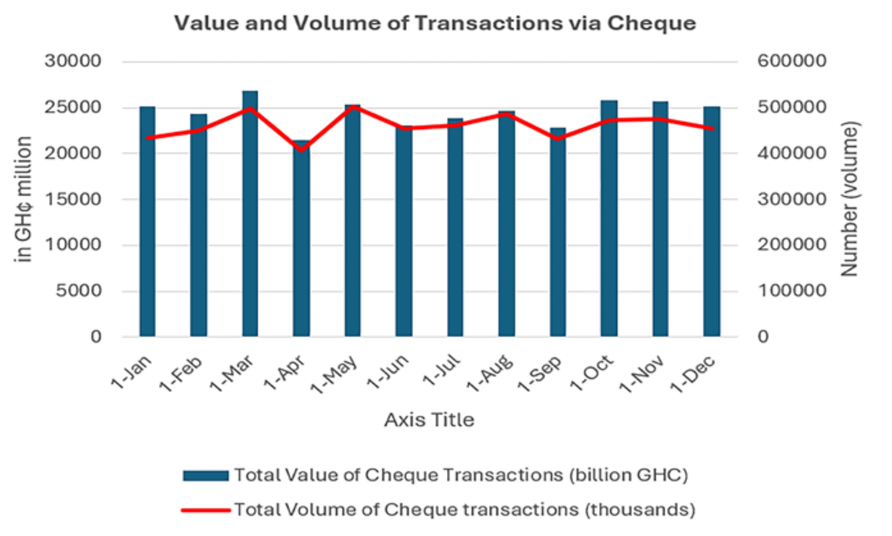


Source: BoG's Summary of Economic & Financial Data, 2024

Value and Volume of transactions via Internet Banking

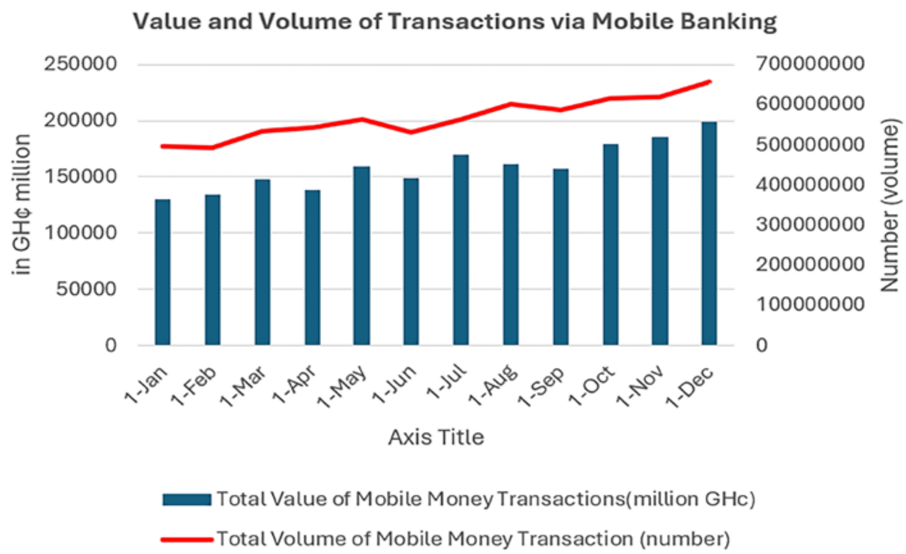


Value and Volume of Transactions using Cheque



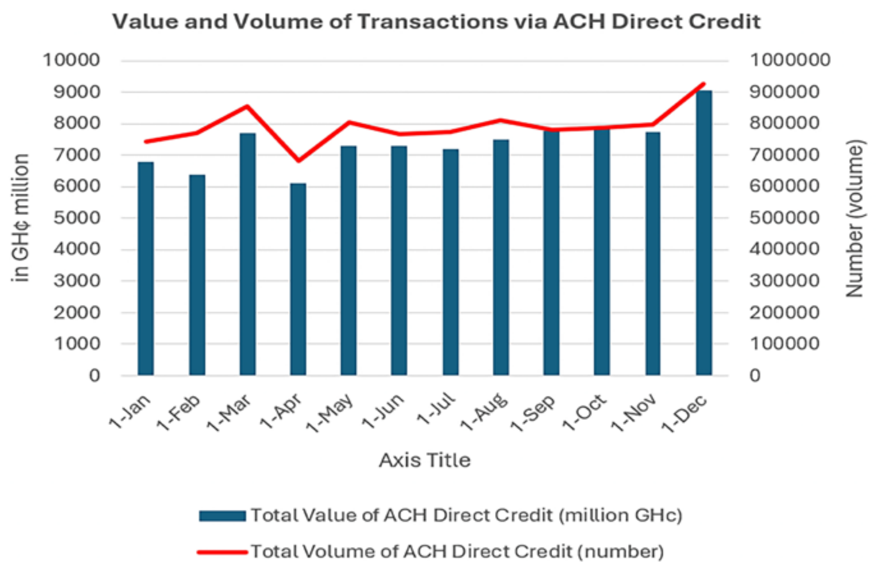
Source: BoG's Summary of Economic & Financial Data, 2024

Value and Volume of Transactions on Mobile Banking



Source: BoG's Summary of Economic & Financial Data, 2024

Value and Volume of Transactions on ACH Direct Credit



Source: BoG's Summary of Economic & Financial Data, 2024

CONCLUSION

In sum, the Ghanaian banking industry demonstrated a remarkable resilience and growth in 2023, recovering from previous economic shocks such as the Domestic Debt Exchange Program (DDEP) and the COVID-19 pandemic. Total assets for the 20 analysed banks increased by 29.2% to GH¢254.2 billion, driven by investments in securities, cash equivalents, and loans to customers. Liabilities, particularly customer deposits, also saw a sharp rise, indicating strong customer confidence. Despite the macroeconomic challenges, including the Russia-Ukraine war and high-interest rates, the sector's liquidity and capital adequacy remained robust, supported by the Financial Stability Fund.

Profitability in the sector improved substantially, with a turnaround from a GH¢7.4 billion loss in 2022 to a GH¢9.8 billion profit-before-tax by the third quarter of 2023. Key financial metrics such as Return on Assets (ROA) and Return on Equity (ROE) showed significant improvement, indicating effective asset and equity management. Non-performing loans (NPLs), while still a concern, were managed better, though they showed an uptick in early 2024. The sector's liquidity ratios also improved, with most banks maintaining ratios above the regulatory minimum, ensuring they can meet short-term obligations.

The market share analysis highlighted the dominance of major banks like Ecobank, GCB, Stanbic, Absa and Fidelity which hold significant portions of the industry's assets, deposits, and advances. The sector's stock performance on the Ghana Stock Exchange was stable, though it faced mild declines due to external economic pressures. Mobile money transactions continued to dominate the payment landscape, reflecting the sector's push towards financial inclusion and digital transformation. Overall, the sector's adaptability and strong financial performance position it well to navigate future challenges and capitalize on emerging opportunities.

GAB ACTIVITIES & STAKEHOLDER ENGAGEMENTS

GAB - Countering Trade-Based Money Laundering Trainers' Program for Banks

On 10th March 2022, the Ghana Association of Banks (GAB), in collaboration with the International Finance Corporation (IFC), conducted a one-day training programme for 50 compliance officers and trade finance officers from 23 commercial banks, the Development Bank of Ghana, and the Bank of Ghana. The session focused on trends in trade-based money laundering, correspondent banking relationships, de-risking strategies, typologies, risk assessment methodologies, controls, and international standards.

In his opening remarks, GAB CEO John Awuah underscored the importance of combating money laundering to uphold the integrity of Ghana's financial system and to avoid being grey-listed by international bodies such as the Financial Action Task Force (FATF). He highlighted that trade-based money laundering presents significant risks that necessitate continuous training.

GAB - DBG: On Ghana's Medium-Term Outlook

Amid the prevailing uncertainty following the Domestic Debt Exchange Programme (DDEP), Development Bank Ghana (DBG), in collaboration with the Ghana Association of Banks (GAB), presented a comprehensive research report titled "Navigating Economic Uncertainties amid an IMF Programme."

The report elucidated the current global growth trajectory and the domestic economic outlook, examining the intricate interplay between Ghana's monetary, external, and fiscal landscapes. It provided an in-depth analysis of Ghana's engagement with the International Monetary Fund (IMF) and detailed the key conditionalities underpinning the programme.
Furthermore, the research report offered strategic measures for navigating the uncertain future, identifying both the potential headwinds and the opportunities that may arise. The insights and recommendations aim to equip stakeholders with the knowledge and tools necessary to effectively manage the challenges and leverage the prospects within this dynamic economic environment.

GAB, FIC and EOCO ENGAGEMENT

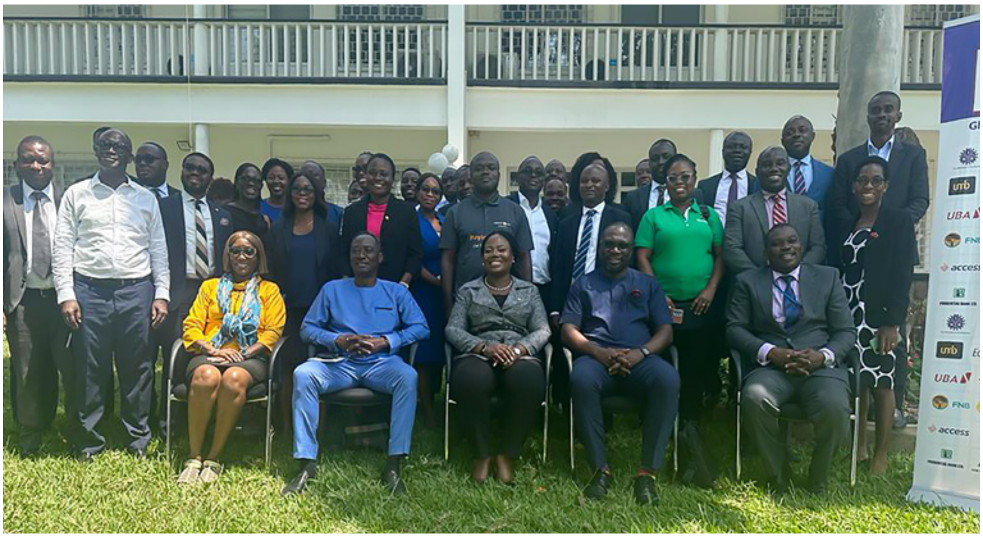
The Economic and Organised Crime Office (EOCO), the Financial Intelligence Centre (FIC), and the Ghana Association of Bank (GAB) convened at the GAB offices in Accra for a crucial discussion aimed at enhancing service delivery within the financial sector by aligning with Ghanaian legal frameworks and international best practices.

GAB CEO John Awuah emphasised that the meeting sought to explore improved collaborative strategies to bolster the mandates of both EOCO and the banking sector, with the shared objective of eradicating criminal activities and eliminating the profits derived from crime.

EOCO Executive Director, Commissioner of Police (COP) Maame Yaa Tiwaa Addo-Danquah, expressed her gratitude to the GAB and underscored the importance of gathering robust evidence to secure convictions and recover illicit proceeds, highlighting the necessity for seamless cooperation among stakeholders.

The FIC Head of IT remarked that the long-anticipated meeting provided a valuable opportunity to address existing deficiencies without critiquing any party's efforts.

EOCO's Executive Director assured the stakeholders that their concerns would be duly addressed. The meeting was attended by representatives from various banks, as well as senior management from EOCO, FIC, and GAB.
Discussions centred on enhancing operational coordination and evidence-gathering among the agencies and banks, with the aim of more effectively combating financial crimes.



GAB - BoG FICSOC Project

The Bank of Ghana (BoG), in collaboration with the Ghana Association of Bank (GAB) as key external stakeholders, established the Financial Industry Command Security Operation Centre (FICSOC). The FICSOC project was conceived to enhance cybersecurity of the Financial Industry. The project aimed to share cybersecurity threat intelligence, create industry situational awareness and improve incident response.

GAB - CIB Thought Leadership Programme

There is always a buzzing furore surrounding banks' financial statements whenever they are released. This, to a large extent, can be attributed to the mammoth amount of investments managed by the sector; and how the overall performance of the sector directly and indirectly influences other sectors of the economy. However, there are instances where banks' performance indicators are interpreted in a manner that may positively or negatively affect market sentiments and investor confidence. While some of these interpretations could be borne out of parochial interest, others are done out of sheer ignorance.

In a thought leadership programme organised by the Chartered Institute of Bankers (CIB) on the 16th of May, 2023, Mr. John Awuah, CEO of the Ghana Association of Banks (GAB), who was a member of the panel, addressed concerns surrounding the involvement of banks in the current Domestic Debt Exchange (DDE) quagmire; and shed light on the composition of investment in securities on banks' balance sheets.

Responding to questions pertaining to the low loan-to-deposit ratio in the banking industry; and the perception that banks divert significant portion of customers' deposits into buying government securities rather than lending to the real sectors of the economy, Mr. Awuah chided and refuted the claim, emphasising the need for analysts to understand the intricacies of banks' investments in Securities. Mr. Awuah stated:

> ***"The assertion by most analysts that banks do not lend to businesses, but rather use depositors' funds to purchase government bonds is misleading. It is important to understand and know the composition of Investment in Securities on the balance sheet before jumping to unsubstantiated conclusions because some of these half-baked expositions pose systemic risk to the sector."***

Mr. Awuah elaborated on the composition of securities in the banks' books, which encompasses local bonds, ESLA bonds, Daakye bonds, T-bills and others. He highlighted the origins of these securities, providing context for their presence. For instance, he explained:

> ***"The ESLA bond originated from a loan extended by banks to the energy sector, specifically the Volta River Authority (VRA) and losses accrued to Bulk Oil Distribution Companies (BDCs); due to forex under-recovery during the years when petroleum price was not deregulated. Due to VRA and the BDCs' inability to repay their loans, an arrangement was reached between government and the banks to set up a Special Purpose Vehicle to be called ESLA Plc which issued bonds to the banks to be repaid from the ESLA levy in the petroleum price build up. This resulted in the reclassification of the loan from "Loans and Advances to Customers" to "Investment in Securities" in the banks' financial statements."***

Similarly, Mr. Awuah pointed out, Daakye bonds were the result of loans provided to contractors of the Ghana Education Trust Fund (GETFund) who were not being settled by the fund. In response, the government set up the Daakye Trust Plc (an SPV) which issued bonds to settle these loans and enable the Fund to embark on new investments in educational infrastructure in the country; thereby converting these outstanding loans into bonds. He asserted:

> ***"In addition to ESLA and Daakye bonds which were loans and advances to customers before metamorphosing into government securities, there are other bi-lateral government-related loans which were settled with bonds instead of cash as enshrined in the facility contract. Again, some of the government securities have underlying transactions in swaps with Bank of Ghana and other transactions of similar nature. We***

should also not lose sight of the fact that in 2018, a new bank was set up and capitalised almost entirely with government bonds thereby distorting the loan deposit ratio further and increasing the industry's holdings in government securities. "

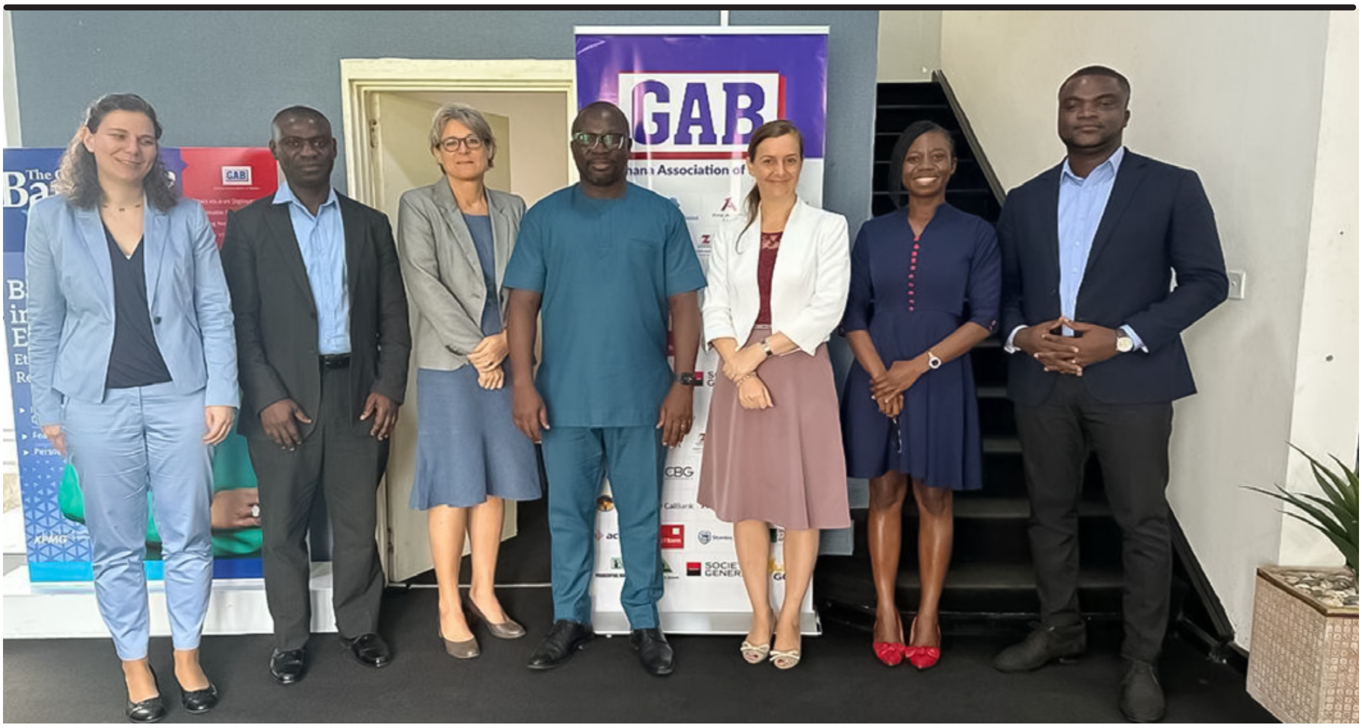
With these insights, Mr. Awuah urged caution when interpreting banks' variables and emphasised the significant sacrifices banks have had to make to ensure stability of the economy during these difficult times. That explains why the banking sector took the difficult decision of prioritising stability of the economy by supporting the government on the DDE programme to get the economy back on track, he emphasised.

Further, Mr. Awuah stated the banks' commitment to promoting growth and sustainable development by extending loans to the real sectors of the economy. He however, expressed that banks' decisions to extend loans to customers are hinged on numerous factors, critical among them being the general difficult credit culture of most borrowers. Mr. Awuah lamented the dubious nature of some borrowers, who deploy the inefficiencies in our judicial processes to make loan recovery almost impossible through the court process:

" ***While we complain about the low loan-to-deposit ratio in the banking industry, it is important we take a look at the behaviour of a typical Ghanaian borrower. Most of these borrowers come for loans with premeditated mindset of not paying back. How would the bank then be able to get extra funds to lend to the next person, household or business who may be in dire need of credit to boost their finances or business? The banking sector is heavily regulated; and banks would always ensure due diligence by rigorously following credit covenants designed to facilitate loan disbursement in order to minimise losses in their books. So, while it's important for banks to extend loans to the real sectors of the economy, let's also take a critical look at the dishonesty of most borrowers; and in some instances, institutional failures of the judicial system, lands commission, registrar general, etc., making the credit environment difficult to navigate, he noted.*** "

He hailed rollout of the credit reference bureaus, Ghana card and digital addressing system as three key positive developments towards improving the credit culture; and called on judges to deal with loan recovery cases with urgency; and not treat banks as 'elephants' and defaulting borrowers as 'ants' in such cases.

In sum, Mr. Awuah's remarks shed light on the composition of investment in securities on banks' balance sheets, providing clearer understanding of the factors contributing to the level of investment in government securities. By addressing misconceptions, he aimed to promote more nuanced and informed discussion about the role of banks in supporting the economy; and ensuring its stability. He further tasked the media to solicit accurate information and clarification from bankers before putting certain information into the public domain. He pledged the Ghana Association of Banks' readiness to discuss issues relating to the banking sector, when called upon.



GAB - Swiss Embassy Collaboration

A strategic meeting was held between the Ghana Association of Banks (GAB) and Team from the Swiss Embassy in Ghana to deliberate on financial sector development in the medium- and long-term. The discussion bordered on key issues, including liquidity and solvency support for the banking industry; financial infrastructure; credit reference bureau; collateral registry; deposit insurance; asset diversification; financing of agriculture; sustainable banking principles; corporate governance; Fintechs and accelerated financial services delivery; microfinancing; robustness and resilience of the baking industry and financial sector; national economic prospects in the medium- and long-term, etc.

The Team from the Swiss Embassy described the meeting with GAB as highly insightful and inclusive.

GAB - Standard Bank Group's Engagement

The Ghana Association of Banks held a strategic meeting with representatives from the Standard Bank Group (Stanbic Bank); and investors from Europe. Primary objective of the visit was to gain insights into the banking climate, current industry issues, bank performance; and the pivotal role played by GAB in protecting member banks from unforeseen debt restructuring risks, specifically potential government refusal to pay returns on treasury bills.

The representatives from Standard Bank Group expressed concerns; and inquired about several crucial banking investment issues within the Ghanaian economy. They sought to understand the level of banks' appetite for government securities; and expressed concerns about trustworthiness of the government, particularly in relation to any potential future restructuring initiatives that could adversely impact investments in treasury bills. Further, they sought insights into how banks are navigating the challenges of capital inadequacies; and sought updates on the state of the Ghana Financial Stability Fund.

GAB responded to these concerns with utmost professionalism; provided relevant and

comprehensive answers; and reiterated its commitment to maintaining robust framework that safeguards the interests of member banks; while operating within the Directives of the Regulator. Further, GAB assured the representatives of safe and resilient investment climate in Ghana; and highlighted the country's track record of stability and commitment towards honouring its financial (treasury bills) obligations. The strategic meeting served as platform for constructive dialogue and exchange of information.

GAB - Black Star Group Partnership for Investor

The Ghana Association of Banks in collaboration with the Black Star Group organised the Third Edition of the Black Star Investor Webinar Series on the theme: "Reflecting on Stakeholder Gaps and Rebuilding Investor Confidence Post DDEP." The four-day programme spanned from August 1, 2023 through August 4, 2023.

The Webinar brought together esteemed thought leaders, industry experts and key stakeholders to reflect on the impact of government's implementation of the domestic debt exchange programme (DDEP) on all stakeholders. Speakers and participants engaged in in-depth analyses of the stakeholder gaps; and explored strategies that would rebuild investor confidence in the financial market.

The Ghana Association of Banks was invited to speak on the topic: "Lessons Learnt and Policy Recommendations for Restoration of Confidence in the Financial Markets." Member Banks' active participation in the Webinar enriched the discussion; contributed meaningfully towards finding innovative solutions to revitalise and accelerate growth of the banking industry; and towards maintaining financial system that is characteristically robust and resilient.

GAB - CARES Group on SPIS Stakeholder Workshop

The Ghana Association of Banks participated in the virtual SPIS Stakeholder Workshop organised by the CARES Group on how to improve the activities of smallholder farmers in the country. The workshop was organised under the theme: Promoting Climate Adaptation by Upscaling Solar Irrigation Technology Options for Smallholder Farmers in Ghana through Innovative Financing Mechanisms, a Conducive Policy Framework for Technology Regulation and Tailored Training Modules.

The workshop was organised in collaboration with the United Nations (UN) Environment Programme; UN Climate Technology Centre & Network (UNFCCC Technology Mechanism); Government of Ghana; and Environmental Protection Agency (EPA). Participants were drawn from various industries and trade associations across the country. Experts and professionals invited to the workshop took turns to share their thoughts and expertise with other participants. Topical areas that were discussed at the workshop included technical issues; barriers and solutions; available financing schemes and financial barriers; socio-economic impact of partnerships; and conditions for success.

The workshop revealed, success of the initiative which was intended to orient smallholder farmers towards efficient and effective utilisation of solar-powered pumps; and towards innovativeness in the practices of smallholder farmers is nucleated around the identification of relevant stakeholders and their respective as well as collective roles; reliability of funding institutions; assessed conditions of existing irrigation projects; effectiveness of farmer-stakeholder relationship; and urgent need for improved management styles and stakeholder approach.

GAB - Compete Ghana Workshop on Capacity Strengthening

The Ghana Association of Banks honoured an invitation from Compete Ghana to its two-day programme on how to strengthen capacity on trade practices to facilitate exports from the country to economies within the European Union. Other institutions and trade bodies that attended the workshop included Customs Division of the Ghana Revenue Authority; Ghana Export Promotion Authority; Ghana Free Zones Authority; Association of Ghana Industries; and Federation of Ghanaian Exporters (FAGE), among others.

The Workshop was organised by Compete Ghana as part of the implementation packages for the accompanying measures of the Interim Economic Partnership Agreement (IEPA) between the European Union and Ghana. Further, it was in fulfilment of its responsibilities. That is, to strengthen the capacity of government Ministries, Departments and Agencies (MDAs); and private sector which extend support to exporters, farmers and manufacturers to ensure considerable increase in production; while meeting international standards and quality.
The workshop also sought to strengthen the capacity of institutions responsible for monitoring and investigating unfair trade practices; and emphasised the four principles of trade facilitation, including transparency, simplification, harmonisation and standardisation.

The workshop unraveled trade prohibitions; trade restrictions; supply chain; value chain; trade facilitation instruments (key Provisions of WTO); hard components of trade facilitation (infrastructure and ICT); support from financial institutions (including review of service fees and charges); and review of government taxes and exemptions as some of the cardinal areas that needed attention and possible improvements to ensure effective shift in paradigm of Ghana's export potentials to higher echelons. Other topical factors included predictability and certainty in bilateral trade agreements; need for constant publications and effective risk management to achieve trade facilitation.

GAB - CPSDIT Collaboration on Factor Financing in Ghana

The Centre for Private Sector Development and Inclusive Trade (CPSDIT), in collaboration with the Ghana Association of Banks and other stakeholders embarked on an exploratory study on the topic: "The Role of Factor Financing in Export Trade Development in Ghana."

The study was expected to serve as an export financing solution towards the promotion of export trade in the country. GAB and institutions within the banking industry were identified as key informants on the subject. The study outcome was envisaged to form the basis of policy brief on the development of factor financing as part

of measures towards boosting the country's export within the framework of the National AfCFTA Policy Framework and Action Plan; and the National Export Development Strategy.
Member banks were requested to provide answers to some formulated questions on factor financing. Responses elicited from member banks on the formulated questions were synthesised to inform GAB's response to all the pertinent questions received from CPSDIT on the phenomenon.

GAB - German Development Bank on Green Financing of SMEs

The need for a programme or facility to support the Government of Ghana towards realisation of its updated Nationally Determined Contributions (NDCs) for 2020 through 2023 remained one of the priorities for the German Development Bank (KfW). To inch very close to the attainment of this objective, Joyn-coop, a German strategy consultancy firm for sustainable development, was commissioned by the German Development Bank to conduct scoping study on the phenomenon.

The Ghana Association of Banks participated in the consultative workshop organised by Joyn-coop as part of the study, which attracted other experts from the Ghana green finance sector, including member banks and other financial institutions; potentially green SMEs and relevant government Ministries. Providing funding to green small- and medium-sized enterprises (SMEs) through institutions in the financial sector in the country was identified as potentially viable option.

Discussions revealed financing of green SMEs by the German Development Bank in the country would require effective policy implementation by regulatory bodies such as the Bank of Ghana (BoG); Ministry of Environment, Science, Technology and Innovation (MESTI); Environmental Protection Agency (EPA); and Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL), amongst others.

Further, the funding would be premised on the complementary role of participating financial institutions. However, to effectively assume their complementary role, financial institutions would need investment in staff education and capacity building; need funding, including concessionary loans; technical assistance; public awareness on green financing; creation and marketing of green products. Responsibilities of beneficiaries and development partners towards successful green SMEs' financing in the Country were identified, outlined and discussed.

GAB - GhIPSS on Strategic Advancement of GhanaPay Mobile Money Services

The Government of Ghana's quest for accelerated financial inclusion has led to the introduction of many digital financial services to complement traditional banking services in the country. One of such developments is the introduction of the GhanaPay Mobile Money Services, which are offered by banks (universal banks; rural and community banks; and some savings and loans companies); and powered by the Ghana Interbank Payment and Settlement Systems (GhIPSS). GhanaPay is strategically designed to enable individuals and businesses own mobile money wallet from any bank of their choice; and perform all services associated with mobile money in addition to other banking services. In spite of its viability, the contribution of GhanaPay Mobile Money in terms of volume and value to financial services delivery within the Ghanaian economy remains low. As part of measures and efforts to increase its public recognition, acceptance and patronage; and improve its financial volume and value, a brief meeting was held by GAB with Representatives from GhIPSS on GhanaPay Mobile Money services. Discussion during the meeting was focused on how public discourse on GhanaPay Mobile Money could be advanced in different languages to enhance its patronage; and ensure its effective contribution to the drive towards accelerated financial inclusion within the Ghanaian economy.

GAB - International Chamber of Commerce (ICC)

The Ghana Association of Banks honoured invitation to the maiden Africa Sustainable Supply Chain Summit organised by the International Chamber of Commerce (ICC) - Ghana in Accra during the financial year under review.

GAB attended the ICC Summit as Special Guest and Panelist, with other Members drawn from ICISA and Afreximbank. The panel discussion was focused on: Trading within the AfCFTA: What are the roles and contributions of banks and private risk?

GAB noted, the African Continental Free Trade Area (AfCFTA) Agreement remains one of the flagship projects of the first ten-year implementation plan (2014 - 2023) under the Agenda 2063 of the African Union (AU); which is dubbed, The Africa We Want; and that, full implementation of AfCFTA is analogous with the creation of continent-wide market; which would require determined efforts to reduce all trade costs and barriers.

Quite expectedly, AfCFTA acknowledges the role of banks in the broader scheme of its policy implementation; and the intervening role of banks in key sectors of member-countries' economies. Further, AfCFTA perceives financial institutions, including banks as anchoring its policy implementation on trade financing.

However, weak internal business structures and stunted investment in those structures may reduce the risk appetite needed to rigorously harness the benefits of AfCFTA. The foregoing notwithstanding, banks, through concerted efforts, seek to implement policies that would maximise potential gains of AfCFTA; while minimising potentially inherent risks.

ICC envisaged the Supply Chain Summit would serve as unique annual platform for experts to converge and exchange ideas; identify common and pertinent effects of market dynamics; and collaborate on new technologies for current and future leaders in the areas of supply chain and operations.

GAB - MoF on Emergency Financial Stability Fund Project

One of the recommended measures in post-DDEP to ensure liquidity, sustainability and robustness of the banking industry in the immediate- and medium-term is the need for the government to ensure the establishment of financial stability fund to provide the necessary liquidity buffer for banks.

As practical response to the clarion call, the Ministry of Finance (MoF) engaged the services of Consultant to prepare Stakeholder Engagement Plan (SEP), as part of the Ghana Emergency Financial Stability Project. The Consultant identified the Ghana Association of Banks as significant source of gathering reliable data and information on the phenomenon.

During the Consultant's interview

session with GAB, the latter shed significant light on severe impact of the government's debt restructuring programme, especially the domestic debt exchange programme (DDEP), on the overall financial performance of the banking industry at the end of December 2022.

Outturns for key financial performance variables such as non-performing loans' (NPLs') rate, loss impairments and capital adequacy ratio, amongst others, underscored the need for expedited process towards establishment of the Financial Stability Fund to provide financial respite for banks that may need these funds to remain liquid; and maintain resilient industry capable of restoring public confidence in the broader financial system.

GAB - IBS Training Workshop

The Ghana Association of Banks was represented at the two-day Workshop organised by IBS Consulting Alliance to train participants on emotional intelligence (EI). This concept is defined as an individual's ability to ensure efficiency and effectiveness in the management of his or her emotions; while making conscious efforts to understand the emotions of others; or people around him or her.

The workshop was expected to help participants practically improve their soft skills; and distinguish them from their colleagues in the workplace.

Further, it was envisaged to equip participants with the requisite soft skills that would make them quite distinct from their peers within their social settings; or in the general social environment.
The workshop revealed an interplay of both intra-personal skills and interpersonal skills or relations helps in the effective definition of emotionally intelligent individuals and leaders. Emotionally intelligent leaders ensure due diligence; engage in self-introspection and self-dialoguing. Further, they demonstrate empathy and understanding as critical component of teamwork; and as essential component towards realisation of corporate goals.

GAB - National Service Scheme (NSS)

A two-day stakeholder consultative workshop was organised by the National Service Scheme (NSS) to facilitate discussion with stakeholders on a Policy Document drafted by the National Service Scheme. Some stakeholders present at the workshop included the Ghana Association of Banks; Africa Centre for Economic Policy (ACEP); Institute of Economic Affairs (IEA); Chartered Institute of Marketing – Ghana (CIMG); Association of Private Tertiary Institutions; National Youth Authority (NYA); National Service Personnel Association (NASPA), amongst others.

The engagement of NSS with stakeholders was strategically intended to solicit inputs of the latter towards adoption and implementation of Policy Document that would facilitate transition of the National Body from a Scheme to an Authority in Ghana.

Further, the Workshop was intended to build capacity of the National Service Scheme to ensure sustainability in its contribution to the development of human capital through graduate deployment; and assure its effective contribution towards accelerated growth of the Ghanaian economy.
The National Service Scheme was represented by the Chairperson of the Board of Directors; Executive Director; Regional Directors and other staff. The Ministry of Education was represented by the Deputy Minister in-charge-of Tertiary Education. Opening remarks by the Executive Director of NSS underscored the essence of the Workshop. That is, to engage in extensive discussion that would ensure the emergence of acceptable policy document for the Scheme at the national level.

Stakeholders present at the Workshop engaged in plenary discussion on vision, mission, ten (10) policy objectives and eight (8) guiding principles proposed by the National Service Scheme for review and adoption. Contributions by participants during the plenary sessions (on days 1 and 2) were noted by organisers of the Workshop (Resource Person and NSS).
The Resource Person and NSS were expected to review and update the policy document with relevant contributions; and reconvene in few weeks to share the updated policy document with stakeholders for adoption. The final policy document would be presented to Cabinet for approval; the approval would ensure transformation of the state agency from scheme to authority. That is, from National Service Scheme to National Service Authority.

GAB and Investiture of the 18th IoD-Gh Council

The Institute of Directors – Ghana (IoD-Gh) organised the investiture of its 18th Council; and Special Awards and Dinner Night in Accra during 2023 financial year. Key stakeholders, including the Bank of Ghana (BoG); Ghana Association of Banks; Ghana Association of Restructuring and Insolvency Advisors (GARIA); KPMG; Chartered Institute of Bankers – Ghana (CIB-G); Ghana Association of Savings and Loans Companies (GHASALC); and other major institutions attended the programme.

The outgoing President of IoD-Gh catalogued the Institute's achievements during his term in office; and urged the incoming President to build on his (outgoing President's) exploits to effectively advance the cause of the entire Membership and IoD-Gh. Further, he urged the new President to institute measures that would increase membership enrolment; and maintain positive relations with key stakeholders in both the private and public sectors of the Ghanaian economy.
Various Speakers affirmed the need for the Institute of Directors – Ghana to collaborate with the Ghana Association of Banks to ensure efficiency and improvements in its (IoD's) operations.

GAB - GARIA President's Award and Dinner Gala

The Ghana Association of Banks honoured an invitation to the Third Presidential Awards and Dinner Gala organised by the Ghana Association of Restructuring and Insolvency Advisors (GARIA) in Accra in 2023.

The programme which was focused on leveraging restructuring attracted dignitaries such as the Chief of Staff at the Office of the President (who represented the President of the Republic); Her Ladyship, the Chief Justice; Second Deputy Governor of the Bank of Ghana; Chairperson of the Governing Council of GARIA; and President of GARIA, among others.

Speakers at the programme noted challenges inherent in the Ghanaian economy affirm the relevance of GARIA; and that, there is the need for the establishment of more granular legislation to enhance the framework of GARIA.
The practice of restructuring was observed to be at the nascent stage in the country. However, evidence at the global, regional and national levels attests to the relevance of restructuring and insolvency; and this corroborated calls for stakeholders to support GARIA in its endeavours.

The GARIA Bill has received Cabinet's approval and is currently before Parliament. When approved by Parliament, GARIA would be transformed into Chartered Institute of Restructuring Practitioners to ensure stability in its operations; and ensure sustainable contributions to national development and growth efforts.
One of the speakers noted, financial sustainability remains vital to improving GARIA's operations; and towards limiting the regular need for fund raising to sustain its operations.
The programme formed an integral part of GARIA's Week Celebration. Other activities of the week celebration included official launch of the maiden National Insolvency Journal.

GAB - GIZ Consultative Forum

A Consultative Forum on Trade-Based Money Laundering (TBML) was organised by GIZ in Accra during the financial year under review. The programme laid emphasis on illicit financial flow (IFF) in the private and public sectors; and attracted representatives from the Financial Intelligence Centre (FIC); GIZ; Bank of Ghana (BoG); and Customs Division of the Ghana Revenue Authority (GRA).

Three Panel Discussion sessions were organised to address issues related to private sector financial institutions (featuring banking industry representatives); private sector firms (involving import and export association; customs brokers association of Ghana; and Ghana Free Zones Authority representatives); and public sector (featuring participants drawn from GRA; FIC; EOCO; and BoG).
The Ghana Association of Banks moderated the first session which sought to assess the impact of trade finance on the banking industry in terms of total revenue and assets; determine whether industry-wide trade-based money laundering risk assessments had been conducted in recent years; and share the findings and implications for the industry and individual banks.

Finally, the views of discussants were elicited on the impact of trade-based money laundering on the entire industry; and measures that could be implemented to mitigate the identified (negative) effects. Illicit financial flow remains a major threat to both the international trade and global financial systems; perpetrators of these criminal activities employ adept tactics and strategies.

The panelists identified due diligence; strategic training; seamless flow of useful information among member banks and other financial institutions; regular training and guidance by BoG; and 'public' sharing of success stories on crime prevention strategies by regulatory agencies and financial institutions as useful to equipping all financial institutions to effectively combat trade-based money laundering activities.

GAB - AFFIIA Conference

The Ghana Association of Bank (GAB) participated in the 9th African Federation of Institutes of Internal Auditors (AFIIA) conference which took place on the May 22-23, 2023 at the Movenpick Ambassador hotel . The event focused on promoting sustainability through innovation and the collaboration between internal audit and leadership. The conference discussions centred on contemporary and cutting-edge issues related to innovation and change, which are vital for the survival and growth of individual institutions and the broader economy.

GAB - IEA Engagement

GAB and Institute of Economic Affairs (IEA) meeting was held under the theme "Making Africa Benefit from Globalisation," the meeting offered valuable perspectives on how African countries can strategically position themselves to benefit from globalisation and regional initiatives such as the African Continental Free Trade Agreement (AfCFTA).

GAB - NDPC Stakeholders' Engagement

A two-day stakeholders' engagement Workshop was organised by the National Development Planning Commission (NDPC) towards the formulation of human capital development strategy for the country.

The Workshop which was organised in collaboration with the Friedrich Ebert Stiftung Economic Policy Competence Centre sought to gather diverse expertise, insights and perspectives from key stakeholders, including the Ghana Association of Banks to effectively model comprehensive strategy that aligns with the vision of the National Development Planning Commission; and tackles challenges related to the human capital needs of the manufacturing sub-sector within the Ghanaian economy.

Participants at the workshop were segmented into groups to ensure healthy discourse and effective contribution to the national cause, during the plenary sessions. The participants identified technical training, capacity building and technology as some of the priority areas that would require significant attention during the implementation stage of the national human capital development strategy.

Regular engagement with industry players and actors was considered essential to the implementation of interventions related to the human capital development strategy. Further, consistent identification of skills gap; taking proactive and reactive measures to fill those gaps; and expanding the capacity and capabilities of industry and human capital were identified as strategic ways to leverage emerging technologies and global best practices; and leverage innovative approaches in the implementation of the national strategy on human capital development.

GAB - Donation to Akosombo Dam Spillage Disaster Victims

The Ghana Association of Banks (GAB), in collaboration with United Way Ghana, has donated items worth several thousand Ghana cedis to the victims of the Akosombo Dam Spillage Disaster.

This initiative aims to alleviate the suffering caused by the dam spillage and provide comfort to the victims through a strategic and sustainable intervention plan. The intervention was based on a needs assessment of the affected victims, conducted in collaboration with community leaders.

The first tranche of support was delivered on 27th October, with the distribution of relief items to 150 households, benefiting a total of 657 individuals. Each family received provisions for three nutritious meals daily over two months, along with complete bedding. Additionally, 100 young girls and women were supplied with a two-month stock of sanitary pads.

Building on the success of phase one, GAB and United Way Ghana partnered again for the second phase of support, targeting communities such as Agbetikpo in North Tongu and Tokpo in the Osudoku District. Phase two focused on aiding 250 families, encompassing nearly 1,750 individuals, with complete bedding and two months' worth of food supplies.
Approximately 250 school children, whose educational materials were compromised by the disaster, received school bags and stationery to facilitate their continued education. Further, 100 schoolgirls lacking access to sanitary pads were provided with a four-month supply, ensuring hygienic menstrual management.

Following the distribution, employees from GAB engaged in a speed coaching activity with the 250 young learners, covering essential topics such as time management, personal hygiene, and menstrual health for the girls.

GAB reaffirmed the commitment of its member banks to creating opportunities for individuals to thrive, acknowledging the partnership as a vital support system for the victims' recovery and rehabilitation.

The third phase of support aims to rehabilitate selected families, marking another significant step in the collaborative efforts to restore normalcy to the affected communities. Essentially, the third phase will encompass financial literacy education, and credit extension to some families so they could revive their source of livelihood.

Mr. John Awuah, Chief Executive Officer (CEO) of GAB, affirmed the association's readiness to continually support the victims of the dam spillage, and edge other stakeholders to extend a helping hand to the victims.

Some of the bank staff in the Volta Region joined the lean GAB team in distributing items to the victims. Standard Chartered Bank brought a bus full of staff to support this worthy cause. They helped train pupils on personal hygiene and inspired them to dream big despite their harrowing present circumstances. The presence of numerous bank staff helped expedite the distribution of items to the victims.










Images from Phase 1



Images from Phase 2













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GAB in the Media

B&FT Business & Financial Times TUESDAY, MAY 9, 2023

10 analysis

Banking industry bounces back strongly in 2023

A B&FT Research

Prudential financial data released by most of the universal banks in the country during the first quarter (Q1) of 2023 affirmed strong, robust and scintillating performance of the industry, in spite of the challenges during the last quarter (Q4) of the preceding year, which were occasioned largely by the government's debt restructuring programme, specifically the domestic debt exchange programme (DDEP).

The industry's balance sheet during Q1 of 2023 depicted impressive performance comparative to Q4 of 2022. This fairly reflected robust growth in total assets, which were integrally funded by sustained growth in deposits and increased capital levels.

Performance of the industry's income statement during the period under review was very strong; the surge in profit after tax (PAT) remained quite encouraging; and this is [illegible]

institutions within the banking industry. Due to the industry's strong capital position, the higher capital adequacy ratio suggests, in the event of any credit risk concentration shocks, banks would still maintain capital adequacy ratios above the minimum regulatory capital requirement.

The overall financial condition of the industry is exemplified in the quality of banks' assets anchored by the quality of loan and investment portfolios; and efficient credit administration programmes. The foregoing is indicative of strong risk mitigation measures for capital and loan formation; and indicative of financial stability of the banking industry. The average return on equity for 2023 Q1 is indicative of how banks in the industry are efficiently and effectively generating profits from the investments of shareholders.

Liquidity coverage ratio (LCR) of the industry during the period under review remained over 92.98%. This affirms the availability of high-quality liquid assets to fund [illegible]

more loans and expanding their loan books; and intensify their loan recovery efforts. The current financial posture of the banking industry is one that is robust and averse to credit concentration shocks.

It is refreshing to state, banks in the industry have taken proactive steps to strengthen their risk management practices and internal control mechanisms. These initiatives have strategically positioned the industry towards containment and mitigation of potential solvency challenges that may emanate from loan concentration.

The banks are not oblivious of their critical role in preserving stability of the country's financial system; and therefore, are consistently dialoguing and collaborating with the Bank of Ghana (BoG) and other key stakeholders to ensure sustained stability of the banking industry.

Conclusion

Ghanaian banks are responding positively to the economic reco[illegible]

DailyGuide 13

Banks' Capital Positions Are Robust – GAB

PRESIDENT OF the Ghana Association of Banks (GAB), John Awuah, has stated that the capital positions of banks remain robust despite losses experienced as a result of the Domestic Debt Exchange Programme (DDEP).

He said there was enough liquidity in the banking sector and that the country's banks are in good standing.

He was responding to assertions by Dr. Richmond Atuahene and K B Frimpong that a recent review of bank financial statements revealed that banks would lose an additional $6 billion as a result of lower coupon rates and the extension of the maturity period from five to fifteen years.

He told *Joy FM* that, while banks appear to have been badly impacted, the circumstance was expected, and hence necessary procedures to protect institutions in the country were put in place.

"As we speak, there is strong liquidity in the environment. I have not heard that anybody has gone to a bank and cannot get their money. The banking system has enough liquidity in the system," he stressed.

Mr. Awuah indicated that the adequate liquidity in the banking sector could be ascribed in part to the Bank of Ghana's recent move to raise the policy rate again in order to mop up excess funds and help control inflation.

He also stated that BoG had taken many steps to protect commercial banks

John Awuah

from shocks caused by the debt exchange programme.

"The central bank has put in measures to help banks to weather the storms where there are difficulties. The Bank of Ghana has given us time to rebuild our capital," he added.

He noted that, in addition to the financial sector stability fund, the other steps will assist banks in supporting the economic growth plan through lending to businesses.

Rejoinder: Misapplication of Money Laundering Act by Ghanaian Banks

• Continued from Page 10

transaction (or activity) report (STR) with the Financial Intelligence Centre (FIC) after the knowledge thereof is established; or ground for suspicion of the transaction is linked to the unlawful activities outlined in Section 45 of Act 1044.

Freezing powers of FIC

Where the FIC considers it necessary, based on the seriousness or urgency of the suspicious transaction report filed by a bank, the Centre may order the suspension of a transaction for a period of not more than seven working days.

Further, the Financial Intelligence Centre may apply to the Court within seven days after a transaction has been suspended under Sub-section (3), for the issuance of a freezing order.

Where the Centre is of the opinion, on reasonable grounds, that it is necessary to freeze a transaction or an account to prevent money laundering; terrorist financing or the financing of proliferation of weapons of mass destruction; or tax evasion, it may direct the freezing of transaction or account held with an accountable institution.

This mandate is expressed in Section 56 of Act 1044.

Collaboration

To ensure effective discharge of banks' mandates and strict adherence to the applicable laws in Act 1044, they collaborate effectively with security and intelligence agencies such as the Police and EOCO; and consistently liaise with investigating authorities such as the FIC.

It is worth stressing that banks operating in Ghana do not make decisions on "suspicious" customer deposits without recourse to the relevant investigating authority (FIC).

GAB wishes to assure the public of the commitment of the banking industry to an efficient and effective delivery of our services as the economy transitions towards the path of recovery and sustainable growth.

The banks have unanimously decided not to countenance any activity or activities that would undermine public trust and confidence in the industry; and erode considerable gains made by the broader financial sector; and this is a non-negotiable objective of the community of banks in the country.

Finally, Ghanaian banks are committed to full implementation of Act 1044 to assure compliance; strong commitment to detection and prevention of anti-money laundering violations; and unflinching support to the country's efforts towards strengthening existing framework on anti-money laundering; while remaining more compliant with international standards.

We call on the general public to utilise the Consumer Recourse Mechanisms instituted by the BoG in resolving any complaints they may have against a bank, a group of banks or the banking industry generally for swift resolution.

— By the Ghana Association of Banks

2023 Mid-Year Budget Statement -highlights

GAB-RESEARCH

Introduction

In July 2022 , government took the decision to request support from the IMF to implement the Post-COVID-19 Programme of Economic Growth (PC-PEG).

The country was strapped in a period of economic uncertainties and despondency.

Parliament passed the revenue and expenditure measures; and several other macro-critical economic policies presented in the 2023 Budget as first critical step towards fulfilling the PC-PEG objective.

In line with the above, it was necessary for the government to create additional fiscal space by negotiating an International Monetary Fund (IMF) Programme; concluding debt operations programme; and attracting significant investments (especially, green investments) for a vibrant growth strategy.

Government was diligent and resolute in the implementation of the fore going measures and successfully negotiated the US$3billion, 3-year IMF-ECF Programme to support the implementation of PC-PEG; concluded the initial part of the Debt Operations (Domestic Debt Exchange Programme (DDEP); developed framework for the V20 Climate Prosperity Plan to attract climate investments from the private sector; and initiated the Mutual Prosperity Dialogue to crowd-in domestic and external private investment to underpin the national growth strategy.

Progress was made during the first six months to exceed non-oil revenue targets for the year.

There were improvement sinnon-oil tax revenue collection despite some noticeable shortfalls in VAT. However, oil revenues fell short of expectations due to changes in global prices.

Therefore, government had to undertake downward review of the oil-related revenue; as well as the corresponding expenditures to align with the under performance of some revenue handles.

Specifically, this would impact the Annual Budget Funding Amount (ABFA).

Based on the reasons outlined above; and lower domestic interest payment and amortization, owing to partial completion of the DDEP; and reduction in the foreign financed CAPEX, the Appropriation was revised from GH¢227.7 billion as presented and approved in November 2022 to GH¢206.0 billion (during the Mid-Year Budget presentation). This was in line with Regulations 24 sub-regulation (3) of Public Financial Management Act Regulations 2019 (L.I.2378).

Based on the foregoing factors, no Supplementary Budget was required during presentation of the Mid-Year Budget.

However, government is committed to pursuing robust growth strategy within the limited fiscal space; and with in its fiscal consolidation programme. This would be executed by attracting domestic and foreign private sector investments; and expanding production, which would been couraged and stimulated by Government policies and agencies.

Government's Mutual Prosperity Dialogue with the private sector would seek to facilitate the ease of doing business in order to crowd-in private domestic and foreign investments.

Security continues to be a priority of Government. The United Nations recently reported that over 1,800 terrorist attacks, resulting in nearly 4,600 deaths, were recorded in the West African sub-region in the first six months of 2023. Due to this instability among others, increasing numbers of West African nationals are seeking refuge in the country. This has required review of the security expenditures with in limited fiscal space.

Rejoinder: Misapplication of Money Laundering Act by Ghanaian Banks

THE attention of the Ghana Association of Banks (GAB) has been drawn to an article authored by Mr Ahumah Ocansey under the heading, "Misapplication of Money Laundering Act by Ghanaian banks," in the Friday, June 9, 2023 issue of the *Daily Graphic*.

Further, GAB's attention has been drawn to a rejoinder to the foregoing publication by the Bank of Ghana (BoG) on Monday, June 12, 2023 under the caption, "Rejoinder: Bank of Ghana responds to Ahumah Ocansey's allegations." This rejoinder seeks to correct factual inaccuracies and misconceptions contained in the referenced article.

In the article dated Friday, June 9, 2023, the author (Ahumah Ocansey) sought to challenge the integrity of Ghanaian banks; and their strict adherence to provisions in the laws regulating anti-money laundering in Ghana. Further, the author sought to incite the public against Ghanaian banks; and the broader financial system.

However, consistent with the rejoinder by the BoG, the GAB states categorically that deposits of bank customers are processed in strict adherence with provisions in the Anti-Money Laundering Act, 2020 (Act 1044), new AML Guidelines and Financial Action Task Force (FATF) standards, which take precedence over earlier laws relating to anti-money laundering in Ghana.

In fact, Act 749, which has since been repealed and replaced by Act 1044, was promulgated in 2008; and not in 2000, as referenced by the author in his article.

It is instructive to note, banks licensed in Ghana are committed to upholding the sanctity of the industry; and work in strict compliance with requirements of our foremost regulator, BoG, without aberrations. This statement is practically illustrated below.

Application of Act 1044

In December 2020, the new Anti-Money Laundering Act of 2020 (Act 1044), was enacted to consolidate laws relating to the prohibition of money laundering in Ghana.

Provisions in Act 1044 address deficiencies inherent in the erstwhile Anti-Money Laundering Act 2008, Act 749; and ensure anti-money laundering laws in Ghana conform to international standards.

Act 1044 clearly outlines the processes for money transfer and conditions or circumstances under which a bank; Economic and Organised Crime Office (EOCO); or Financial Intelligence Centre (FIC) would request for funds deposited into a customer's account to be returned to the remitter.

GAB states emphatically that banking operations related to money transfers are consistently processed, advanced and executed in tandem with the Provisions in Act 1044.

Requirements

Banks operating in Ghana are not oblivious of their role as accountable institutions; and remain mindful of the strict sanctions likely to be imposed by the FIC, EOCO, and/or BoG on financial institutions found culpable of engaging in or facilitating money laundering.

In fulfilment of Recommendations 10 (customer due diligence) and 16 (wire transfers) of the Financial Action Task Force (FATF), banks (and other financial institutions) consider customer due diligence (CDD) measures when customers request for transactions such as wire transfers, including domestic and cross-border wire transfers are being processed.

To consolidate the FATF Recommendations, banks apply the following minimum measures (and other advanced measures) when processing wire transfers: (a) clean inflows received from remitters are credited to customers' accounts subject to the fulfilment of anti-money laundering requirements.

These include disclosure of full details of the originator and beneficiary information; whether the transaction is consistent with the customer's KYC profile available at the bank, screening results among others; and (b) with the deployment of the SWIFT Sanction Screening System by banks, foreign wire transfers are screened to detect designated persons and entities involved in the transaction.

Circumstances

Wire transfer received by the bank in favour of a customer can be returned to the remitter if there are no sufficient details; discrepancies are observed in the beneficiary's details; details of the beneficiary cannot be verified; discrepancies are observed in the transfer instruction; or there are no beneficiary details at all. Moreover, funds credited to customer's account can be returned to the remitter if the latter recalls funds on the grounds of fraud or related issues.

Transaction restrictions

Section 45 of Act 1044 mandates banks not to proceed a transaction which the bank knows or reasonably suspects to be related to money laundering; financing terrorism; financing of proliferation of weapons of mass destruction; tax evasion; or any other unlawful activity.

Under Section 38 of Act 1044, banks are mandated to file suspicious

• Continued on page 45

Banks will become gigantic fintechs in near-future – *GAB predicts*

By Mohammed AWAL & Christabel DANSO ABEAM

President-Ghana ... to less "transactions truncation" needs ... driving value to the customer," he said.

robust financial sector: the catalyst for a sustainable economic growth. The

Banks to transition into bigger fintecs — John Awuah

By Emmanuel Bruce

THE Chief Executive Officer (CEO) of the Ghana Association of Banks (GAB), John Awuah, has said that banks will soon transition into bigger fintech companies in the country.

With banks in the country continuously making investments to expand their digital footprints, the CEO said he foresaw a future where banks would no longer be competing with fintechs but would become bigger fintechs themselves.

Speaking in an interview with the Graphic Business at the "Money Summit", he said he also expected a paradigm shift where the digital footprints of consumers would be the driving factor in the industry.

"We will get to a point, and we are approaching there, where the digital footprint of consumers will be the defining factor. The future will see fewer human interactions, reflected in fewer mobile money agents," he stated.

Need for collaboration

The Head of Fintech and Innovation at the Bank of Ghana, Kwame Oppong, also speaking at the summit, emphasised the need for collaboration between banks, telcos and fintechs to ensure progress in the industry.

He said competition was still high in the industry but there was the need for greater collaboration as well. "We can be friends in some circumstance and enemies in some circumstance but this is healthy for the overall progress of the industry." he stated.

Mr Oppong also pointed out that lots of clients were now demonstrating clearly that it was more viable to build a business where consumers were given more choices in terms of digital financial services, adding that the BoG hoped to see more of this. "Our primary goal is to make sure the sector is safe and the industry is able to support the advancement of technology," he stated.

Banks adoption of technology

For his part, the Chief Executive Officer at UMB Bank, Nana Dwemoh Benneh, said contrary to the opinion that banks had displayed a high degree of inertia toward the adoption of technology, they were at the forefront of the digital finance revolution.

He said banks had always had a deep understanding of customers, and that was what they required, and as a result, over the years they found themselves at the forefront of innovation.

He noted that while the fintechs had been more nimbled, traditional institutions were beginning to roll-out solutions such as banking-as-a-service (BaaS) and Application Programming Interfaces (APIs) which allowed for increased third-party participation, ensuring consumers were able to access all the required products and services from the same pot.

Financial services to be democratised

The CEO of GCB Bank, Kofi Adomakoh, also noted that financial services would become more democratised as banks and fintechs would collaborat to drive innovation.

"We must see clearly what benefits of the synergies are and if the solutions are scalable, as a lack of clarity with these could undo all the possible benefits," he remarked.

• John Awuah — Ghana Association of Banks CEO

Banking sector's path to recovery and resilience

Insights from GAB CEO John Awuah

In an insightful conversation between the B&FT's Joshua Worlasi AMLANU and Ebenezer Chike Adjei NJOKU and the Chief Executive Officer (CEO) of the Ghana Association of Banks (GAB), John AWUAH, the state of the Ghanaian banking industry takes center stage. The dialogue delves into the transformative journey of the industry before and after the implementation of the Domestic Debt Exchange Programme (DDEP).

Before 2018, the banking sector encountered turbulence with a multitude of banks, non-bank financial entities, and others operating with precarious balance sheets, resulting in instability. Recognising the urgency to address this predicament, the central bank initiated a comprehensive reform process to establish a healthier financial landscape.

Corporate governance was a focal point in this transformation, as breakdowns in this area were identified as contributing factors to the challenges faced. 2018 marked a pivotal moment, witnessing the central bank's concentrated efforts in elevating corporate governance structures, establishing well-administered banks capable of prudently managing customer deposits and preserving the stability of the financial ecosystem. The outcome was the recalibration of several microfinance institutions, finance houses, and other entities lacking the essential financial underpinnings.

The rejuvenation of the industry entailed enhanced regulatory oversight and the rebuilding of trust. Subsequent years ushered in a surge in secondary market activities, with collective investment schemes gaining traction, rekindling confidence in the financial sector.

In 2022, collaborative discussions between the government and industry stakeholders yielded strategies for enduring stability. A mechanism was devised to address illiquid instruments emerging from the DDEP, ensuring market participants could effectively manage their investments.

By the first half of 2023, the banking sector displayed signs of resurgence and resilience, as financial reports indicated optimistic performance trajectories. Amidst challenges and fluctuations, the robust underlying performance remained steadfast, instilling faith in the sector's capability to navigate business uncertainties.

This illuminating dialogue offers valuable insights into the banking industry's transformation, resilience, and trajectory, casting light on the influence of the DDEP, recovery prospects, and measures adopted to navigate challenges and foster growth.

B&FT: Give us an introduction remarks

John Awuah: The state of the Ghanaian Banking

breakdowns in this area.

The year 2018 marked a turning point, with the central bank

investment schemes gaining traction and contributing to renewed confidence in the financial system.

Approaching 2022, the government and industry players collaborated to find solutions for sustained stability. Amid discussions and meetings, a mechanism was devised to address the illiquid instruments resulting from the Domestic Debt Exchange Programme. This mechanism allowed for trading and liquidity, ensuring market participants could manage their investments effectively.

By H1 2023, the banking industry showcased signs of recovery and resilience, with financial statements indicating positive performance trends. Despite occasional challenges and fluctuations, the underlying performance remained strong. This solid foundation provided confidence in the industry's ability to weather business fluctuations and uncertainties.

Ultimately, the Ghanaian Banking Industry's journey before and after the Domestic Debt Exchange Programme demonstrates a commitment to improving governance, stability, and sustainability. The industry's ability to adapt, collaborate, and ensure

2023. This positive turnaround comes after the sector faced significant losses at the close of 2022. Analysing this trend requires a broader perspective beyond short-term fluctuations.

To assess the true trajectory of performance, it's crucial to establish a trend based on a series of consistent data points, rather than relying on performance over just a few months.

Considering this context, the industry recognises that sustained performance and resilience stem from more than isolated periods of gain. A strong underlying performance is essential, as it forms the foundation for resilience and long-term stability. The ability of the sector to absorb future shocks and challenges is a key consideration. This involves examining factors such as stress testing, the impact of testing and domestic boiler points, and the implications on the banks' books.

The losses experienced by the sector largely resulted from market-related factors, including the reduction in coupon rates due to the Domestic Debt Exchange Programme.

However, the industry believes that with a consistent

GAB urges comprehensive plan to address loopholes in credit culture

By Ebenezer Chike Adjei NJOKU

The Chief Executive Officer-Ghana Association of Banks (GAB), John Awuah, has said there is a pressing need for collaborative efforts to aggressively address challenges facing the country's credit environment.

Speaking during a webinar on sustaining confidence in the financial sector, Mr. Awauh expressed concern over the seemingly low loan-to-deposit and loan-to-credit ratios in the industry - as well as the protracted judicial system, which he said significantly hampers loan recovery and allows defaulting customers to exploit the courts; putting banks in a vulnerable position.

"Looking at the judicial system, it takes on average three to five years for loan recovery. When a customer is known to have defaulted, the customer becomes a champion in our courts. He is the hunter, and the bank becomes the hunted," he remarked.

Mr. Awauh echoed sentiments shared by other industry analysts, emphasising the need for improvements in loan adjudication, recovery processes and better know your customer (KYC) protocols.

In recent times, there have been instances when individuals who oversaw the collapse of businesses that owe banks were able to set up new entities, and access credit from the banking system without any consequences.

The GAB top officer cautioned against merely focusing on superficial measures that boost the top line without addressing the underlying problems. As an example, he pointed to instances when banks discovered that the Lands Commission had endorsed and registered documents but customers had alternative documents and sold off the assets - leading to complications during execution.

The CEO also drew attention to the prevalence of individuals who having taken loans from banks vanish without repayment, driving non-performing loans (NPLs) to alarming levels.

"Almost everyone has an experience of a close associate who has taken money and disappeared. It is these same persons who come to the banking system, take personal loans and drive NPLs to 15 percent. That means for every GH¢100 that banks give out, on average they are likely to lose at least GH¢15," he explained, underscoring the need for urgency to address the systemic issues contributing to the credit environment's challenges.

Data from the Bank of Ghana show that the industry's non-performing loans ratio deteriorated to 18 percent in April 2023 from 14.3 percent in April 2022, in part due to elevated credit risks.

To tackle these issues comprehensively, Mr. Awauh stressed the need for a thorough discussion that addresses the entire framework and credit culture. He argued against granting access to lending for individuals who default on their property rates, for instance; citing that this practice does not align with forward-looking approaches adopted elsewhere.

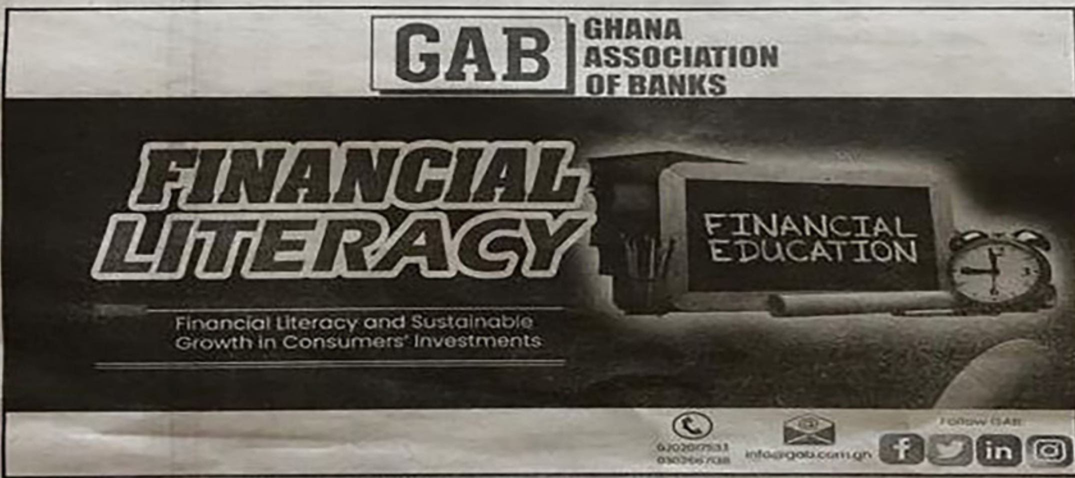
While acknowledging the Ghana card's positive impact, he questioned the effectiveness of efforts to expedite progress and collaboration among stakeholders.

As of December 2022, lending to households had grown by only 14.4 percent on a year-on-year basis compared to 38.5 percent to firms.

FRIDAY, MAY 5, 2023 BFT

Financial literacy and sustainable growth in consumers' investments

A Ghana Association of Banks (GAB) Research



In recent years, the global community has been witnessing consistent proliferation of financial platforms, tools and services in the marketplace. These significant developments notwithstanding, consumers are believed to be more vulnerable than ever. For instance, in many advanced, emerging and developing economies across the globe, consumers are struggling to cope with their finances due to a number of socio-economic factors, such as job losses, poor remuneration, economic downturn, bad investments or personal financial management and outbreak of natural disasters such as COVID-19, among others.

The term financial literacy simply relates to individuals' ability to understand and apply due ... are consistently increasing consumers' access to credit and loans; and in like manner, complicating it. These financial tools also expose consumers to gamify services, of which they have limited knowledge or understanding for the effective operation and management to assure financial success.

Need for banks to prioritise investment in financial literacy

Historically, banks have been known for clarifying the requirements of products and services for their customers. However, evidence on the ground suggests this approach may not be enough to engender the right level of understanding of financial products by banks' customers. In view of this, banks have ... financial viability of household incomes at risk of being fully depleted. The implication is, investment in financial literacy remains a challenge that can and should be tackled head-on by banks to stem the tide. Further, the onus lies on banks to ensure consumers learn, master and improve on their finances. The emphasis should be placed on assisting consumers navigate their choices, be they small or big, which may potentially impact their mental health and financial well-being.

Generally, banks tend to deepen their relations with consumers, increase profitability and reduce the amount of non-performing loans (NPLs) on their books when they invest in financial literacy programmes, including education and mentorship. Indeed, financial literacy is perceived as the new frontier of consumers' ... these consumers, or being compelled to write-off bad debts due to credit and loan losses.

Essential financial tools available to consumers

Technological innovation is driving competition within the broader financial sector and within the banking industry in particular. However, innovations within the financial sector are driven by a multitude of providers, with dominance by banks and financial technology (Fintech) companies through insights, such as data visualisation, spending breakdowns, nudges and alerts. Others include simple user friendly interfaces and user tools, such as chatbots driven by artificial intelligence (AI).

Application of these ... consequences. Tools, such as alerts and nudges, become useful when consumers seek to monitor transaction details, including loan payment terms and due dates, outstanding balances, how to ensure debt reduction, and improve credit score and rating.

Other financial tools, such as games and incentives, are employed to help consumers make informed and better investment decisions, eliminate wasteful subscriptions, track finances, increase access to investment in cryptocurrency, and rely on recommendations for cost-savings. There has been significant increase in financial education resources, such as videos, podcasts, books and blogs designed to improve awareness creation on financial literacy.

Relevance of

Nearly fifty-nine (59) economies around world are noted for currently implementing co-ordinated national strategies with the sole aim of increasing awareness on financial literacy. In countries such as the United States, high school students are now requesting the inclusion of personal finance education in their syllabus. The following section emphasises the importance of financial literacy in prior and contemporary periods.

A country that remains financially literate tends to have quite a large number of individuals with good control over their finances. Individuals in this category – those who demonstrate good control over their finances – avoid consequences, such as limited savings to deal with emergency situations; rising consumer debt emanating from loans from different sources including credit cards, hire purchase, etc.; minimal investment for the future; and living from hand-to-mouth. Individuals avoid these consequences by preparing budgets, creating emergency funds, paying off outstanding debts, and consistently saving toward retirement.

Effective financial literacy campaigns serve as the foundation for consumers' wealth creation. Wise investment and consistent savings are two underpinning factors for successful wealth creation. Financial literacy creates the enabling environment for financial stability; and the latter encourages consistent savings. For instance, individuals who apply the famous 50/30/20 budget method plan to consistently save 20 percent of their monthly income. These savings lay the necessary foundation for wealth creation while due diligence is carried out to ensure the savings are channelled into profitable investment vehicles. However,

GCB Bank, pivotal to financial sector

— Ghana Association of Banks

By Emelia Ennin Abbey

THE Ghana Association of Banks (GAB) has described GCB Bank as a pillar in Ghana's economic and financial sector since its inception 70 years ago.

The association said the bank which at some point was the sole domestic bank in the country had been pivotal in Ghana's financial system providing financial support to individuals and businesses and has been part of numerous land mark transactions.

The Chief Executive Officer (CEO) of GAB, Mr John Awuah, after congratulating GCB on its platinum anniversary, said the bank had been a key leader in the financial services industry.

He cited GCB's role in facilitating the setting up of the capital market, the Ghana Stock Exchange, fixed income market and playing a key role in successes of institutions such as the COCOBOD, Ghana Revenue Authority (GRA), Ghana National Petroleum Corporation (GNPC) and the Ghana Supply Company Limited among others.

"It has been the bank behind these organisations. As the foremost domestic commercial bank in the country, it has led in the financial integration of the economy and making sure that things are moved from one point to the other," he said.

Funding infrastructure

Mr Awuah also observed that the bank had supported a number of businesses to engage in international trade and also facilitated government's fiscal policy "because GCB at some point was almost the only bank in government revenue collections, helping the government to mobilise tax revenues and assisting in fiscal policy that has helped the country to mobilise the necessary resources for development."

GCB Bank, he said, had funded a lot of government infrastructure projects and a number of programmes, which had all contributed to the development of the country.

He explained that the bank had been pivotal in the financial integration of the country, as its presence in almost every region or locality in the country, helps with financial inclusion.

"They have been pivotal when it comes to financial integration of the country," Mr Awuah said.

• John Awuah, Chief Executive Officer of the Ghana Association of Banks

"Much as financial inclusion is evolving, GCB Bank led this by large and far by banking the unbanked in every part of this country. They have done a lot to help the financial system in Ghana," he said.

GAB's wish

In the next 70 years, the GAB said it would want to see GCB Bank lead the new financial order, especially in the digital arena.

"We know they started with manual processes and they moved into computerised banking and networking, where all the bank's branches were networked and now they have moved to digital financial services. As the bank with the widest coverage in the country, it is what they do that gets imitated, so we would like them to lead in the new order of banking," he said.

Mr Awuah said the bankers' association would like to see GCB Bank championing policies that would help the banking industry as they work towards hitting their next mile stone.

GCB Bank, he said, had also facilitated job creation "because they have a lot of partners and by giving business to the partners they help their partners to create jobs and we want them to continue in their next 70-year journey."

It is also the wish of the GAB, he said, to see GCB lead in the cocoa syndication "So when the cocoa season opens, instead of COCOBOD going abroad for international banks GCB should take up the mantle and be the one leading."

In terms of infrastructure development, he also urged the bank to lead to ensure that "instead of government going to borrow to construct roads, banks in Ghana anchor such project with four or five banks coming together to construct for example three lanes from end to end, and say we are going to toll the road to pay off the loan. That is how other countries have developed and we want GCB as a significant player in the financial system to be the one championing initiatives such as that."

He also said GCB must provide advisory services to the government to support the growth of the country's financial system.

Banking, Finance & Capital Market *with*

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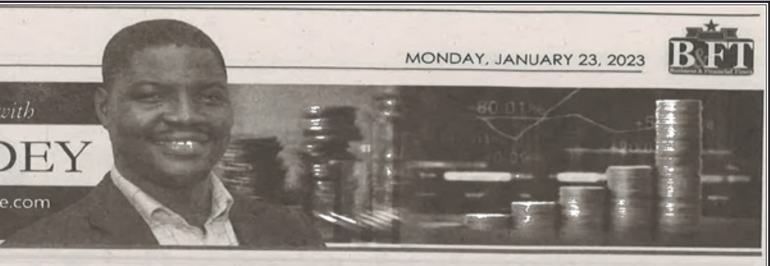

GSE extends deadline for banks

By Lilipearl Baaba OTOO

John Awuah, CEO of GAB

Abena Amoah, MD, GSE

The Ghana Stock Exchange (GSE) has approved a request by the Ghana Association of Banks (GAB) to extend, by one-month, the filing of 2022 audited financial statements.

The request by GAB was made on behalf of eight listed bank and will now move the date to April 30, 2023 instead of March-ending. The banks are: Access Bank Ghana, ADB, CalBank, Ecobank Ghana, GCB Bank, Royal Bank Ghana, Standard Chartered Bank Ghana and Société Générale.

The extension, which will enable the banks to work effectively with their external auditors to achieve the audit objectives, became necessary because of banks' ongoing discussions with government over the proposed Domestic Debt Exchange Programme (DDEP).

The deliberations, GAB explains, have implications for the assessment of expected credit losses and their impact on 2022 financial statements; hence the need for extension.

So far, stress tests are being conducted by relevant financial sector regulators to estimate the potential impact of the programme on various industry players: including banks; specialised deposit-taking institutions; insurance firms; asset managers; collective investment schemes; and pension fund trustees, among others.

The GSE said it is against this background that the date for filing the 2022 audited financial statements has been extended by one month to April 30, 2023. It also encouraged the banks that can conclude their audit in time to publish their audited financial statements within the existing statutory timeline.

Launched in December 2022, the DDEP encourages holders of Government of Ghana securities to voluntarily exchange approximately GH¢137billion of the domestic notes and bonds for new ones. The programme has however been met with resistance from various groups and analysts.

GAB's Financial Statements

GAB's 2023 FINANCIAL STATEMENTS

GHANA ASSOCIATION OF BANKS LBG

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	NOTE	2023 GH¢	2022 GH¢
NON-CURRENT ASSETS			
Property, plant & equipment	5	**523,984**	612,862
Investment in Subsidiary	6	**10,500,000**	10,500,000
Total non-current assets		**11,023,984**	**11,112,862**
CURRENT ASSETS			
Receivables & prepayments	7	**1,195,419**	1,023,130
Short-term investment	8	**3,311,741**	1,380
Cash and bank balances	9	**3,025,924**	6,055,761
Total current assets		**7,533,084**	**7,080,271**
TOTAL ASSETS		**18,557,068**	**18,193,133**
FUNDS & LIABILITIES			
FUNDS			
Accumulated fund		**14,650,865**	12,162,957
Total funds		**14,650,865**	**12,162,957**
NON-CURRENT LIABILITIES			
Term Loan	10	**2,400,000**	5,000,000
Total non-current liabilities		**2,400,000**	**5,000,000**
CURRENT LIABILITIES			
Account payables & accruals	11	**1,506,203**	1,030,176
Total current liabilities		**1,506,203**	**1,030,176**
TOTAL FUND & LIABILITIES		**18,557,068**	**18,193,133**

.... **PRESIDENT**

.... **CHIEF EXECUTIVE OFFICER**

ACCRA

AUGUST 21 2024

GHANA ASSOCIATION OF BANKS LBG

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023	2022
		GH¢	GH¢
INCOME			
Subscription	12	7,899,585	6,732,168
Investment income	13	846,691	449,498
Other income	14	1,929,806	983,579
Total income		10,676,082	8,165,245
EXPENDITURE			
Staff cost	15	4,153,077	3,057,860
Occupancy cost	16	1,051,998	736,665
Depreciation		206,934	195,403
General and administrative expenses	17	2,601,165	1,782,450
Finance cost	18	175,000	-
Total expenditure		8,188,174	5,772,378
Excess of Income over Expenditure		2,487,908	2,392,867

ACCUMULATED FUND
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	GH¢	GH¢
Balance as at 1 January	12,162,957	9,770,090
Excess of income over expenditure	2,487,908	2,392,867
Balance as at 31 December	14,650,865	12,162,957

GHANA ASSOCIATION OF BANKS LBG

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 GH¢	2022 GH¢
Cash flows from operating activities			
Excess of income over expenditure		**2,487,908**	2,392,867
Adjustments for:			
Depreciation	5	**206,934**	195,403
Operating cash flow before changes in operating assets and liabilities		**2,694,842**	2,588,270
Changes in receivables and prepayments	7	**(172,289)**	(163,214)
Changes in payables and accruals	11	**476,027**	590,726
Net cash generated from operating activities		**2,998,579**	**3,015,782**
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	5	**(118,055)**	(167,155)
Investment in subsidiary		**-**	(5,000,000)
Net cash used in investing activities		**(118,055)**	**(5,167,155)**
Cash flows from financing activities			
Long term loan	10	**(2,600,000)**	5,000,000
Net cash(used)/generated from financing activities		**(2,600,000)**	**5,000,000**
Net change in cash & cash equivalent		**280,524**	2,848,627
Cash and cash equivalents at the beginning of the year		**6,057,141**	3,208,514
Cash and cash equivalents at the end of the year		**6,337,665**	**6,057,141**
Analysis of cash and cash equivalents as shown in the statement of financial position			
Cash	9	**5,115**	2,477
Bank	9	**3,020,809**	6,053,284
Short-term investments	8	**3,311,741**	1,380
		6,337,665	**6,057,141**

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 CORPORATE INFORMATION

1.1 Reporting entity

The Ghana Association of Banks LBG. was incorporated in Ghana on 29 May 1980. The Association is governed by a twenty-four (2022: twenty-four) member council representing the memberbanks. The address of its registered office and principal place of business is No. 12 Tafawa Balewa Avenue, North Ridge, Accra.

2 BASIS OF PREPARATION

2. 1 Statement of compliance

The company's financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) and in the manner required by the Companies Act, 2019 (Act 992).

2. 2 Basis of measurement

The Financial Statements have been prepared on the historical cost convention, except for financial instruments and other assets that are measured at fair value.

2. 3 Functional and presentation currency

The Financial Statements are presented in Ghana Cedis, which is the Association's functional currency. All financial information presented in Ghana Cedis have been rounded to the nearest whole number, except when otherwise indicated.

2. 4 Presentation of financial statements

The Association present its statement of financial position in order of liquidity based on the association's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statementys line item. An analysis regarding recovery or settlement within 12 months after the reprting date (current) and more than 12 months after the reporting date (non-current) is presented under each note item.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3. 1 New and Amended standards and interpretation

There were no significant changes in accounting policy during the year under review. The Association has not early adopted any standards, interpretations, or amendments that have been issued but are yet to be effective.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

4. 1 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in shares and treasury bills, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables

Financial instruments - continued

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit or loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses, if any.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4. 2 Property, plant and equipment

Recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes the cost of materials and direct labour, and any other cost directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Income as incurred.

Depreciation

Depreciation of fixed assets is calculated to write off the book value on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

Office furniture and fittings	20%
Motor vehicle	20%
Office equipment	15%
Computers	25%

4. 3 Trade and other receivables

Trade receivables are stated at amortised costs, less impairment losses. Specific allowances for impairment are made for receivables of which recovery is doubtful.

4. 4 Cash and cash equivalent

Cash and cash equivalents include cash on hand, balances held with Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Association in the management of its short-term commitments.

Cash and cash equivalents are carried at fair values in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4. 5 Trade and other payables

This consists of trade customer balances, statutory payables and other accrued payables.

4. 6 Income

Income represents subscriptions earned and grants received during the year to support the Association's activities. Subscription is recognised when the rates have been approved by the executive committee and demand notices have been delivered to members.

4. 7 Grants

Revenue grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Grant frelatred to an asset, including non-monetary grant at fair value, are presented as deferred income and recognised as income over the useful life of the asset.

4. 8 Investments

Investments on Government Treasury Bills purchased with the intention of being held to maturity are stated at cost.The discount and interest is amortised over the periodnto redemption and are disclosed separately as investment income.

4. 5 Financial risk management

Risk is inherent in the Association's activities but is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Association's continuing profitability and each individual within the Association is accountable for the risk exposures relating to his or her responsibilities.

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

5 PROPERTY, PLANT & EQUIPMENT

2023	Motor Vehicle	Office Furniture	Fixtures & Fittings	Computer	Office Equipment	Total
Cost	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at January 1	588,904	352,340	560,487	102,668	251,293	**1,855,692**
Additions	-	31,192	-	-	86,863	**118,055**
Disposal	-	-	-	-	-	-
Balance at December 31, 2023	**588,904**	**383,532**	**560,487**	**102,668**	**338,156**	**1,973,747**
Depreciation						
Balance at January 1, 2023	234,101	334,248	485,133	72,832	116,516	**1,242,830**
Charge for the Year	117,781	12,966	25,118	15,310	35,758	**206,934**
Disposal	-	-	-	-	-	-
Balance at December 31 2023	**351,882**	**347,214**	**510,251**	**88,142**	**152,274**	**1,449,764**
Carrying Amount						
Balance at December 31, 2023	**237,022**	**36,318**	**50,236**	**14,526**	**185,882**	**523,984**
Balance at December 31, 2022	**354,803**	**18,092**	**75,354**	**29,836**	**134,777**	**612,862**

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

PROPERTY, PLANT & EQUIPMENT - continued

2022	Motor Vehicle	Office Furniture	Fixtures & Fittings	Computer	Office Equipment	Total
Cost	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at January 1, 2022	581,600	352,340	560,487	77,668.00	116,442	**1,688,537**
Additions	7,304	-	-	25,000.00	134,851	**167,155**
Disposal	-	-	-	-	-	-
Balance at December 31, 2022	**588,904**	**352,340**	**560,487**	**102,668**	**251,293**	**1,855,692**
Depreciation						
Balance at January 1, 2022	116,320	327,520	460,015	53,027.00	90,545	**1,047,427**
Charge for the Year	117,781	6,728	25,118	19,805.00	25,971	**195,403**
Disposal	-	-	-	-	-	-
Balance at December 31 2022	**234,101**	**334,248**	**485,133**	**72,832**	**116,516**	**1,242,830**
Carrying Amount						
Balance at December 31, 2022	**354,803**	**18,092**	**75,354**	**29,836**	**134,777**	**612,862**
Balance at December 31, 2021	**465,280**	**24,820**	**100,472**	**24,641**	**25,897**	**641,110**

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
6	**INVESTMENT IN SUBSIDIARY**	**GH¢**	**GH¢**
	Balance at 1st January	**10,500,000**	5,500,000
	Additions during the year	**-**	5,000,000
	Balance at 31st December	**10,500,000**	**10,500,000**
7	**ACCOUNT RECEIVABLES AND PREPAYMENTS**		
	Rent prepaid	**551,124**	393,711
	Other prepayment	**40,634**	20,018
	Staff loan	**1,998**	7,738
	Security deposit	**40,880**	40,880
	Forensic investigation	**60,783**	60,783
	GAB Health Insurance Company	**500,000**	500,000
		1,195,419	**1,023,130**
8	**SHORT TERM INVESTMENTS**		
	Government securities	**3,311,741**	1,380
		3,311,741	**1,380**
9	**CASH AND BANK BALANCES**		
	Cash on hand	**5,115**	2,477
	Cash at bank	**3,020,809**	6,053,284
		3,025,924	**6,055,761**
10	**LOAN**		
	Long-term loan	**2,400,000**	5,000,000
		2,400,000	**5,000,000**
11	**ACCOUNT PAYABLES AND ACCRUALS**		
	Ghana Revenue Authority - WHT	**259,229**	134,429
	Ghana Revenue Authority - PAYE	**84,919**	125,062
	Access Bank Plc.	**100,000**	100,000
	GCB Bank Plc.	**100,000**	100,000
	Audit fees	**42,056**	28,000
	SSNIT	**-**	22,342
	Cedar Provident Fund	**-**	22,343
	Performance award	**920,000**	498,000
		1,506,203	**1,030,176**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
12	**SUBSCRIPTIONS**	**GH¢**	**GH¢**
	Ecobank Ghana Plc.	**481,875**	476,862
	GCB Bank Plc.	**481,875**	476,862
	Stanbic Bank Ghana Limited	**481,875**	476,862
	Absa Bank Ghana Limited	**481,875**	476,862
	Consolidated Bank Ghana Limited	**323,883**	476,862
	Fidelity Bank Ghana Limited	**481,875**	308,558
	Standard Chartered Ghana Plc.	**323,883**	308,558
	Zenith Bank Ghana Limited	**323,883**	308,558
	Cal Bank Plc.	**323,883**	308,558
	Access Bank Ghana Plc.	**323,883**	308,558
	United Bank of Africa Ghana Plc.	**258,053**	200,362
	Societe Generale	**258,053**	200,362
	National Investment Bank Limited	**258,053**	200,362
	Agricultural Development Bank Plc.	**258,053**	200,362
	Republic Bank Ghana Plc.	**258,053**	200,362
	Guaranty Trust Bank Limited	**258,053**	200,362
	Prudential Bank Ghana Limited	**258,053**	200,362
	Bank of Africa Ghana Limited	**258,053**	200,362
	First Atlantic Bank Limited	**258,053**	200,362
	FBN Bank Ghana Limited	**258,053**	200,362
	OmniBSIC Bank Ghana Limited	**258,053**	200,362
	ARB Apex Bank	**258,053**	200,362
	Universal Merchant Bank Ghana Limited	**258,053**	200,362
	First National Bank Limited	**258,053**	200,362
	Development Bank Ghana Limited	**258,053**	-
		7,899,585	**6,732,168**
13	**INVESTMENT INCOME**		
	Interest on Government Securities	**846,691**	449,498
		846,691	**449,498**
14	**OTHER INCOME**		
	Interest on call deposit	**112,603**	87,035
	Sundry income	**593,203**	146,544
	Donations	**1,224,000**	750,000
		1,929,806	**983,579**
15	**STAFF COST**		
	Salaries	**3,578,972**	2,649,178
	Social security-employer's contribution	**217,154**	193,822
	Provident Fund-employer's contribution	**217,739**	171,989
	Medical expenses	**139,213**	42,871
		4,153,077	**3,057,860**

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
16	**OCCUPANCY COST**	**GH¢**	**GH¢**
	Office rent	**944,835**	638,991
	Security	**55,766**	49,200
	Electricity	**51,397**	48,474
		1,051,998	**736,665**
17	**GENERAL AND ADMINISTRATIVE EXPENSES**		
	Newspaper and periodicals	**4,425**	5,266
	Printing and stationery costs	**93,055**	112,434
	Vehicle insurance	**38,611**	37,557
	Vehicle repairs	**9,153**	4,387
	Office equipment maintenance	**33,225**	18,260
	Auditor's remuneration	**42,056**	28,000
	General and other office expenses	**166,998**	82,388
	Transport and travelling	**45,624**	30,500
	Bank charges	**57,987**	10,822
	Entertainment expenses	**163,268**	185,019
	Advocacy costs	**114,151**	309,377
	Donation	**124,675**	38,180
	Subscription	**135,551**	9,478
	Accountancy charges	**142,703**	129,730
	Cleaning and sanitation costs	**50,533**	51,687
	Communication costs	**76,130**	173,462
	Social responsibility	**888,378**	100,000
	Internal controllers consultancy	**169,236**	160,540
	Media coverage	**2,100**	27,654
	Honorarium	**-**	6,000
	Loan Processing fee	**-**	25,000
	Fuel	**20,005**	12,560
	Overseas travel	**44,556**	127,854
	Consultancy	**118,584**	-
	Building maintenance	**57,724**	95,595
	Training	**2,438**	-
	Computer rapairs	**-**	700
		2,601,165	**1,782,450**
18	**FINANCE COST**		
	Interest on loan	**175,000**	-
		175,000	-

GHANA ASSOCIATION OF BANKS LBG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

19 RELATED PARTY DISCLOSURES

GAB Health Insurance Company is a wholly-owned subsidiary of the Ghana Association of Banks. The Association does not have holdings in any other company. The two entities are therefore related through common control. In the normal course of business the association entered into the following transactions with related party:

	2023	2022
Transfer of funds		
GAB Ghana Health Insurance Company	**756,878**	-

Outstanding balance arising from transactions are as follows:

Due from related party		
GAB Ghana Health Insurance Company	**500,000**	500,000

20 CONTINGENT LIABILITIES

There were no contingent liabilities for the reporting period (2022: Nil)

21 SUBSEQUENT EVENTS

The Governing Council is not aware of any material event that has occurred between the date of the statement of financial position and the date of this report that may require adjustment of, or disclosure in, the financial statements.

GHIC

GAB Health Insurance Company

Owned by Ghana Association of Banks (GAB)

"Bending the Cost Curve"

CLIENT'S REWARD

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