



BANK OF GHANA

Monetary Policy Report

VOLUME 5 NO. 5/2009

November 2009

Financial Stability Report

Credit Conditions Survey

2.0 Introduction

Evidence from the Bank's survey of credit conditions continues to point to tightening of credit to both enterprises and households. Small and Medium Enterprises' (SMEs) access to credit was tightened marginally while access by large enterprises' remained unchanged. As regards loan maturities, long term credits continued to be tightened while stance on short term credit remained unchanged. Non-price terms and conditions such as shortening of the maturity of loans or credit lines, and the requirement of additional loan covenants and collaterals continued to be employed to tighten credit stance.

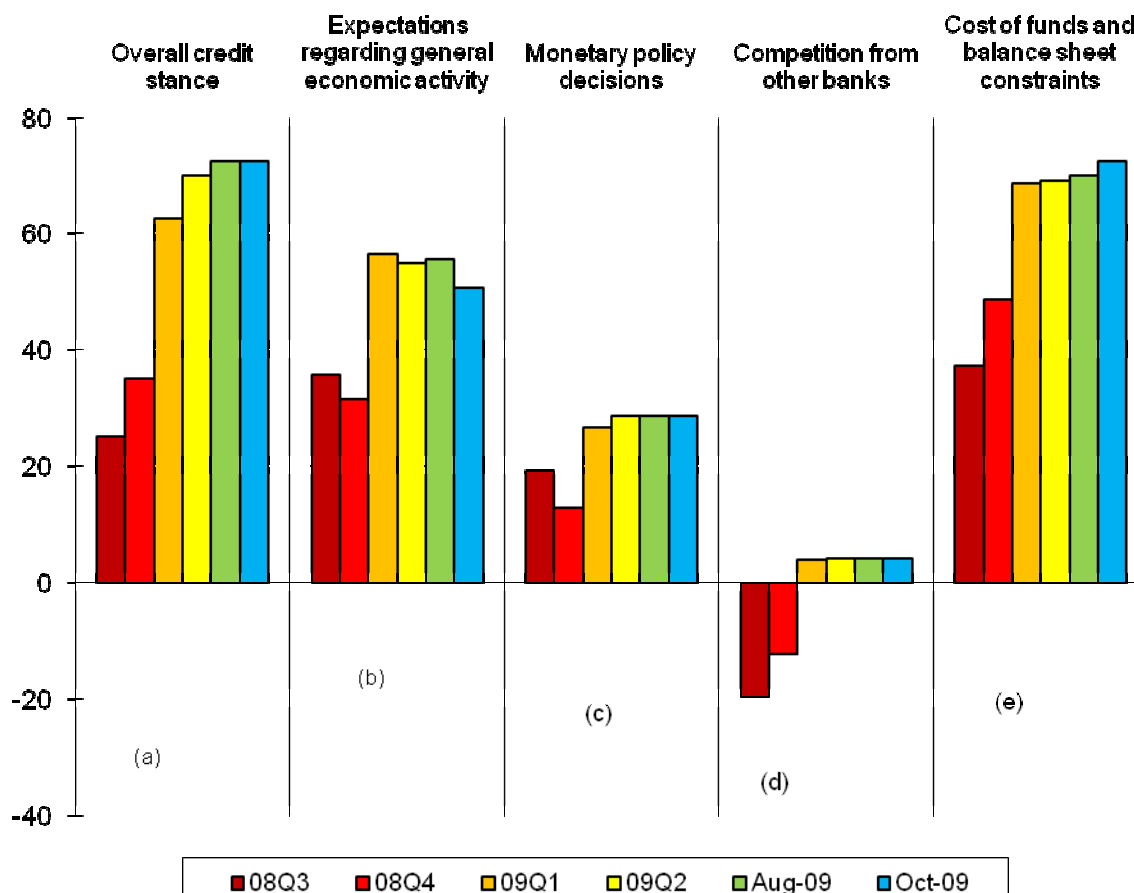
In the two months ended October 2009, banks reporting net tightening of credit to enterprises moved up (from 72.51% in the August 2009 survey to 72.63% in the survey of October 2009. See Chart 1, panel a). Cost of funds and expectations regarding economic activities continued to be the most important factors cited by lenders for the tightening of credit stance. Risks relating to current performance of the Deposit Money Banks' (DMBs) fifty largest borrowers also contributed to the net tightening of credit stance. Competition from other banks did not result in easing of credit at the October survey round.

Credit stance was tightened through increases in margins on average loans (to 56.22% from 55.23%) and on riskier loans (to 57.21% from 56.54%. See Chart 2). Non-price terms and conditions (e.g. a shortening of the maturity of loans or credit lines, and the requirement of more loan covenants and collateral) also contributed to the tightening of credit stance for the two months ended October 2009. Banks continued to tighten credit

for long term loans (65.06%, up from 64.20% in August). Net tightening of short term loans however remained unchanged at 55.0 percent.

Credit availability to small and medium sized enterprises also continued to be tightened.

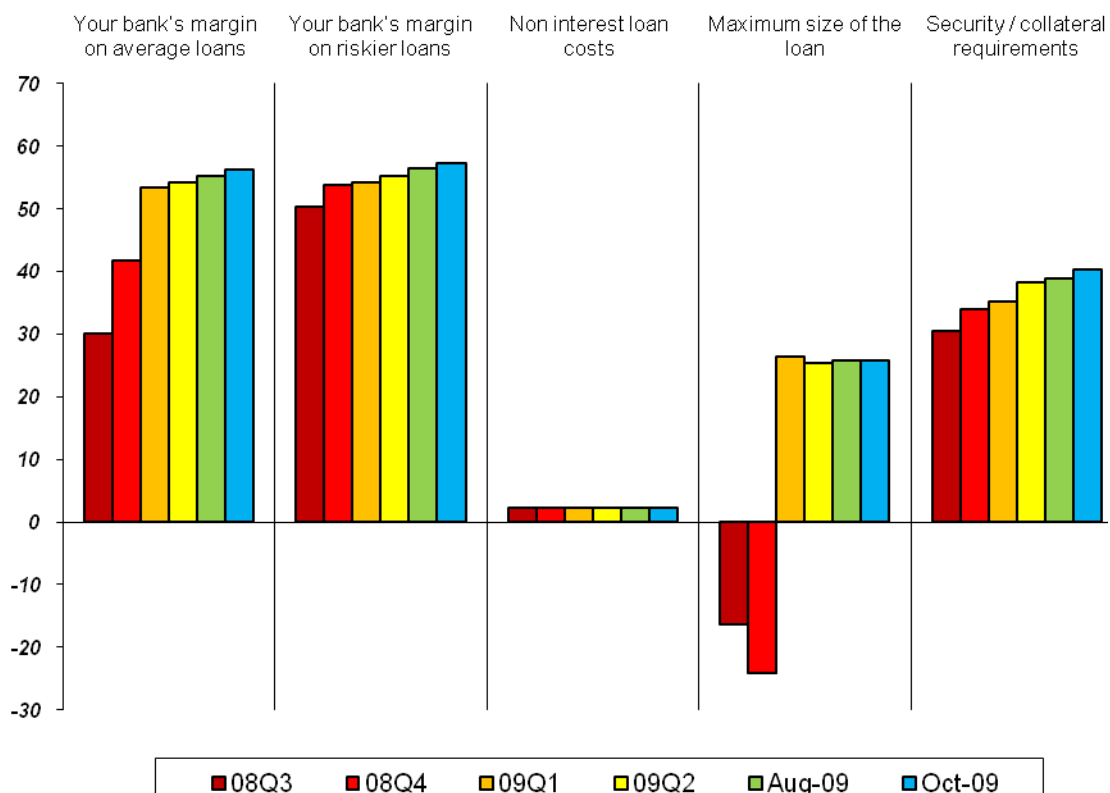
Chart 1: Changes in credit stance applied to the approval of loans or credit lines to enterprises (net percentages of banks reporting tightening stance)



Notes:

- *Net Percentage = (“Tightened Considerably” + “Tightened Somewhat”)% - (“Eased Considerably” + “Eased Somewhat”)%*
- *The net percentages for the questions related to the contributing factors are defined as the difference between the percentage of banks reporting that a given factor contributed to a tightening and the percentage reporting that it contributed to an easing.*

Chart 2. Conditions and terms for approving loans/credit lines to enterprises
(net percentages of banks reporting tightening/ (easing) stance)

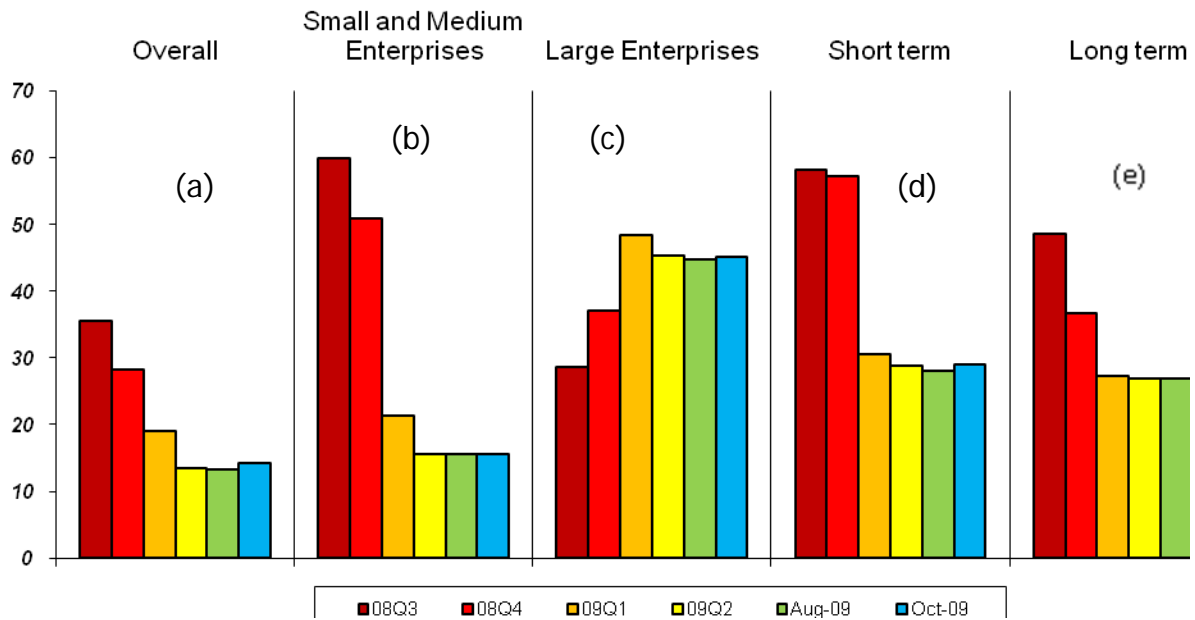


2.2 Loan Demand

Net demand for loans by enterprises increased marginally in the two months ended October 2009. Overall loan demand was 14.20% compared with 13.38% in the August survey. See Chart 3a, panel a). According to the respondent banks, the increase in demand for credit was mainly for inventories and working capital (See Charts 3a and 3b).

In terms of borrower size, large enterprises' demand for credit inched up while small and medium sized companies' remained unchanged (see Chart 3a, panels b and c). Net demand across the maturity spectrum increased while demand for short-term loans continued to be higher than that for long-term loans (see Chart 3a, panels d and e).

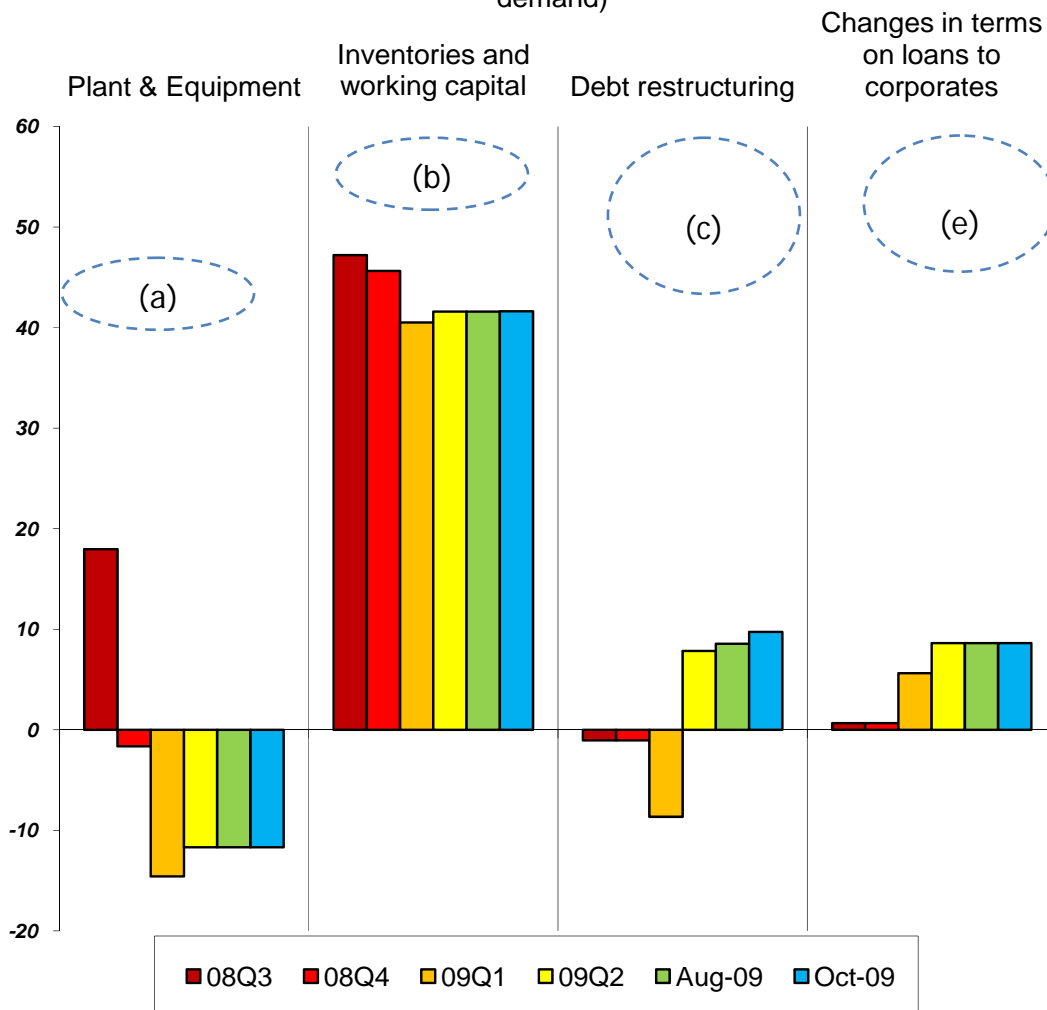
Chart 3a. Changes in demand for loans and credit lines to enterprises
(net percentages of banks reporting positive loan demand)



Note:

- Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased considerably" and "decreased somewhat".

Chart 3b. Changes in demand for loans or credit lines to enterprises
(net percentages of banks reporting a positive contribution to demand)



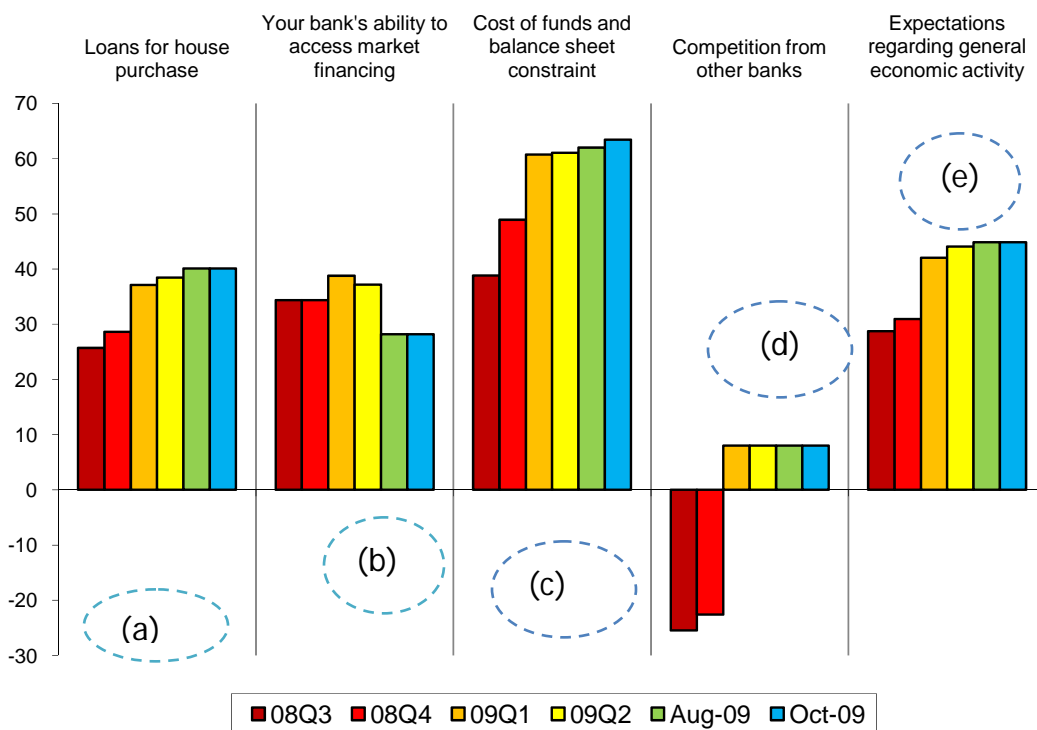
3.0 Loans to households for house purchase

3.1 Credit stance.

Lenders' credit stance on loans to households for house purchase remained unchanged between August and October 2009. As in the August survey, (see Chart 4, panels a, c and e), concerns about the economic outlook and cost of funds were reported to have been factors contributing to the net tightening.

Regarding the terms and conditions of credit, the net tightening for loans for house purchase was implemented mainly through widening of margins on both average loans and riskier loans.

Chart 4 . Changes in credit stance applied to the approval of loans to households for house purchase (net percentages of banks reporting tightening credit stance)



3.2 Loan demand

Net demand for loans from households for house purchase continued to be negative throughout this year as at end October 2009 (to -7.56%, -7.56% in the September 2009 survey; see Chart 18, panel a in the annex). High cost of funds and expectation about economic outlook were cited as reasons for the net tightening.

Chart 5. Expected changes in credit stance for household demand for loans for the period ended November 2009
(net percentages of banks reporting positive loan demand)

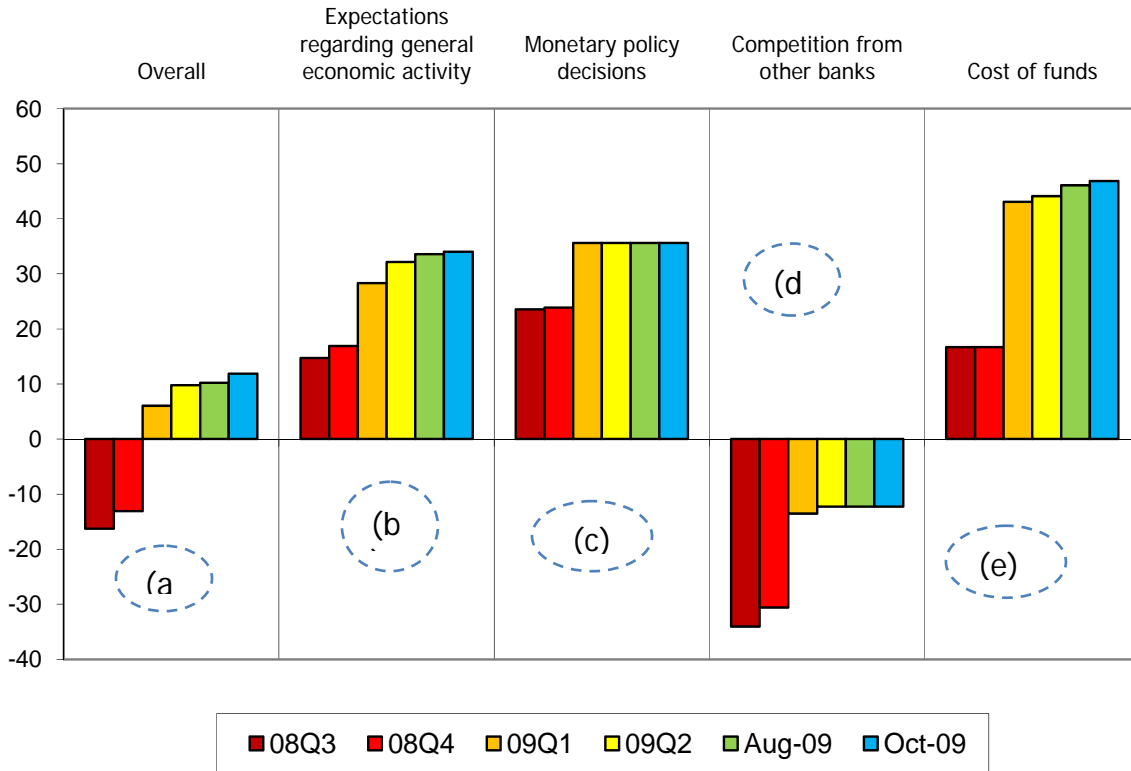


4.0 Consumer credit and other lending to households

4.1 Credit stance

Lenders' credit to households for "consumer credit and other lending" in the two months ending October 2009 remained unchanged (10.23% in August and October. See Chart 6, panel a). Net tightening of consumer credit and other lending continued to be implemented through increases in margin on average loans and security requirements. Expectations regarding general economic activity and risk related to the current performance of banks' 50 largest borrowers continued to contribute to net tightening of credit to households for consumer credit and other lending.

Chart 6. Changes in credit stance applied to the approval of consumer credit and other lending to households (net percentages of banks reporting tightening credit stance)



4.2 Loan demand

Households net demand for consumer credit and other lending moved up from 20.35% in the third quarter of 2009 to 22.35% in the two months ended October 2009.

Banking Sector Developments

5.0 Introduction

Notwithstanding the challenging domestic economic environment in the early stages of the year 2009 as well as the general apprehension of a potential spill over effect of the global financial crisis, the banking system of Ghana continued to demonstrate evidence of general good health in the year to September 2009.

In general the sector experienced some increased competition, improved financial intermediation and expansion in branch network.

Also, the sector recorded expansion in its asset base and improved profitability relative to previous years albeit at a managed pace.

Credit expansion continued on an unwinding path whilst DMBs continued to move relatively higher proportion of their investment to the shorter end of the market with some moderation in their holdings of longer-dated instruments.

Generally, the financial soundness indicators of the banking industry, measured in terms of earnings, portfolio quality, liquidity, and capital adequacy were strong.

5.1 Developments in Banks' Balance Sheet¹

The consolidated balance sheet of the banking industry expanded by 24.6 per cent to GH¢12,055.2 million over the year to September 2009 compared with 36.0 per cent for the same period in 2008. The slowdown in the growth of the total assets of the banking system was largely shaped by a reduction in growth of foreign assets (also partially attributed to the appreciation of the domestic currency) and total loans to the economy.

As of September 2009 net loans and advances had reached GH¢6,077.4 million, recording 20.6 per cent growth over the year but represented a slowdown from the 47.7 per cent

¹ See Table A2 in Appendices for details.

growth recorded a year earlier. Banks' investments in government paper amounted to GH¢1,411.2 million in September 2009 recording an annual growth of 150.5 per cent compared with a growth of 8.7 per cent in the 12-month period to September 2008.

The banking system's foreign assets rose by 31.1 per cent to GH¢1,143.4 million compared with 57.9 per cent growth recorded during the same period in 2008.

The relative contribution of total deposits as a source of financing the banks' asset base seems to be diminishing, whilst total borrowing is increasing in its relative significance. In September 2009, total deposits in the banking system grew by some 25.9 per cent to GH¢ 7,852.3 million which compares with a higher growth of 45.3 percent for the corresponding period in 2008.

Total borrowings on the other hand, registered a growth of 32.3 per cent at the end of September 2009 amounting to GH¢1,661.5 million compared with 16.8 per cent growth during the same period in 2008. Shareholders' funds rose by 30.7 per cent to GH ¢1,338.7 million over the 12-months to September 2009, compared with 46.4 per cent growth in the corresponding period in 2008. See table A2.

5.1.1 Asset and Liability Structure of the Banking Industry

The balance sheet structure of the banking industry as of September 2009 indicates that whilst the ratio of investment to total assets increased, the ratio of credit (net advances) to total assets declined relative to September 2009. Though deposits continue to be the dominant source of funding for banks, its relative importance appeared to have declined.

The share of net loans & advances in banks' assets was 50.4 per cent in September 2009 down from the 52.1 per cent in September 2008. For the period under consideration, there was a general slowdown in resource allocation for credit purposes, but rather a significant boost in the bank's investments drive, particularly in short dated instruments.

Banks' investment in government instruments as share of total assets, increased to 16.6 from 13.8 percent for the same period in 2008.

Table 1. Asset and Liability Structures of the Banking Sector

	Dec-00	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Assets (In Percent of Total)										
Cash and Due from Banks	25.5	22.0	23.3	21.9	22.3	25.2	25.2	22.6	23.6	24.0
Investments	24.2	20.3	17.6	17.4	16.3	13.8	14.5	15.1	14.4	16.6
Net Advances	39.6	47.9	50.3	51.6	52.2	52.1	52.3	54.0	53.4	50.4
Other Assets	8.0	6.5	5.7	5.8	5.7	5.6	4.7	4.9	5.2	5.5
Fixed Assets	2.7	3.1	3.1	3.3	3.4	3.3	3.2	3.2	3.3	3.4
Liabilities (In Percent of Total)										
Total Deposits	61.4	60.4	63.0	65.0	64.4	64.5	65.0	65.1	66.2	65.1
Total Borrowings	12.7	15.1	13.5	12.5	12.5	13.0	12.7	13.8	12.9	13.8
Other Liabilities	13.6	13.0	12.2	10.7	11.5	11.8	11.8	9.5	9.4	9.4
Shareholders' Funds	11.9	10.5	10.3	11.1	10.8	10.6	10.4	11.0	10.8	11.1

The share of deposit funds in the overall liabilities of the banking sector was 65.1 per cent in September 2009, up from the 64.5 per cent for the corresponding period in 2008. The share of shareholders' funds in overall liabilities also edged up to 11.1 per cent over the same period indicating that 11.1 per cent of the banking sector assets are backed by equity. Also, the share of total borrowings edged up to 13.8 per cent from 13.0 percent registered in the same period in 2008. See Table 1.

5.1.2 Share of Banks' Investments

Banks' investment in treasury bills as a share of total investment edged up from 68.3 percent in September 2008 to 70.6 percent in September 2009. For the same period, investment in securities as a share of total investment dipped from 28.8 percent to 26.9 percent. See Chart 5 below.

Chart 5. Banks' Investment (%)

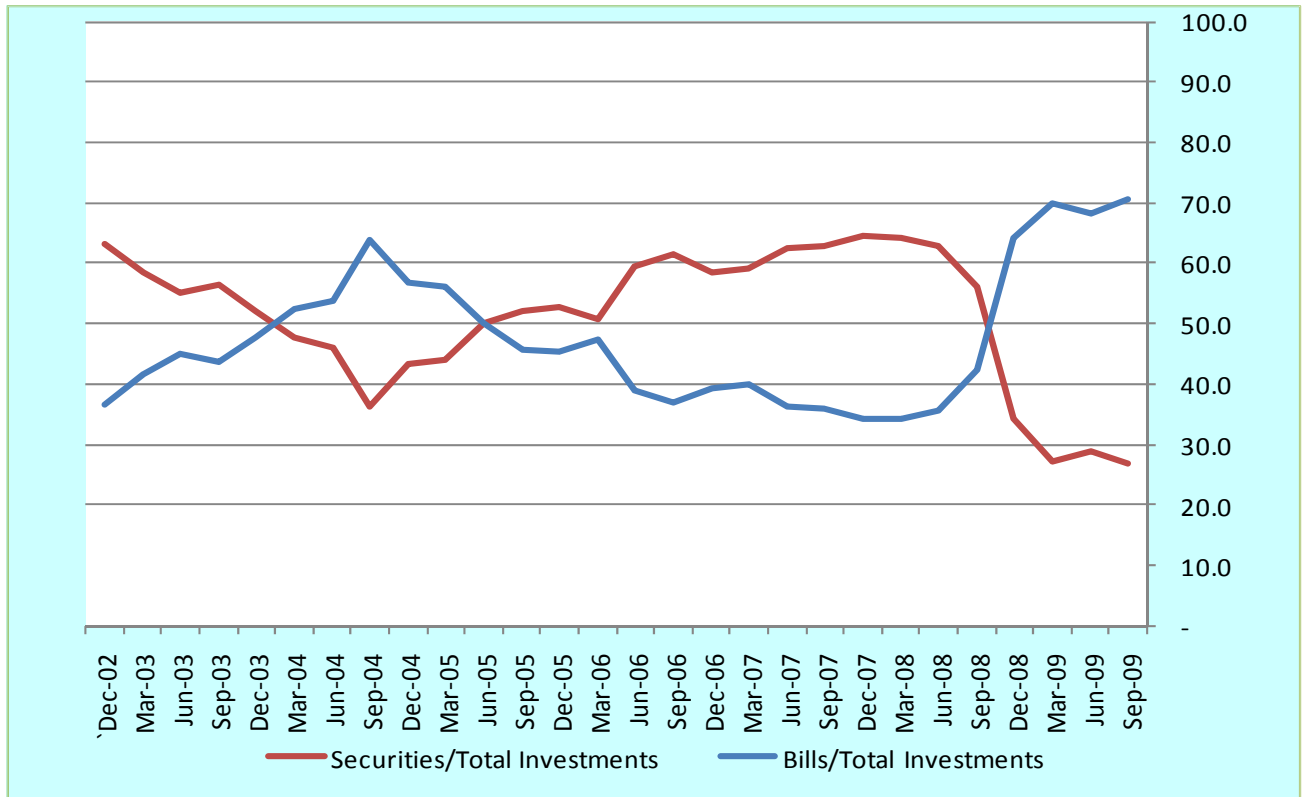
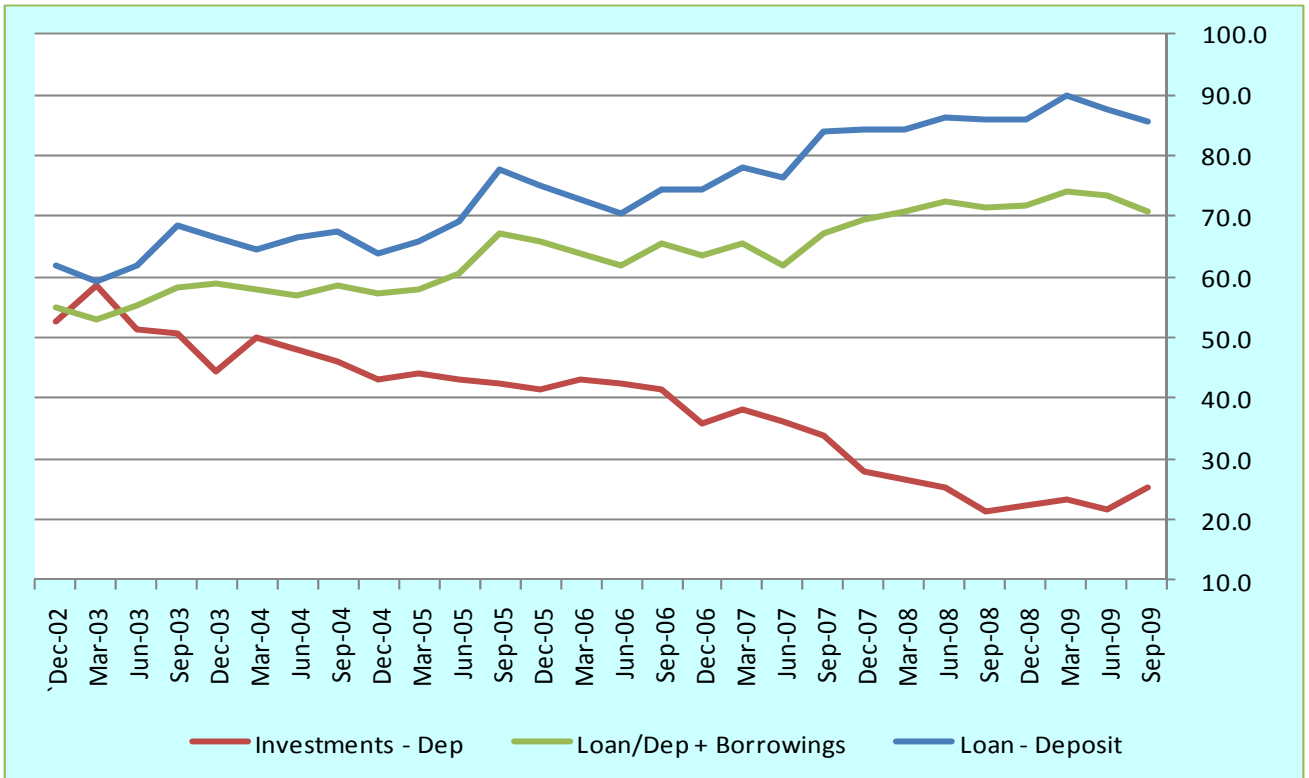


Chart 6. Deposit Allocation (%)



Loan-deposit ratio declined from 87.7 percent in September 2008 to 85.6 percent in September 2009. Similarly, the ratio of Loan to Deposits and Borrowings declined from 73.4 per cent to 70.7 per cent over the same period. However, investments-deposit ratio increased from 21.8 per cent to 25.4 per cent over the same period. See Chart 6.

5.2 Credit Risk

5.2.1 Credit Portfolio Analysis

For the twelve-month period ending September 2009, the loan portfolio of the banks expanded at a slower pace. Gross Loans grew by 25.6 percent compared with 48.7 per cent recorded in the same period in 2008. Also, in real terms the growth was 6.1 per cent in September 2009 down from the 26.1 percent recorded for the same period in 2008. See Table 2.

Credit to Total Assets (flow) ratio also slowed down from 63.5 percent in September 2008 to 43.6 percent in September. This development, coupled with a relative decline in the flow of resources to the private sector, may mute credit risk should such a trend be sustained. (See Table A3).

Table 2. Gross Loans, Real Annual Growth of Loans and by Borrowers

	Dec-05	Sep-06	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Gross Loans and Advances (GH¢m)	1,787.9	2,243.5	3,600.4	4,146.5	4,430.2	4,750.9	5,354.0	5,966.8	6,569.7	6,795.2	6,722.5
Real Annual Growth (%)	22.5	17.5	45.6	46.0	37.9	33.8	26.1	21.8	23.0	18.5	6.1
	Gross Loans by Borrower										
Private Enterprises	70.4	67.3	68.6	64.0	62.6	65.0	66.0	63.4	64.3	66.9	68.7
Household Loans	15.8	14.6	16.7	17.5	17.6	18.3	18.4	17.6	17.9	16.2	15.9
Govt & Public Institutions	1.2	4.9	3.0	4.7	6.4	4.8	4.5	5.3	4.4	3.8	1.9
Public enterprises	12.6	13.2	11.7	13.8	13.4	11.9	11.1	13.7	13.5	13.0	13.5

The composition of DMBs' loan portfolio by type of borrower shows that Private enterprises accounted for 68.7 percent in September 2009 up from 66.0 percent a year earlier. For the same period, the share of household loans declined to 15.9 percent in September 2009 from 18.4 percent while credit to the government, public enterprises and public institutions similarly declined to 15.4 percent in September 2009 from 19.8 percent in 2008 (Table 2).

Off-Balance Sheet Activities

Off-balance sheet items (contingent liabilities) totaled GH¢1,339.8.0 million as of September 2009 and represented a negative growth of 21.0 percent in year-on-year terms compared with a growth of 59.2 percent in the corresponding period in 2008. See Table 3

Table 3: Contingent Liabilities

	Sep-06	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Contingent Liabilities										
	906.7	1,065.8	1,253.8	1,315.9	1,639.6	1,696.4	1,750.0	1,587.1	1,391.4	1,339.8
Growth in Contingent Liabilities (%)	30.3	17.5	36.9	56.9	75.6	59.2	39.6	20.6	(15.1)	(21.0)

5.2.2 Asset Quality²

The quality of the banks' aggregated loan book deteriorated marginally. The impaired loans increased over the year on account of some increase in all the components. Loan loss provisions to gross loans ratio and NPL net of provisions to capital ratio also deteriorated somewhat over the period.

The quality of the loan portfolio of the banking industry as measured by the Non-Performing Loans (NPL) ratio increased to 13.2 percent in Sept 2009 from 7.6 percent in September 2008. Similarly, loan loss provision to gross loans ratio increased to 9.6 percent from 5.9 per cent over the same period in 2008. See Table 4.

² See Table A5 (Comparative Threshold Analysis) in Appendices for details.

Default rates, as measured by non-performing loans, were more pronounced in the Manufacturing, Services and Commerce & Finance sectors. The Service and Commerce & Finance sectors accounted for 26.1 percent and 18.1 percent respectively of the total Non-Performing loans (Chart 7).

In terms of nonperforming loans in each sector's gross loans, Agriculture, Forestry & Fishing, Mining & Quarrying, Construction and Manufacturing sectors recorded the highest ratios. As of September 2009, the shares of non-performing loans within the loan portfolio of the Agriculture & Forestry & Fishing, Mining & Quarrying, Construction and Manufacturing sectors were 22.9 percent, 24.1 percent, 26.4 percent and 21.6 percent respectively (see Chart 8).

Table 4: Asset Quality

	Dec-00	Sep-05	Sep-06	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
SUB-STD (GH¢m)	28.4	39.9	42.9	49.2	109.7	124.0	177.7	193.9	258.6
DOUBTFUL (GH¢m)	13.6	60.6	61.5	59.5	134.1	129.2	182.0	169.3	248.8
LOSS (GH¢m)	19.3	126.4	143.4	112.4	164.3	205.0	273.2	280.4	340.6
NPL (GH¢m)	61.3	226.9	247.8	221.0	408.1	458.1	632.9	643.6	847.9
NPL Ratio (%)	11.9	13.3	11.0	6.1	7.6	7.7	9.6	9.8	13.2
NPL Net of Provision to Capital (%)	17.6	17.8	12.7	9.3	14.9	13.7	16.5	13.0	22.5
Loan provision to Gross loan (%)	9.5	11.7	9.8	5.3	5.9	6.2	7.6	8.1	9.6

Chart 7: Sectoral Distribution of Total Non- Performing Loans and Credit

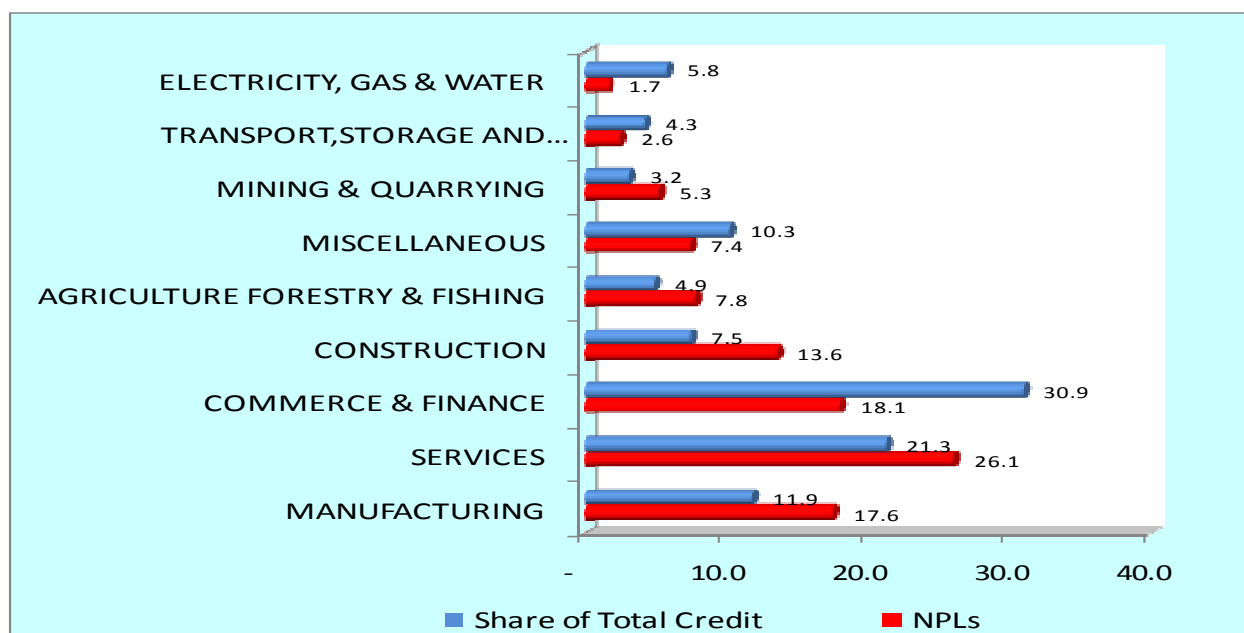
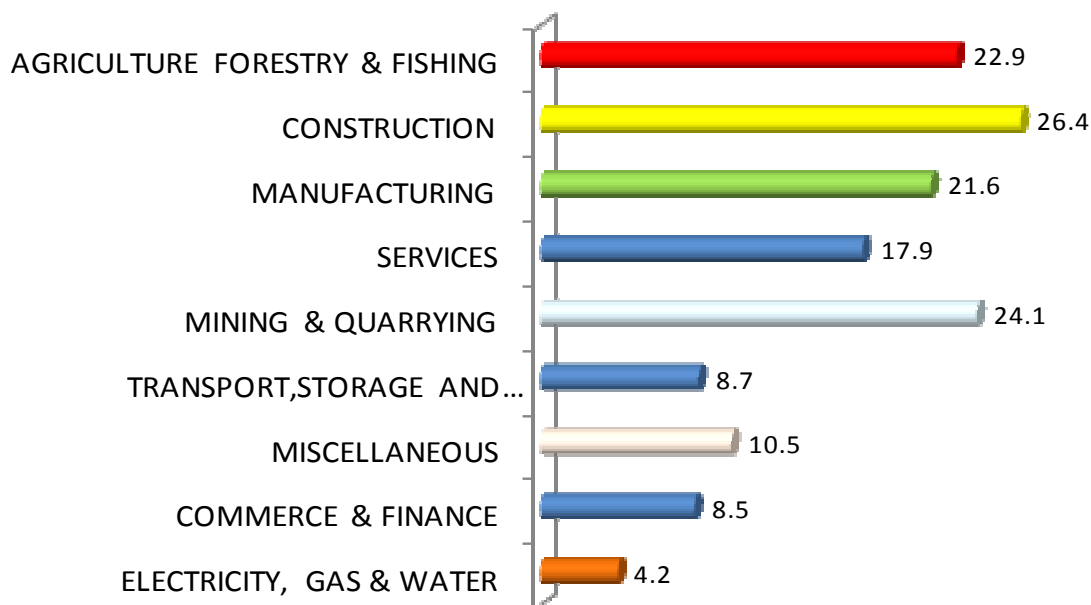


Chart 8: Proportion of Loans Impaired in Each Sector- July 2009



5.3 Liquidity Indicators

Liquidity in the banking sector continues to be fairly high. The ratio of liquid assets to total deposits, which measures DMBs' ability to convert assets into cash improved in September 2009 in terms of both the core and broad measures relative to the year to September 2008. See Table 5.

Similarly, as a percentage of total assets, liquid assets ratios (both core and broad measures) improved in the month of September 2009 relative to September 2008. Generally, liquidity in the industry remains largely adequate.

Table 5: Liquidity Ratios

	Dec-00	Sep-06	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Liquid Assets (Core) - (GH¢'million)	301.8	896.5	1,567.0	2,438.0	2,692.8	2,535.5	2,763.3	2,897.2
Liquid Assets (Broad) -(GH¢'million)	588.0	2,125.2	2,997.2	3,747.5	4,215.5	4,188.4	4,403.6	4,846.1
Liquid Assets to total deposits (Core)	41.5	29.8	36.5	39.1	38.8	34.7	35.7	36.9
Liquid Assets to total deposits (Broad)	80.9	70.6	69.8	60.1	60.7	57.3	56.8	61.7

5.4. Solvency

5.4.1 Minimum Capital Requirement

As of September 2009, the total banking industry's paid-up capital amounted to GH¢673.5 million, representing an annual growth of 85.0 percent up from the 34.2 percent recorded for the 12-month period to September 2008.

Total equity (shareholders' funds) of the banking system amounted to GH¢1,338.7 million as of September 2009, an increase of 30.7 percent compared with 36.7 percent a year earlier.

5.4.2 Capital Adequacy Ratio

The industry's capital adequacy ratio (CAR) as measured by the ratio of risk weighted capital to risk-weighted assets picked up significantly to 15.4 percent in September 2009, from 13.9 percent for the same period in 2008. The ratio remains above the prudential minimum of 10.0 percent. The improvement in the CAR was on account of increase in capital. The ratio of risk-weighted assets to total assets edged up from 78.2% in September 2008 to 80.6% in September 2009 (Table 7).

Tier 1 CAR, which was 14.7 percent in September 2009 remained above the level of 13.9 percent recorded in the previous period in 2008. Generally, the banking system is well-capitalised and banks are in compliance with the required minimum capital adequacy ratio of 10 percent. See Table 7.

Table 7: Capital Adequacy Ratio – Industry (%)

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Capital Adequacy Ratio	15.67	15.42	13.77	13.85	13.84	14.56	14.47	15.35
Tier One Capital / Adjusted Assets	13.56	14.09	12.41	12.69	12.78	13.32	12.80	14.17
RWA/Total Assets	73.21	74.62	82.17	79.53	78.15	78.11	76.31	80.57

5.5 Profitability

5.5.1 Highlights from Banks' Consolidated Income Statement³

The banking sector's profit before tax improved by 19.2 percent to GH¢272.5 million as of September 2009 compared with a growth of 32.3 percent for the 12-months to September 2008. The industry's net profit after tax of GH¢208.8 million represented an annual growth of 15.4 percent in September 2009 compared with a growth of 42.0 percent during the same period in 2008. The significant increase in total provision and tax accounted for the relative slow down in the growth of net income. Also, interest expenses registered an annual growth of 104.5 percent compared with 60.0 percent recorded in the same period in 2008 reflecting increased cost of funds to banks.

Income from fees and commissions registered a growth of 31.8 percent in September 2009 compared with 28.9 percent for the same period in 2008. However, other income experienced a slowdown in growth of 50.1 percent in September 2009, compared with 128.9 percent growth over the same period in 2008.

The profitability ratio of the banking industry, defined as the ratio of net income to gross income, however, dipped to 11.7 percent from 15.8 percent for the same period in 2008 (Table 8). The decline in the ratio relative to same period in 2008 was due to the continued high growth in interest expenses, total provisions and tax.

Table 8: Profitability Indicators (%)

	Dec-00	Sep-05	Sep-06	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Gross Yield	23.4	17.1	15.7	15.9	16.3	17.0	18.7	20.1	20.1
Int Payable	10.7	5.6	5.7	7.6	7.6	8.4	10.4	10.8	11.3
Spread	12.7	11.6	10.0	8.4	8.7	8.6	8.3	9.3	8.9
Asset Utilisation	23.0	17.1	15.9	14.6	15.8	15.9	19.6	20.3	19.8
Interest Margin to Total Assets	9.3	8.7	8.4	6.9	6.8	6.6	7.4	7.9	7.5
Profitability Ratio	28.2	16.6	18.5	16.3	15.8	13.3	13.9	13.7	11.7
Return On Assets (%) Before tax	10.4	5.1	4.7	3.8	3.5	3.2	3.4	3.8	3.2
Return On Equity (%) after tax	65.2	25.2	25.3	27.4	26.0	23.7	21.6	24.8	19.8
Prime Rate	N/A	15.5	14.5	12.5	17.0	17.0	18.5	18.5	18.5

³ The highlights are shown on Table A.3 in Appendix.

5.5.2 Interest Margin and Spread

The ratio of gross income to total assets (i.e. assets utilisation) moved up to 19.8 percent in September 2009. This was an improvement over the September 2008 position of 15.8 percent. The banking industry recorded a spread of 8.9 percent in September 2009 compared with 8.7 percent spread recorded for the same period in 2008 (Table 8).

5.5.3 Composition of Banks' Income

The share of investment income (bills, securities and shares) in total income witnessed a trend reversal from the first half of 2009 (Table 9.). As of September 2009 the share moved to 13.3 percent relatively lower than 16.2 percent in September 2008, but higher than 13.1 percent at the end of the first half of 2009. As a proportion of total income, income from fees and commission of 14.4 percent in September 2009 was lower than 18.0 percent recorded in September 2008, but higher than 14.3 percent registered at the end of the first half of 2009. Furthermore, the share of income from loans and advances maintained its dominance by recording the highest share of 60.5 percent in September 2009. See table 9.

Table 9: Composition of Income (%)

	Dec-00	Sep-05	Sep-06	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Investments	34.2	31.3	28.0	22.8	16.2	14.3	14.9	13.1	13.3
Loans	32.4	39.8	44.4	48.4	52.9	55.3	56.6	58.5	60.5
Commissions & Fees	15.6	20.1	20.3	20.5	18.0	17.8	14.5	14.3	14.4
Other Income	17.9	8.8	7.4	8.3	12.9	12.7	13.9	14.1	11.8

5.5.4 Return on Assets and Return on Equity ⁴

Return on assets (ROA) declined from 3.5 percent in September 2008 to 3.2 percent in September 2009. Also, return on equity (ROE) declined to 19.8 percent in September 2009 compared with 26.0 percent in September 2008 (Table 8).

5.6 Operational Efficiency

In general, efficiency indicators of the banking sector witnessed some improvement relative to the same period last year, but remained mixed compared with the first half of 2009. The operational cost to income declined from 59.7 percent in September 2008 to 53.9 percent in September 2009. Also, the ratios of administrative expenses to income and personnel expenses to Non-interest expenses, declined from 15.0 percent and 44.5 percent to 14.2 percent and 29.2 per cent respectively over the same period. Operational cost to total asset ratio, however, edged up from 9.2 percent in September 2008 to 10.6 percent in September 2009 (Table 10).

Table 10: Efficiency Indicators

	Dec-00	Sep-05	Sep-06	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Cost to Income	71.8	83.4	81.5	83.8	84.4	86.9	86.3	86.4	88.3
Operational Cost to gross income	45.5	63.4	62.0	59.7	58.2	58.6	52.7	53.9	53.9
Cost to Total Assets	16.5	14.3	13.0	12.3	13.3	13.8	16.9	17.6	17.4
Operational Cost to Total Assets	10.5	10.9	9.9	8.8	9.2	9.3	10.3	11.0	10.6
Personnel Expenses to Non Interest Exp	34.9	30.1	33.1	43.5	44.5	32.8	29.1	29.3	29.2
Administrative Exps to Income	9.0	13.7	15.2	14.7	15.0	15.3	13.3	13.2	14.2

⁴ See Appendix for Table A5: Comparative Threshold Analysis.

5.7 Conclusions

In general developments in the banking sector through September 2009 demonstrate strong asset growth, increased competition in the mobilisation of deposits and a healthy banking system.

The financial soundness indicators of the banking industry, measured in terms of earnings, portfolio quality, liquidity, and capital adequacy are generally satisfactory.

Asset portfolio continues to expand albeit at a reduced pace, with strong substitution in favor of investments in shorter-dated instruments, sustained resources to the private sector, but less into investments in longer-dated instruments.

In the face of deteriorating asset quality, banks may have to improve their credit risk management and in addition exercise caution in the expansion of credit

APPENDICES

	Dec-00	Sep-07	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Bank Branches	n/a	437	623	639	642	653	648
Market Share (Top 5 banks)	65.6	55.3	54.5	51.9	51.8	45.6	50.9
Gini Concentration Index	50.2	49.2	49.0	45.8	46.7	36.5	44.8
Herfindahl Index	1065.9	831.4	789.1	774.3	749.5	732.1	720.7
Asset to GDP	43.6	50.9	59.4	65.6	52.5	54.7	56.3
Private Sector Credi/GDP	14.1	22.0	27.7	29.7	25.2	26.4	26.6
Total Credit to GDP	19.0	25.8	32.9	36.6	30.7	31.7	31.4
Deposits to GDP	26.8	30.7	38.3	42.6	34.2	36.2	36.7

	(GH ¢ 'million)		Y-on-y Growth (%)		Year-to-date growth (%)	Shares
	Sep-08	Sep-09	Sep-08	Sep-09	Sep-09	Sep-09
TOTAL ASSETS	9,676.8	12,055.2	36.0	24.6	12.7	100.0
A. Foreign Assets	872.4	1,143.4	57.9	31.1	16.8	9.5
B. Domestic Assets	8,804.3	10,911.8	34.2	23.9	12.3	90.5
Investments	1,331.0	1,998.1	(8.1)	50.1	29.1	16.6
i. Bills	563.4	1,411.2	8.7	150.5	42.1	11.7
ii. Securities	746.1	537.7	(18.2)	(27.9)	1.5	4.5
Advances (Net)	5,039.6	6,077.4	47.7	20.6	8.6	50.4
of which Foreign Currency	1,280.6	1,597.1	53.8	24.7	5.7	13.2
Gross Advances	5,354.0	6,722.5	48.7	25.6	12.7	55.8
Other Assets	545.6	661.2	17.3	21.2	30.5	5.5
Fixed Assets	318.7	406.9	45.2	27.7	18.1	3.4
Total Liabilities and Capital	9,676.8	12,055.2	36.0	24.6	12.7	100.0
Total Deposits	6,238.6	7,852.3	45.3	25.9	13.0	65.1
of which Foreign Currency	1,633.8	2,418.2	61.6	48.0	34.0	20.1
Total Borrowings	1,256.1	1,661.5	16.8	32.3	22.2	13.8
Foreign Liabilities	892.5	983.3	32.7	10.2	8.5	8.2
i. Short-term borrowings	255.7	315.0	17.8	23.2	(7.9)	2.6
ii. Long-term borrowings	382.4	356.6	17.1	(6.7)	(4.2)	3.0
iii. Deposits of non-residents	254.4	311.6	97.1	22.5	62.5	2.6
Domestic Liabilities	7,683.1	9,714.1	35.2	26.4	13.1	80.6
i. Short-term borrowing	525.1	866.9	27.7	65.1	58.3	7.2
ii. Long-term Borrowings	92.9	123.0	(23.2)	32.4	25.1	1.0
iii. Domestic Deposits	5,984.2	7,540.7	43.7	26.0	11.6	62.6
Other Liabilities	1,141.2	1,133.7	23.0	(0.7)	(10.2)	9.4
Paid-up capital	364.0	673.5	34.2	85.0	51.1	5.6
Shareholders' Funds	1,024.5	1,338.7	36.7	30.7	20.3	11.1

Table A3: Balance Sheet (flow data)	Sep-08	Sep-09
Assets		
Credit	1,628.5	1,037.8
of which foreign currency	447.8	316.5
Investments	-116.6	667.1
Foreign Assets	320.0	271.0
Total Assets	2,562.6	2,378.5
<i>Share of Assets (flow)</i>		
Credit	63.5	43.6
of which foreign currency	17.5	13.3
Investments to total Assets	-4.6	28.0
Foreign Assets	12.5	11.4
Liabilities		
Deposits	1,945.1	1,613.7
of which foreign currency	622.9	784.3
Borrowings	180.2	405.3
Shareholders' Funds	275.0	314.2
Shareholders' Funds & Liabilities	2,562.6	2,378.5
<i>Share of Liabilities (flow)</i>		
Deposits	75.9	67.8
of which foreign currency	24.3	33.0
Borrowings	7.0	17.0
Shareholders' Funds	10.7	13.2

Table A4: DMBs' Income Statement	Sep-07	Sep-08	Sep-09	Sep-08	Sep-09
Highlights		(GH ¢'million)		Y-on-y Growth (%)	
Interest Income	556.8	792.7	1291.8	42.4	63.0
Interest Expenses	-188.0	-300.7	-615.1	60.0	104.5
Net Interest Income	368.9	492.0	676.8	33.4	37.6
Fees and Commissions (Net)	160.0	206.2	271.8	28.9	31.8
Other Income	64.9	148.4	222.7	128.9	50.1
Operating Income	593.7	846.6	1171.3	42.6	38.3
Operating Expenses	-336.9	-505.9	-671.4	50.2	32.7
Staff Cost	-183.4	-276.0	-262.6	50.5	-4.9
Other operating Expenses	-153.5	-229.9	-408.8	49.7	77.9
Net Operating Income	256.8	340.8	499.9	32.7	46.7
Total Provision (Loan losses, Depreciation & others)	-84.8	-114.4	-227.2	35.0	98.6
Monetary Loss	0.6	2.1	-0.2	0.0	0.0
Income Before Tax	172.7	228.5	272.5	32.3	19.2
Tax	-45.3	-47.6	-63.7	5.2	33.6
Net Income	127.4	180.9	208.8	42.0	15.4

Table 6: Comparative Threshold Analysis	Threshold*	Sep-08	Signal	Threshold	Sep-09	Signal
Capital						
Regulatory Capital to RWA	15.6	13.9	Yes	14.3	15.4	No
Tier 1 Capital to RWA	13.6	12.7	Yes	12.9	14.2	No
Asset Quality						
Non Performing Loan to Gross Loans	12.5	7.6	No	11.6	13.2	Yes
NPL net of provisions to Capital	5.7	14.9	Yes	7.2	22.5	Yes
Loan Loss Provisions to Gross Loans	8.6	5.9	No	8.2	9.6	Yes
Loss loans to Gross Loans	7.1	3.1	No	6.5	5.3	No
Loss loans to NPL Ratio	57.5	40.3	No	56.2	40.2	No
Earnings Performance						
Return on assets	3.8	3.5	Yes	3.3	3.2	Yes
Return on equity	24.8	26.0	No	23.9	19.8	Yes
Interest margin to total assets	6.5	6.8	No	6.3	7.5	No
Interest margin to gross income	53.0	42.9	No	52.7	37.9	No
Profitability ratio	15.7	15.8	No	14.0	11.7	Yes
Efficiency						
Cost to income	84.3	84.4	Yes	86.2	88.3	Yes
Operational Cost to gross income	63.9	58.2	No	63.2	53.9	No
Cost to total assets	14.1	13.3	No	14.2	17.4	Yes
Operational Cost to total assets	10.8	9.2	No	10.5	10.6	Yes
Administrative expenses to income	15.4	15.0	No	15.5	14.2	No
Liquidity						
Credit to deposits plus borrowing (C/(D+B))	68.8	71.4	Yes	71.2	70.7	No
Credit to deposits	82.5	85.8	Yes	85.5	85.6	Yes
Funding volatility ratio	61.0	58.5	No	60.5	53.7	No
Liquid assets to total assets (Core)	20.9	25.2	No	21.3	24.0	No
Liquid assets to total assets (Broad)	41.2	38.7	Yes	39.5	40.2	No
Liquid assets (core) to short-term liabilities	28.4	33.7	No	28.6	31.3	No
Liquid assets (Broad) to short-term liabilities	54.0	51.8	Yes	52.0	52.4	No

* The Threshold is computed as a moving average of the indicator adjusted by the standard deviation. Deviations from the threshold connotes a signal of increased vulnerability or stability. "Yes" means "signal of stress" and "No" means "signal of stability".

Glossary of key words

1. Net percentage - Difference between the shares of banks reporting that credit stance has been tightened and those reporting that it has been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit stance ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit stance ("net easing").
2. Net demand – It is the difference between the share of banks reporting an increase in loan demand and those reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.
3. Credit Stance - The internal guidelines or criteria that reflect a bank's loan policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, its designated geographical priorities, collateral deemed acceptable or unacceptable, etc. In the survey, changes in written loan policies should be considered, together with changes in their application
4. Credit terms and conditions- These refer to the specific obligations agreed upon by the lender and the borrower. In the context of the bank lending survey, they consist of the direct price or interest rate, the maximum size of the loan and the access conditions, and other terms and conditions in the form of non-interest rate charges (i.e. fees), collateral requirements (including compensating balances), loan covenants and maturity (short-term versus long-term).
5. Non-interest rate charges - Various kinds of fees that can form part of the pricing of a loan, such as commitment fees on revolving loans, administration fees (e.g. document preparation costs), and charges for enquiries, guarantees and credit insurance.
6. Other consumer loans - Loans to households for financing consumption expenditure other than housing loans