Bank of Ghana
Monetary Policy Report

Banking Sector Developments

Vol. 5 No. 1/2021 January 2021

1.0 Overview

Assessment of the banking sector performance in 2020 showed that the industry somewhat withstood the first wave of the COVID-19 pandemic shock on the back of strong policy support and regulatory reliefs. Banks also passed on some reliefs to customers in the form of loan restructuring and moratoriums to cushion businesses severely impacted by COVID-19. Overall, the sector remained well-capitalised, liquid, and profitable with strong buffers to withstand adverse shocks and support economic recovery efforts.

Year-end consolidated financial data showed strong growth in total assets size, reflected in new advances and investments. This was underpinned by higher growth in deposits and shareholders' funds, and a strong rebound in profit growth in the second half of the year. The financial soundness indicators also remained broadly positive.

In the outlook, the recovery in credit growth observed in the last quarter of 2020 is expected to continue on the back of the projected ease in credit stance and increasing credit demand. The banking sector is well-positioned to support the credit growth recovery with adequate liquidity and capital buffers. Asset quality risk could however increase if repayment challenges on restructured loans persist due to a prolonged adverse effect of the second wave of the pandemic on economic recovery. Balancing growth-supporting initiatives with effective risk management and cost control will be key to sustaining the strong performance of the sector to support the ongoing recovery of the economy in 2021.

2.0 Banks' Balance Sheet

The banking industry ended the year 2020 with total assets of GH¢149.3 billion, representing a growth of 15.8 percent over the December 2019 position (annual growth of 22.7 percent). Relatively, this strong growth, reflected moderately adverse effects of the pandemic on the sector, evidenced by the Bank's latest COVID-19 impact assessment survey on banks' operations. The lower growth in assets in 2020 was reflected by weaker growth in both domestic and foreign assets of 15.7 percent and 17.0 percent respectively, compared to the 23.0 percent and 19.8 percent growth rates recorded in 2019.

The slowdown in domestic assets reflected in all its sub-components except for investments. Investments in bills, securities, and equity increased by 33.4 percent to GH¢64.4 billion in 2020, compared with an annual growth of 26.6 percent in 2019. Investments remained the largest component of total assets, with its share increasing to 43.1 percent from 37.5 percent in 2019. The higher growth in investments was driven by the growing propensity of banks to invest more in the less risky government instruments due to the pandemic-induced elevated credit risks.

Growth in gross loans and advances during the year was marginal, ending the year at 5.8 percent, a sharp declined from the 23.8 percent growth last year. Adjusting gross loans for provisions and interest in suspense, net loans and advances grew by 4.6 percent to GH¢41.8 billion in December 2020 compared with 25.7 percent in December 2019. The moderation in credit growth in 2020 was due in part to weak credit demand as well as increased repayments, which offset the increase in new loans and advances during the period under review. Notably, the growth in credits occurred during the second half since the first half year-to-date signalled a contraction by 0.4 percent. The observed recovery in the second half-year was on the back of an ease in credit stance and uptick in credit demand supported by the regulatory policies and reliefs by Bank of Ghana. New loans and advances in 2020 amounted to GH¢34.4 billion, 15.8 percent higher than the GH¢29.7 billion recorded in the previous year.

Total assets growth was propped up by significant increase in deposits from liquidity flows emanating from the COVID-19 fiscal stimulus, payments to contractors, SDI depositors, and clients of SEC-licensed fund managers. Deposit growth was also supported by increased savings by individuals and firms against the general slowdown in consumer and investment spending in some sectors due to the pandemic. Total deposits grew by 24.4 percent to GH¢103.8 billion as at end-December 2020, marginally higher than the 22.2 percent growth a year earlier (see Table 1). The stronger growth in deposits mainly reflected liquidity flows within the domestic economy, as the contribution of non-residents to total deposits remained minimal at 0.7 percent.

Growth in shareholders' funds was stable and indicative of adequate capital buffers within the banking sector to withstand shocks. The strong profit performance in 2019 and again in 2020 increased the reserves of banks and contributed to the sustained growth in shareholders' funds. Shareholders' funds grew by 20.8 percent to GH¢21.2 billion as at end-December 2020, compared with a 19.7 percent growth a year earlier, reinforcing the stability and resilience of the banking sector.

Due to the strong growth in deposits and shareholders' funds, amid the slower credit growth, banks relied less on short-term borrowings. Total borrowings at end-December 2020 therefore contracted by 29.0 percent to GH¢14.5 billion in sharp contrast to a growth of 37.9 percent a year earlier. The decline in borrowings reflected mainly in short-term borrowings while long-term borrowings increased during the year.

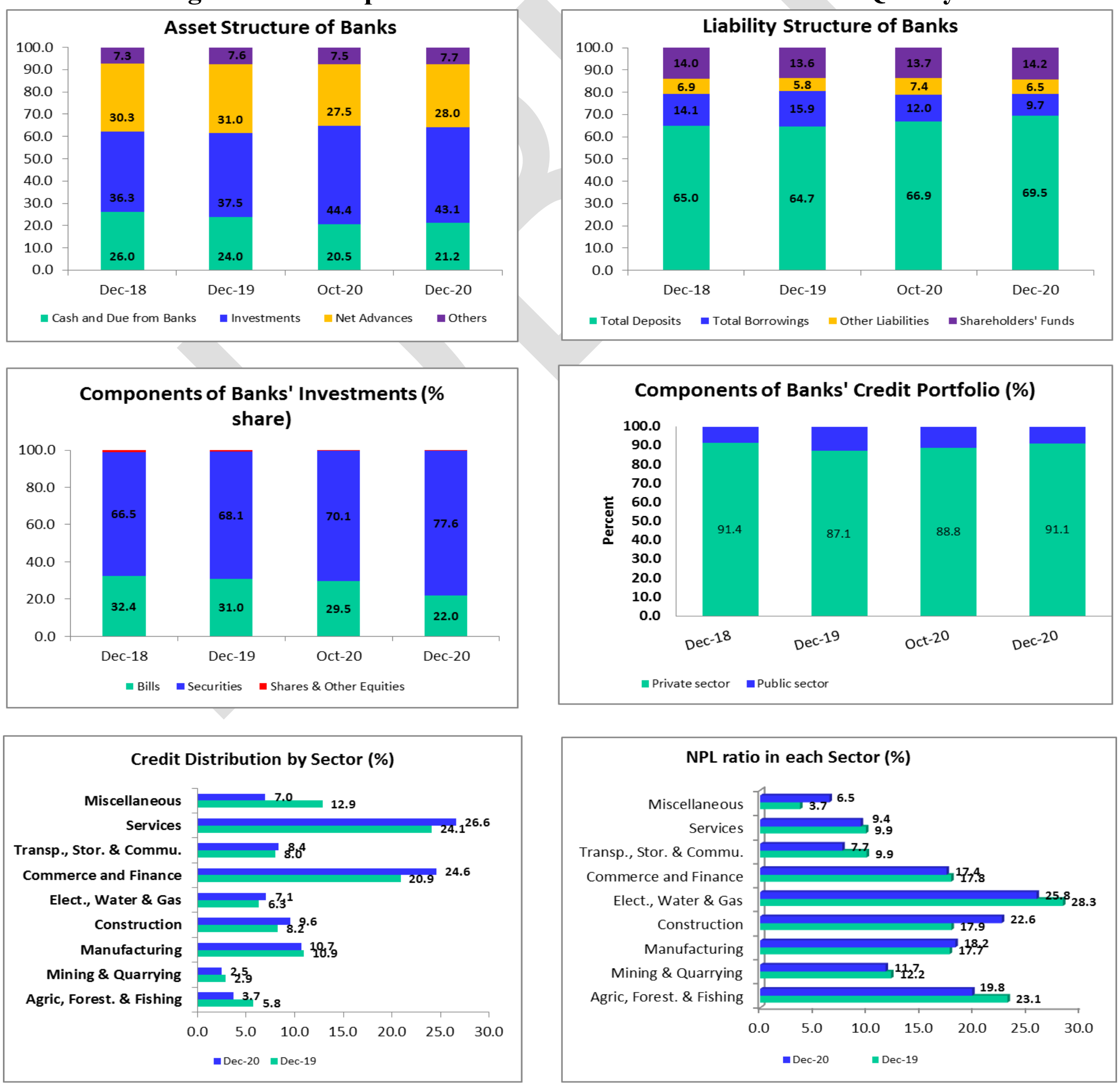
In sum, the banking sector ended 2020 with a robust balance sheet performance despite the initial pandemic-induced slowdown observed in the second quarter of 2020. It is expected that growth in the sector will remain strong as the economy recovers, barring any potential lockdowns and slowdown in economic recovery due to the second wave of the COVID-19 pandemic.

Table 1: Key Developments in DMBs' Balance Sheet

	Dec-19	Oct-20	Dec-20	Y-on-Y Growth (%) Dec-19	Oct-20	Dec-20	Shares (%) Dec-19	Dec-20
TOTAL ASSETS	**128,979**	**149,676**	**149,322**	**22.7**	**23.7**	**15.8**	***100.0***	***100.0***
A. Foreign Assets	10,377	10,349	12,137	19.8	9.0	17.0	*8.0*	*8.1*
B. Domestic Assets	118,602	139,328	137,186	23.0	24.9	15.7	*92.0*	*91.9*
Investments	48,307	66,483	64,424	26.6	40.1	33.4	*37.5*	*43.1*
i. Bills	14,975	19,621	14,197	21.0	19.1	-5.2	*11.6*	*9.5*
ii. Securities	32,881	46,637	49,992	29.5	52.6	52.0	*25.5*	*33.5*
Advances (Net)	39,960	41,213	41,804	25.7	13.0	4.6	*31.0*	*28.0*
of which Foreign Currency	12,119	12,335	12,217	21.5	4.6	0.8	*9.4*	*8.2*
Gross Advances	**45,170**	**47,364**	**47,769**	**23.8**	**13.9**	**5.8**	***35.0***	***32.0***
Other Assets	5,125	6,474	6,463	40.7	43.2	26.1	*4.0*	*4.3*
Fixed Assets	4,652	4,752	5,015	14.3	9.9	7.8	*3.6*	*3.4*
TOTAL LIABILITIES AND CAPITAL	**128,979**	**149,676**	**149,322**	**22.7**	**23.7**	**15.8**	***100.0***	***100.0***
Total Deposits	**83,460**	**100,190**	**103,808**	**22.2**	**27.0**	**24.4**	***64.7***	***69.5***
of which Foreign Currency	24,001	25,994	26,926	43.0	25.1	12.2	*18.6*	*18.0*
Total Borrowings	20,447	17,987	14,512	37.9	5.5	-29.0	*15.9*	*9.7*
Foreign Liabilities	9,923	9,262	8,236	31.3	-4.9	-17.0	*7.7*	*5.5*
i. Short-term borrowings	6,710	4,262	3,497	54.9	-31.7	-47.9	*5.2*	*2.3*
ii. Long-term borrowings	2,857	4,363	3,991	0.2	40.6	39.7	*2.2*	*2.7*
iii. Deposits of non-residents	356	637	748	-4.3	60.1	109.9	*0.3*	*0.5*
Domestic Liabilities	101,463	119,953	119,797	22.6	27.7	18.1	*78.7*	*80.2*
i. Short-term borrowing	9,760	7,591	4,999	44.3	15.2	-48.8	*7.6*	*3.3*
ii. Long-term Borrowings	1,120	1,771	2,025	27.6	58.0	80.8	*0.9*	*1.4*
iii. Domestic Deposits	83,104	99,553	103,060	22.4	26.8	24.0	*64.4*	*69.0*
Other Liabilities	7,480	11,037	9,753	2.6	42.5	30.4	*5.8*	*6.5*
Paid-up capital	9,633	9,797	9,757	11.3	5.8	1.3	*7.5*	*6.5*
Shareholders' Funds	17,593	20,462	21,249	19.7	18.0	20.8	*13.6*	*14.2*

Source: Bank of Ghana

Figure 1: Developments in Banks' Balance Sheet & Asset Quality



Source: Bank of Ghana Staff Calculations

2.1 Asset and Liability Structure

The asset and liability structure of the banking industry's balance sheet remained broadly unchanged during the review period. Investments continued to dominate the assets mix, with its share increasing from 37.5 percent in December 2019 to 43.1 percent in December 2020, reflecting banks' increasing preference for less risky assets. The share of loans and advances (net) however declined to 28.0 percent from 31.0 percent in the previous year following the marginal growth in gross loans and advances. The share of "Cash and Due from Banks" also declined during the period to 21.2 percent from 24.0 percent, partly due to the reduction in the primary reserve requirement by 2 percentage points. Non-earning assets (fixed assets and other assets) however recorded a marginal uptick to 7.7 percent from 7.6 percent (Annexes Table 1).

Following the strong growth in deposits in 2020, the share of deposits increased from 64.7 percent to 69.5 percent, reinforcing the importance of deposits in the funding structure of banks. The Shareholders' Funds component increased to 14.2 percent from 13.6 percent on account of its sustained growth in 2020. The share of borrowed funds, however, declined to 9.7 percent from 15.9 percent over the same comparative period, a result of the contraction in borrowings within the period on account of the higher growth in deposits and slowdown in credits growth. The share of "Other liabilities" went up marginally to 6.5 percent in December 2020 from 5.8 percent in the previous year (Annexes Table 1).

2.2 Share of Banks' Investments

Banks' investment portfolio as at end-December 2020 was in favour of long-term debt instruments (securities). The share of securities further increased to 77.6 percent in December 2020 from 68.1 percent in December 2019. The proportion of short-term bills in total investments accordingly declined to 22.0 percent from 31.0 percent over the two periods. The share of equity investments remained negligible at 0.4 percent by end-December 2020 (See Figure 1).

3.0 Credit Risk

The industry's exposure to credit risk somewhat heightened during 2020 relative to 2019 due to the challenging operating environment occasioned by COVID-19. The-performing loans (NPL) ratio inched up for most part of this year due largely to the COVID-19 pandemic-induced slowdown in credit growth and higher loan loss provisions arising from repayment challenges. Some improvements in asset quality were however recorded during the last quarter of the year as banks also restructured loans for customers whose businesses were severely impacted by the pandemic.

3.1 Credit Portfolio Analysis

Credit growth moderated in 2020 relative to 2019, reflecting weak credit demand especially during the lockdown and its immediate aftermath as well as repayment of some short-term public sector and private sector credit during the year. The stock of gross loans and advances (excluding loans under receivership) increased to GH¢47.8 billion at end-December 2020, representing a 5.8 percent annual growth, lower than the 23.6 percent growth in December 2019. Public sector credit, with significant repayments, contracted by 27.0 percent in December 2020 compared with a growth of 84.6 percent in December 2019. The share of public sector credit in total credit accordingly declined from 12.9 percent to 8.9 percent over the review period. Private sector credit of GH¢43.5 billion however remained the larger share of total credit, although its growth declined from 17.9 percent in December 2019 to 10.6 percent in December 2020. Notwithstanding the moderation in growth of outstanding credit (net of repayments), new loans and advances in 2020 totalled GH¢34.4 billion, a 15.8 percent growth over the GH¢29.7 billion recorded in 2019 (See Annexes Tables 2 & 4).

In terms of loan distribution across economic sectors, the services sector maintained its lead with the highest share of credit, followed by the commerce and finance sector and then manufacturing (Figure 1). These three sectors accounted for 61.9 percent of total credit with respective shares of 26.6 percent, 24.6 percent, and 10.7 percent at the end of the year. The distribution across other economic sectors is shown in Figure 1. The mining and quarrying sector remained the lowest recipient of industry credit with a share of 2.5 percent at end-December 2020.

3.2 Off-Balance Sheet Activities

Off-balance sheet transactions (largely comprising trade finance and guarantees) amounted to GH¢12.3 billion as at end-December 2020, representing a lower growth of 7.4 percent from the GH¢11.4 billion (13.7% y/y growth) recorded in December 2019. Banks' contingent liabilities as a percentage of total liabilities accordingly declined to 9.6 percent from 10.3 percent during the comparable periods (Annexes Table 3).

3.3 Asset Quality

The quality of assets within the banking sector marginally declined during the year due to the pandemic-induced loan repayment challenges and slowdown in credit growth in 2020. The NPL ratio accordingly inched up from 14.3 percent in December 2019 to 15.7 percent in June 2020, after which it improved to 14.8 percent at year-end 2020 on account of improved credit growth and loan write-offs during the last quarter. The stock of NPLs increased by 9.8 percent year-on-year to GH¢7.1 billion at end-December 2020, compared with a contraction of 3.0 percent in December 2019. Banks also provided support and reliefs in the form of loan restructuring and loan repayment moratoria to cushion customers severely impacted by the pandemic, which in turn moderated the likely severe adverse impact the pandemic would have had on banks' asset quality. Total outstanding loans restructured by banks as at December 2020 amounted to GH¢4.5 billion, about 9.4 percent of the industry loan book. Regulatory guidance and monitoring procedures have been put in place to assess developments in this regard.

The overall increase in the NPL ratio reflected in the construction and manufacturing sectors. The NPL ratio for the construction sector increased from 17.9 percent to 22.6 percent while that of the manufacturing sector increased marginally from 17.7 percent to 18.2 percent over the same comparative period (See Figure 1). The other economic sectors however recorded improvements in their NPL ratio during the review period.

4.0 Financial Soundness Indicators

The sector remained strong and resilient in 2020, as evidenced by the healthy key financial soundness indicators (FSIs) such as liquidity, solvency and efficiency. The regulatory support measures and the strong profitability growth, particularly during the second half of the year, contributed to enhancing the financial soundness of the sector during the year.

4.1 Liquidity Indicators

Following the 2-percentage point reduction in the primary reserve requirement by the Bank of Ghana to help support credit extension during this COVID-19 pandemic period, the ratio of core liquid assets (mainly cash and due from banks) to total assets dipped to 21.2 percent in December 2020 from 24.0

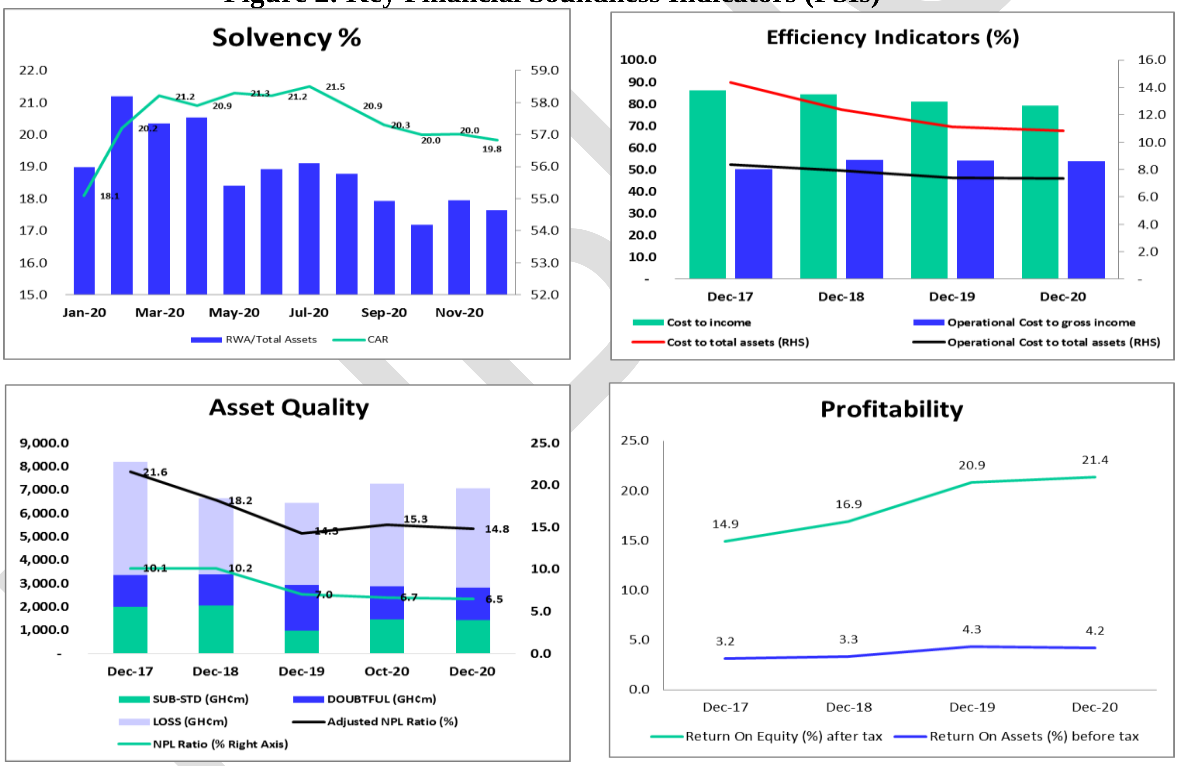
percent a year ago. The decline in the ratio of core liquid assets to total deposits was relatively more pronounced from 37.0 percent last year to 30.4 percent in December 2020, reflecting the sharp increase in deposits growth during the year (Annexes Table 5).

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

4.2 Capital Adequacy Ratio (CAR)

Banking sector solvency was strong with the industry CAR of 19.8 percent as at December 2020, well-above the current minimum regulatory threshold of 11.5 percent under Basel II/III. As such, banks continue to have more scope for lending, as well as enough capital buffers to absorb any potential losses from increased lending and/or from the current challenging operating environment.

Figure 2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana Staff Calculations

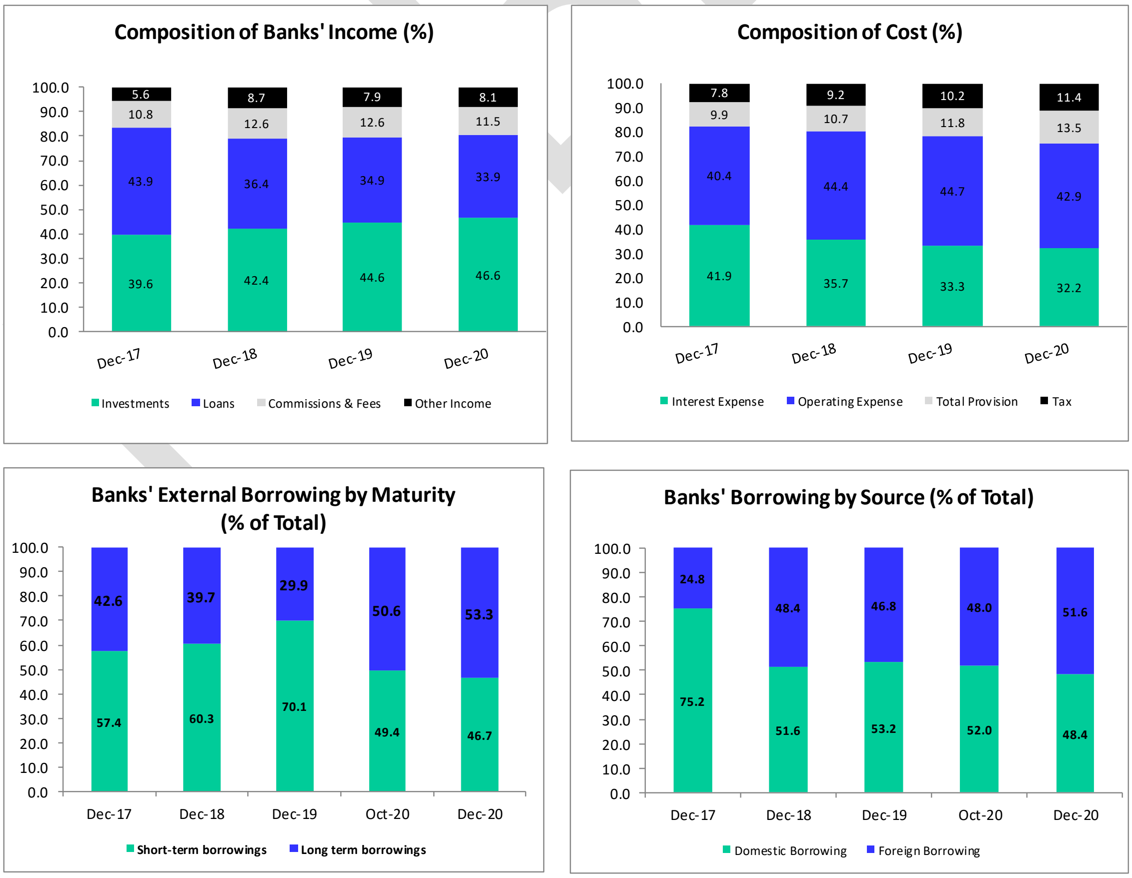
4.3 Profitability

The banking sector's profit growth rebounded strongly in June 2020 and thereafter following the sharp slowdown recorded during April-May 2020. Higher operating costs in part due to costs related to maintaining the COVID-safety protocols and higher loan provisions accounted for the sharp drop in profit growth during the second quarter of 2020. However, cost control measures in the second half and increased investment income (particularly on long-term investments) contributed to the rebound in profit-after-tax by 27.9 percent in 2020, albeit lower than the prior year's growth of 38.3 percent.

Net interest income grew by 20.9 percent in December 2020, lower than 23.6 percent a year earlier. This was due to a pick-up in growth of interest expense, moderating the increase in interest income during the period. Interest expense growth picked up from 3.3 percent in December 2019 to 8.9 percent in December 2020 while interest income growth inched up from 15.9 percent to 16.8 percent over the comparative periods. The higher interest expense was on the back of increased term deposits and higher charges on the relatively expensive borrowings. The increase in interest income was driven by growth in interest income on investments. Similar to the dip in growth of net interest income, net fees and commissions also recorded lower growth reflecting the slower growth in credits, trade-financing and other off-balance sheet transactions during the review period. Other income however recorded an increase in growth from 4.5 percent to 18.2 percent, culminating in an uptick in growth of gross income from 14.8 percent to 15.4 percent during the review period.

Growth in operating expenses moderated from 11.1 percent in 2019 to 8.2 percent in 2020 driven mainly by a slowdown in growth of staff-related costs, which increased by 6.2 percent in December 2020 compared with 14.7 percent a year ago (see Figure 3 and Annexes Table 7). Other operating expenses however increased by 10.6 percent from 7.2 percent a year earlier. Part of the increase in other operating expenses was the cost associated with maintaining the safety protocols and containment measures of COVID-19 as well as activation of Business Continuity Plans by banks. Notwithstanding the pandemic-induced increases in the industry's cost of operations, banks did not pass on those costs to consumers in the form of higher interest margins but adopted other cost control measures to cushion their bottom line.

Figure 3: Composition of Income, Cost and Borrowings



Source: Bank of Ghana Staff Calculations

(a) Return on Assets and Return on Equity

Profitability indicators remained strong in 2020. The Return on Equity (ROE) increased marginally from 20.9 percent in 2019 to 21.4 in 2020, while the Return on Assets (ROA) recorded a slight moderation from 4.3 percent to 4.2 percent. (Figure 2 and Annexes Table 6).

(b) Interest Margin and Spread

Banks' interest spreads narrowed marginally from 7.9 percent to 7.6 percent between December 2019 and December 2020, reflecting lower interest rates in 2020. The industry's gross yield accordingly declined from 12.0 percent to 11.3 percent, offsetting the decline in interest payable from 4.1 percent to 3.6 percent during the period. The sector's interest margin to total assets also declined marginally from 5.2 percent to 5.0 percent over the period, although the interest margin to gross income ratio increased to 53.9 percent from 51.9 percent.

The ratio of gross income to total assets (asset utilisation) marginally declined to 9.2 percent from 10.0 percent implying that for each asset in use, the gross income generated was less in 2020 than in 2019 due to lower interest rates in 2020. The industry's profitability ratio however increased to 20.8 percent in December 2020 from 19.5 percent a year earlier (Annexes Table 6).

(c) Composition of Banks' Income

In line with the increase in banks' investment holdings, interest income from investments remained the largest source of banks' income, with its share increasing to 46.6 percent in December 2020 from 44.6 percent in the previous year. The share of interest income from loans, the second largest source of banks' income, declined marginally by one percentage point to 33.9 percent, reflecting the slowdown in credit growth. Similarly, the share of fees and commissions declined marginally to 11.5 percent from 12.6 percent over the same comparative period. Following the higher growth in banks' other income sources in 2020 relative to 2019, the share of other income sources inched up from 7.9 percent to 8.1 percent (Figure 3).

4.4 Operational Efficiency

Cost efficiency indicators continued to show broad improvements with all indicators recording declines during the review period, as banks adopted cost control measures to boost their profitability. The cost-to-income ratio of the industry improved marginally from 81.1 percent in December 2019 to 79.2 percent in December 2020, while cost-to-total assets improved to 10.8 percent from 11.1 percent during the same comparative period. The ratio of operational cost to total assets similarly improved from 7.4 percent to 7.3 percent while the ratio of operational cost to gross income improved marginally to 53.7 percent from 54.1 percent. (See Figure 2).

4.5 Banks' Counterparty Relationships

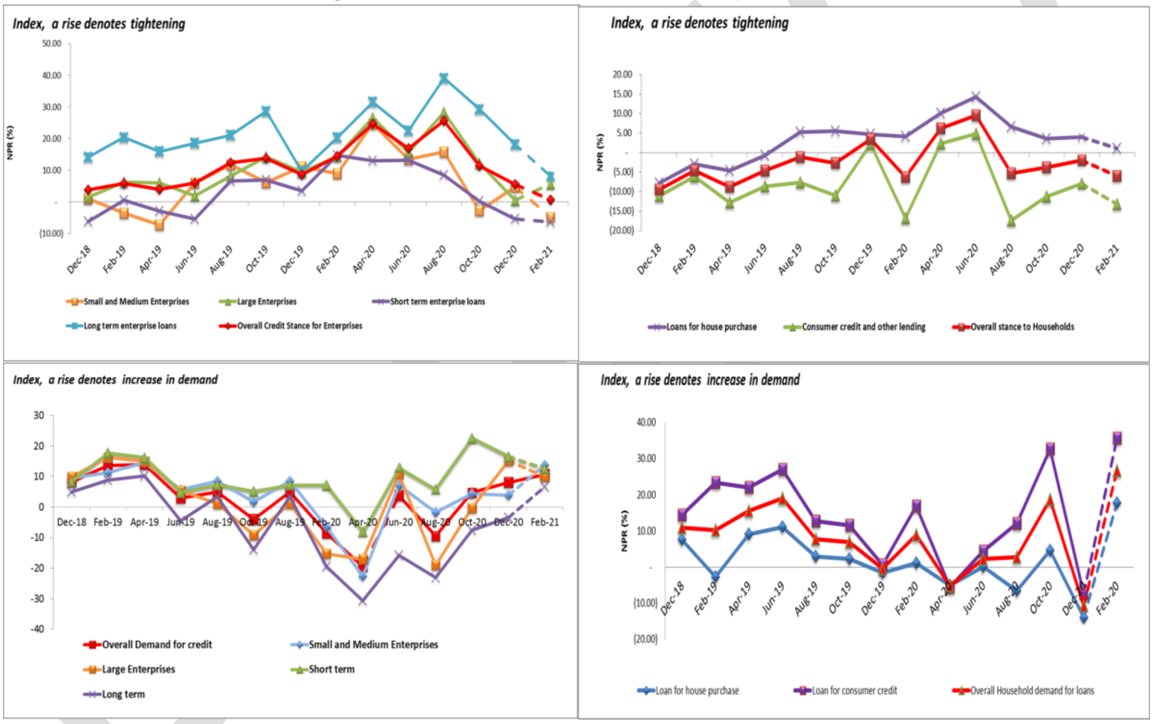
Banks ended 2020 with offshore balances of GH¢11.0 billion, representing a 51.8 percent share of banks' net worth compared with GH¢9.7 billion (55.3 percent share) in 2019. Growth in offshore balances slowed to 13.3 percent at year end 2020 from 19.2 percent a year earlier. The moderation in growth was attributed to banks' nostro balances which remained virtually unchanged between the two periods, after recording an annual growth rate of 61.4 percent in December 2019. Placements however picked up strongly by 31.9 percent in December 2020 following a contraction of 14.3 percent in December 2019 (Annexes Table 8).

The share of banks' external borrowings in total borrowings increased to 51.6 percent in December 2020 from 46.8 percent in December 2019, while that of domestic borrowing declined to 48.4 percent from 53.2 percent during the period. Banks' external borrowings were mainly long-term in nature. The share of long-term funds in total external borrowing increased sharply to 53.3 percent from 29.9 percent, while the share of short-term external borrowing declined to 46.7 percent from 70.1 percent over the review period (See Figure 3).

5.0 Credit Conditions Survey

Results from the December 2020 credit conditions survey pointed to a net ease in overall credit stance on loans to enterprises. Apart from loans to SMEs, the net ease in stance between October and December 2020 was reflected in all components of corporate loans and was attributable to the gradual pick-up in economic activity as the COVID-restrictions eased coupled with significant policy support. Banks have projected a further net easing in overall credit stance on loans to enterprises over the first two months of 2021.

Figure 4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

The overall credit stance on household loans, on the other hand, recorded a net tightening between October and December 2020. Banks however project their stance on loans to households to ease two months on, reflected in the stance on loans for house purchase, consumer credit and other lending. The projected net easing in banks' stances on loans to households and enterprises is to support the observed recovery in economic activity.

Demand for loans by enterprises increased during the survey period from increases in the demand for loans by large enterprises and for long term credit. Demand for loans by enterprises are projected to increase further in the first two months of the year. Household demand for loans on the other hand declined sharply during the current survey, reflecting declines in demand for both consumer credit and mortgage loans. Overall demand for credit by households is however, projected to increase during January and February 2021 (See Figure 4). It is anticipated that the rebound in credit growth observed during the last quarter will continue into the first quarter of 2021 on account of the projected eased stance and increase in demand for credit.

Banks' inflation expectations for six months ahead declined during the current survey period, attributable to improved perceptions regarding the performance of the economy and influenced by the observed disinflation which characterised a greater part of the second half of the year. On the other hand, banks' expectations of lending rates six months ahead remained unchanged due to anticipations of stability of the monetary policy rate and other money market rates in the short term.

6.0 Conclusion and Outlook

The banking sector ended the year 2020 on a strong note on the back of strong policy support and regulatory reliefs. Balance sheet performance as well as the sector's profitability outturn pointed to a stable sector amid the COVID-19 pandemic. Regulatory reliefs introduced by the Bank of Ghana during the year, against the background of the strong and stable sector that had emerged after the clean-up and recapitalisation reforms, contributed to the resilience of the sector during 2020. In the outlook, the banking sector is well-positioned to continue with the core objective of financial intermediation and providing support to the growth recovery process. Banks are expected to sustain the strong performance under mild to moderate stress conditions, barring more severe consequences on the real sector from the second wave of the pandemic. Policy and regulatory reliefs granted to the industry will be reviewed alongside close monitoring, and prompt supervisory actions will be taken to address emerging potential vulnerabilities in the financial sector arising from the pandemics. Balancing growth-support initiatives and effective risk management and cost control will be key to sustaining the performance of the sector in 2021.

ANNEXES

Table 1: Asset and Liability Structure of the Banking Sector

	Dec-17	Dec-18	Dec-19	Oct-20	Dec-20
Components of Assets (% of Total)					
Cash and Due from Banks	26.0	26.0	24.0	20.5	21.2
Investments	30.5	36.3	37.5	44.4	43.1
Net Advances	33.7	30.3	31.0	27.5	28.0
Others	9.8	7.3	7.6	7.5	7.7
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	62.2	65.0	64.7	66.9	69.5
Total Borrowings	18.1	14.1	15.9	12.0	9.7
Shareholders' Funds	13.1	14.0	13.6	13.7	14.2
Other Liabilities	6.6	6.9	5.8	7.4	6.5

Bank of Ghana Staff Calculations

Table 2: Credit Growth

Economic Sector	Gh¢million				y/y growth (%)	
	Dec-18	Dec-19	Jun-20	Dec-20	Dec-19	Dec-20
Public Sector	**3,145**	**5,805**	**5,306**	**4,236**	**84.6**	**-27.0**
Private Sector	**33,398**	**39,365**	**42,058**	**43,533**	**17.9**	**10.6**
- Private Enterprises	24,237	28,812	30,503	32,756	**18.9**	13.7
o/w Foreign	3,635	3,777	3,471	3,844	**3.9**	1.8
Indigeneous	20,602	25,035	27,032	28,912	**21.5**	15.5
- Households	8,360	9,410	10,247	9,557	**12.6**	1.6
Gross Loans	**36,543**	**45,170**	**47,364**	**47,769**	**23.6**	**5.8**

Bank of Ghana Staff Calculations

Table 3: Contingent Liability

GHCM	Dec-17	Dec-18	Dec-19	Oct-20	Dec-20
Contingent Liabilities (GH¢M)	9,315.5	10,062.0	11,440.4	11,430.2	12,289.3
Growth (y-o-y)	26.3	8.0	13.7	7.6	7.4
% of Total Liabilities	11.5	11.1	10.3	8.8	9.6

Bank of Ghana Staff Calculations

Table 4: Distribution of Loans and NPLs By Economic Sector (Percent)

	Dec-18		Dec-19		Oct-20		Dec-20	
	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs
a. Public Sector	**8.6**	**2.9**	**12.9**	**3.2**	**11.2**	**4.2**	**8.9**	**2.0**
i. Government	3.0	1.0	5.3	0.3	4.1	0.5	3.4	0.6
ii. Public Institutions	1.2	0.3	3.0	0.2	3.6	0.1	2.8	0.0
iii. Public Enterprises	4.4	1.6	4.5	2.7	3.5	3.6	2.6	1.3
b. Private Sector	**91.4**	**97.1**	**87.1**	**96.8**	**88.8**	**95.8**	**91.1**	**98.0**
i. Private Enterprises	66.3	87.0	63.8	82.4	64.4	84.1	68.6	88.5
o/w Foreign	9.9	9.6	8.4	8.3	7.3	5.9	8.0	4.8
Indigeneous	56.4	77.4	55.4	74.1	57.1	78.1	60.5	83.7
ii. Households	22.9	9.4	20.8	8.5	21.6	8.7	20.0	7.8
iii. Others	2.2	0.6	2.5	5.9	2.8	3.0	2.6	1.7

Bank of Ghana Staff Calculations

Table 5: Liquidity Ratios

	Dec-17	Dec-18	Dec-19	Oct-20	Dec-20
Liquid Assets (Core) - (GH¢'million)	24,308.8	27,366.31	30,915.9	30,723.41	31,585.96
Liquid Assets (Broad) -(GH¢'million)	52,457.5	65,128.31	78,771.8	96,981.20	95,774.74
Liquid Assets to total deposits (Core)-%	41.8	40.1	37.0	30.7	30.4
Liquid Assets to total deposits (Broad)- %	90.1	95.4	94.4	96.8	92.3
Liquid assets to total assets (Core)- %	26.0	26.0	24.0	20.5	21.2
Liquid assets to total assets (Broad)- %	56.0	62.0	61.1	64.8	64.1

Bank of Ghana Staff Calculations

Table 6: Profitability Indicators (%)

	Dec-17	Dec-18	Dec-19	Dec-20
Gross Yield	14.3	10.3	12.0	11.3
Interest Payable	6.7	4.0	4.1	3.6
Spread	7.5	6.3	7.9	7.6
Asset Utilitisation	12.4	9.3	10.0	9.2
Interest Margin to Total Assets	5.5	4.5	5.2	5.0
Interest Margin to Gross income	44.6	48.6	51.9	53.9
Profitability Ratio	10.5	16.7	19.5	20.8
Return On Equity (%) after tax	14.9	16.9	20.9	21.4
Return On Assets (%) before tax	3.2	3.3	4.3	4.2

Source: Bank of Ghana Staff Calculations

Table 7: DMBs' Income Statement Highlights

	(GH ¢'million)				Y-on-y Growth (%)		
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-18	Dec-19	Dec-20
Interest Income	13,038	12,130	14,055	16,417	(7.0)	15.9	16.8
Interest Expenses	-5,647	-4,632	-4,783	-5,208	(18.0)	3.3	8.9
Net Interest Income	**7,391**	**7,499**	**9,272**	**11,209**	**1.5**	**23.6**	**20.9**
Fees and Commissions (Net)	1,692	1,940	2,237	2,349	14.6	15.3	5.0
Other Income	877	1,332	1,392	1,646	51.9	4.5	18.2
Operating Income	9,960	10,771	12,901	15,204	8.1	19.8	17.9
Operating Expenses	-5,439	-5,772	-6,412	-6,938	6.1	11.1	8.2
Staff Cost (deduct)	-2,736	-3,016	-3,458	-3,671	10.2	14.7	6.2
Other operating Expenses	-2,703	-2,756	-2,954	-3,267	1.9	7.2	10.6
Net Operating Income	**4,521**	**4,999**	**6,489**	**8,266**	**10.6**	**29.8**	**27.4**
Total Provision (Loan losses, Depreciation & others)	-1,337	-1,398	-1,709	-2,188	4.6	22.3	28.0
Income Before Tax	**3,184**	**3,601**	**4,780**	**6,078**	**13.1**	**32.7**	**27.2**
Tax	-1,051	-1,201	-1,462	-1,835	14.3	21.7	25.5
Net Income	**2,133**	**2,400**	**3,318**	**4,243**	**12.5**	**38.3**	**27.9**
Gross Income	15,607	15,403	17,684	20,412	(1.3)	14.8	15.4

Bank of Ghana Staff Calculations

Table 8: Developments in Offshore Balances

	Dec-17	Dec-18	Dec-19	Oct-20	Dec-20
Offshore balances as % to Networth	59.9	55.5	55.3	45.8	51.8
Annual Growth in Offshore balances (%)	8.5	10.8	19.2	6.2	13.3
Annual Growth in Nostro Balances (%)	-9.0	0.0	61.4	23.4	1.0
Annual Growth in Placement (%)	33.4	21.4	-14.3	-12.4	31.9

Source: Bank of Ghana Staff Calculations