# Bank of Ghana
# Monetary Policy Report

## Banking Sector Developments

Vol. 6 No.2/2021 March 2021

### 1.0 Overview

The banking sector's performance during the first two months of 2021 remained broadly liquid, profitable, well-capitalized, and resilient. The strong policy support and regulatory reliefs implemented to moderate the effects of the COVID pandemic, continued to impact positively on the industry's performance and in turn, its support to the real sector. The slowdown in credit growth however reflects the lingering pandemic-induced low credit demand and supply conditions and elevated credit risk in the sector.

Financial soundness indicators were broadly positive, underpinned by healthy solvency, liquidity, and profitability indicators. Efficiency indicators also remained strong due to the cost control measures on the bottom line which was adopted by banks to contain the impact of the pandemic. Asset quality risk, however, remains elevated due to loan repayment challenges which necessitated loan restructuring reliefs by banks.

The latest credit conditions survey shows that credit growth is expected to pick up on the back of anticipated increases in credit demand and continuous ease in credit stance in the next two months. Looking ahead, the banking sector remains well-positioned to continue with its core business of financial intermediation to support the on-going recovery process. Banks are projected to sustain the strong performance under mild to moderate stress conditions. Continuous monitoring and heightened supervision are required to address potential vulnerabilities in the sector, as the pandemic lingers.

### 2.0 Banks' Balance Sheet

Total banking sector assets as at end-February, 2021 increased by 18.5 percent year-on-year to GH¢152.0 billion, marginally higher than the annual growth of 17.8 percent as at end-February 2020. The higher growth in total assets reflected similar stronger growth in domestic and foreign assets of 19.1 percent and 11.1 percent; compared to the respective rates of 18.7 percent and 8.2 percent a year earlier.

Growth in banks' investment holdings outpaced other asset classes due to the higher propensity of banks to invest more in less risky government instruments as a result of the pandemic-induced elevated credit risks and slowdown in credit demand. Investments shot up by 45.9 percent to GH¢67.9 billion, compared to the growth of 7.2 percent in the prior year. Accordingly, the share of investments in total assets scaled up further from 36.3 percent to 44.7 percent over the review period.

Gross loans and advances continued to experience a subdued growth, at 3.6 percent, a sharp decline from the 26.0 percent growth in the corresponding period last year. This is attributable to weak credit demand, higher repayments and banks' increasing appetite for less risky assets. Adjusting gross loans for provisions and interest in suspense, net loans and advances grew by 2.2 percent to GH¢41.4 billion, down from 27.2 percent over the same comparative periods. New loans and advances for the first two months of 2021 of GH¢4.7 billion also reflected the sluggish credit market condition with a 24.6 percent decline from the pre-pandemic level of GH¢6.2 billion for the first two months of 2020.

**Table 1 Banks' Balance Sheet (GH¢ million)**

| | | | | Y-on-Y Growth (%) | | | Year-to-date growth (%) | | | Shares (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb-20 | Dec-20 | Feb-21 | Feb-20 | Dec-20 | Feb-21 | Feb-20 | Dec-20 | Feb-21 | Feb-20 | Feb-21 |
| **TOTAL ASSETS** | **128,334** | **149,322** | **152,035** | **17.8** | **15.8** | **18.5** | **-0.5** | **0.0** | **1.8** | ***100.0*** | ***100.0*** |
| A. Foreign Assets | 9,985 | 12,137 | 11,094 | 8.2 | 17.0 | 11.1 | -3.8 | 0.0 | -8.6 | *7.8* | *7.3* |
| B. Domestic Assets | 118,348 | 137,186 | 140,940 | 18.7 | 15.7 | 19.1 | -0.2 | 0.0 | 2.7 | *92.2* | *92.7* |
| Investments | 46,573 | 64,424 | 67,940 | 7.2 | 33.4 | 45.9 | -3.6 | 0.0 | 5.5 | *36.3* | *44.7* |
| i. Bills | 13,320 | 14,197 | 19,522 | -6.3 | -5.2 | 46.6 | -11.1 | 0.0 | 37.5 | *10.4* | *12.8* |
| ii. Securities | 32,801 | 49,992 | 48,179 | 13.8 | 52.0 | 46.9 | -0.2 | 0.0 | -3.6 | *25.6* | *31.7* |
| Advances (Net) | 40,472 | 41,804 | 41,372 | 27.2 | 4.6 | 2.2 | 1.3 | 0.0 | -1.0 | *31.5* | *27.2* |
| of which Foreign Currency | 12,052 | 12,217 | 12,234 | 6.0 | 0.8 | 1.5 | -0.6 | 0.0 | 0.1 | *9.4* | *8.0* |
| Gross Advances | **45,911** | **47,769** | **47,563** | **26.0** | **5.8** | **3.6** | **1.6** | **0.0** | **-0.4** | ***35.8*** | ***31.3*** |
| Other Assets | 5,520 | 6,463 | 7,450 | 43.1 | 26.1 | 35.0 | 7.7 | 0.0 | 15.3 | *4.3* | *4.9* |
| Fixed Assets | 4,719 | 5,015 | 5,026 | 13.7 | 7.8 | 6.5 | 1.4 | 0.0 | 0.2 | *3.7* | *3.3* |
| **TOTAL LIABILITIES AND CAPITAL** | **128,334** | **149,322** | **152,035** | **17.8** | **15.8** | **18.5** | **-0.5** | **0.0** | **1.8** | ***100.0*** | ***100.0*** |
| **Total Deposits** | **83,102** | **103,808** | **103,975** | **15.6** | **24.4** | **25.1** | **-0.4** | **0.0** | **0.2** | ***64.8*** | ***68.4*** |
| of which Foreign Currency | 23,225 | 26,926 | 27,749 | 23.0 | 12.2 | 19.5 | -3.2 | 0.0 | 3.1 | *18.1* | *18.3* |
| Total Borrowings | 18,611 | 14,512 | 14,251 | 30.7 | -29.0 | -23.4 | -9.0 | 0.0 | -1.8 | *14.5* | *9.4* |
| Foreign Liabilities | 10,065 | 8,236 | 8,003 | 24.7 | -17.0 | -20.5 | 1.4 | 0.0 | -2.8 | *7.8* | *5.3* |
| i. Short-term borrowings | 6,751 | 3,497 | 3,223 | 49.2 | -47.9 | -52.3 | 0.6 | 0.0 | -7.8 | *5.3* | *2.1* |
| ii. Long-term borrowings | 2,988 | 3,991 | 3,907 | -2.9 | 39.7 | 30.7 | 4.6 | 0.0 | -2.1 | *2.3* | *2.6* |
| iii. Deposits of non-residents | 326 | 748 | 873 | -30.7 | 109.9 | 168.2 | -8.6 | 0.0 | 16.8 | *0.3* | *0.6* |
| Domestic Liabilities | 99,987 | 119,797 | 121,762 | 17.8 | 18.1 | 21.8 | -1.5 | 0.0 | 1.6 | *77.9* | *80.1* |
| i. Short-term borrowing | 7,820 | 4,999 | 5,072 | 32.3 | -48.8 | -35.1 | -19.9 | 0.0 | 1.5 | *6.1* | *3.3* |
| ii. Long-term Borrowings | 1,052 | 2,025 | 2,049 | 44.3 | 80.8 | 94.8 | -6.1 | 0.0 | 1.2 | *0.8* | *1.3* |
| iii. Domestic Deposits | 82,776 | 103,060 | 103,102 | 15.9 | 24.0 | 24.6 | -0.4 | 0.0 | 0.0 | *64.5* | *67.8* |
| Other Liabilities | 8,339 | 9,753 | 11,649 | 21.7 | 30.4 | 39.7 | 11.5 | 0.0 | 19.4 | *6.5* | *7.7* |
| Paid-up capital | 9,763 | 9,757 | 9,757 | 10.2 | 1.3 | -0.1 | 1.3 | 0.0 | -0.0 | *7.6* | *6.4* |
| Shareholders' Funds | 18,282 | 21,249 | 22,159 | 14.6 | 20.8 | 21.2 | 3.9 | 0.0 | 4.3 | *14.2* | *14.6* |

*Source: Bank of Ghana*

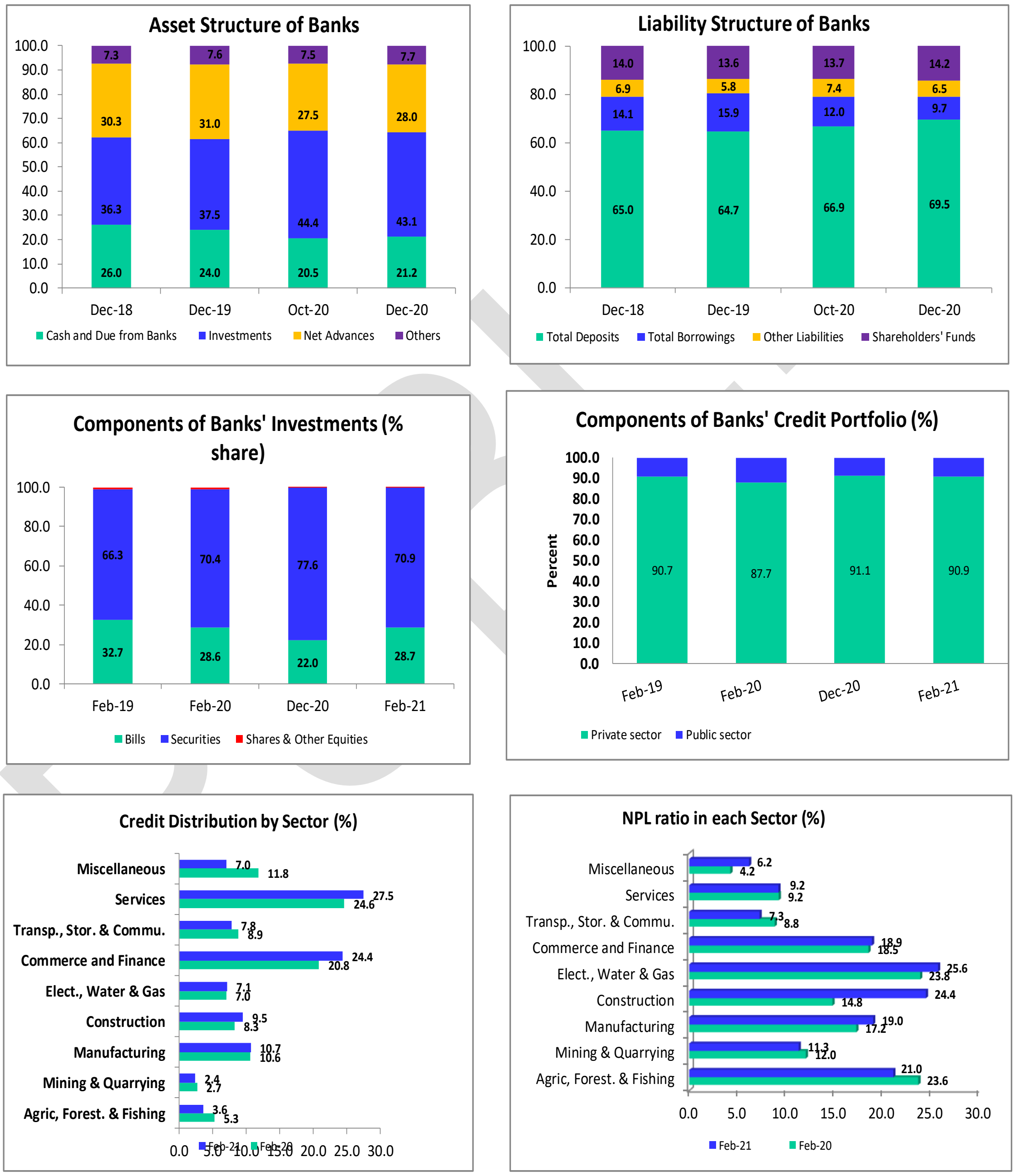
The expanded assets size of the industry was largely funded by deposits. Total deposits grew by 25.1 percent (year-on-year) to GH¢104.0 billion as at end-February 2021, compared to 15.6 percent a year earlier (see Table 1). Liquidity flows within the domestic economy from the COVID-19 fiscal stimulus as well as payments to contractors, SDI depositors, and clients of SEC-licensed fund managers provided additional funding to the banking sector to support asset growth. Additionally, increased savings by individuals and firms against the pandemic-related slowdown in consumer and investment spending in some sectors also contributed to the strong observed deposit growth.

Growth in shareholders' funds was stronger and is indicative of adequate capital buffers within the banking sector to withstand shocks. Shareholders' funds grew by 21.2 percent to GH¢22.2 billion as at end-February 2021, compared with a 14.6 percent growth a year earlier, reinforcing the stability and resilience of the banking sector. The sustained growth in banks' total net worth was driven by strong profit retention.

Banks continued to cut back on borrowings as they relied on relatively cheaper sources of funding from deposits and shareholders' funds to fund assets' growth. Total borrowings at end-February 2021 therefore contracted by 23.4 percent to GH¢14.3 billion, in sharp contrast to growth of 30.7 percent a year earlier. The decline in borrowings reflected mainly in short-term borrowings while long-term borrowings increased during the year.

In summary, the balance sheet performance of the industry for the first two months of 2021 shows sustained growth in key indicators except for the pandemic-induced weakness in credit growth. It is expected that growth in the sector will remain strong as the economic recovery process takes hold in 2021.

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




*Source: Bank of Ghana Staff Calculations*

### *2.1 Asset and Liability Structure*

The structure of banks' balance sheets remained broadly unchanged during the review period. However, there were some noticeable differences in the relative shares of the key components, a reflection of the pandemic-induced developments within the sector during the past year. Investments continued to dominate the assets mix as its share increased significantly from 36.3 percent in February 2020 to 44.7 percent in February 2021, reflecting banks' increasing appetite for less risky assets. The share of loans and advances (net) however declined to 27.2 percent from 31.5 percent in the previous year on account of the slowdown in credit growth. The share of "Cash and Due from Banks" also declined during the period to 19.9 percent from 24.2 percent, due in part to the reduction in the primary reserve requirement by 2 percentage points in March 2020, one of the regulatory measures to boost liquidity and encourage lending to critical sectors of the economy and also support sectors badly hit by the pandemic. Non-earning assets (fixed assets and other assets), however, recorded a marginal uptick to 8.2 percent from 8.0 percent (see Annexes Table 1).

On the liability side, the stronger growth in deposits as at February 2021 resulted in the share of deposits increasing to 68.4 percent from 64.8 percent during the prior year. The Shareholders' Funds component inched up to 14.6 percent from 14.2 percent on account of sustained growth in profits and profit retention. The observed contraction in borrowings led to the share of borrowed funds declining to 9.4 percent from 14.5 percent over the period. The share of "Other liabilities" went up marginally to 14.6 percent from 14.2 percent over the same comparative period (see Annexes Table 1).

### *2.2 Share of Banks' Investments*

Although banks' investment holdings increased in February 2021, the structure of the investment portfolio was unchanged from the February 2020 position. However, the movement towards longer dated instruments which led to a rise in the share of securities in total investments in the second half of 2020 reversed somewhat during the first two months of 2021, with banks increasing holdings of short-term bills so far this year. As a result, the investments mix was virtually unchanged in February 2021 compared to February 2020. The proportion of short-term bills in total investments was 28.7 percent while securities had a larger share of 70.9 percent as at February 2021. The share of equity investments remained negligible, at 0.3 percent, at end-February 2021 (see Figure 1).

## 3.0 Credit Risk

The industry's exposure to credit risk has somewhat heightened since the outbreak of the pandemic in March 2020, and its resultant challenging operating environment on the sector. The non-performing loans (NPL) ratio inched up, reflecting the COVID-19 pandemic-induced slowdown in credit growth and higher loan loss provisions arising from repayment challenges from customers whose businesses and cash-flows had been adversely impacted by the pandemic.

### *3.1 Credit Portfolio Analysis*

The observed slower credit growth in 2020 occasioned by the pandemic continued during the first two months of 2021, reflecting the lingering weak credit demand and supply conditions. The stock of gross loans and advances (excluding the loans under receivership) increased to GH¢47.6 billion at end-February 2021, representing a 3.6 percent annual growth, lower than the 26.0 percent growth in February 2020. The slower growth rate in total credit in February 2021 reflected declines in the annual growth rates of its components. Public sector credit contracted by 23.0 percent, in sharp contrast to the growth of 66.8 percent recorded in February 2020. The share of public sector credit in total credit accordingly declined from 12.3 percent to 9.1 percent over the review period. Private sector credit of GH¢43.2 billion remained the larger share of total credit, but its growth declined from 21.6 percent in February 2020 to 7.4 percent in February 2021 (see Annexes Tables 2 & 4).

The sectoral breakdown of loans indicated that the services sector continued to hold the highest share of credit, followed by the commerce and finance sector and the manufacturing sector with respective shares of 27.5 percent, 24.4 percent, and 10.7 percent at end-February 2021 (see Figure 1). These three sectors accounted for 62.5 percent of total credit and the remaining 37.5 percent was distributed across other economic sectors as shown in Figure 1. The mining and quarrying sector remained the lowest recipient of industry credit with a share of 2.4 percent at end-February 2021.

### *3.2 Off-Balance Sheet Activities*

Off-balance sheet transactions (largely comprising trade finance and guarantees) recorded a lower growth of 7.4 percent from GH¢10.7 billion in February 2020 to GH¢11.9 billion at end-February 2021, compared to the annual growth rate 17.2 percent last year. Banks' contingent liabilities as a percentage of total liabilities accordingly declined to 9.2 percent from 9.7 percent during the comparable periods (see Annexes Table 3).

### *3.3 Asset Quality*

The pandemic-induced loan repayment challenges and slowdown in credit growth continues to impact the quality of assets within the banking sector. Although the negative impact on asset quality seemed to have waned somewhat in the second half of 2020, supported by reliefs provided by banks in the form of loan restructuring and loan repayment moratoria, a marginal deterioration in asset quality was recorded during the first two months of 2021. Accordingly, the end-February 2021 NPL ratio of 15.3 percent was marginally higher than the year-end NPL ratio of 14.8 percent and the previous years' NPL ratio of 13.8 percent. Similarly the adjusted NPL ratio, which excludes the fully provisioned loss category loans, increased from 5.2 percent and 6.5 percent in February and December 2020 respectively, to 6.6 percent at end-February 2021. The increase in the NPL ratio over the one year period reflects an actual increase in the stock of NPLs (deterioration in loan quality) by 15.1 percent to GH¢7.3 billion at end-February 2021, as well as the lower credit growth recorded this year relative to last year.

The overall increase in the NPL ratio reflected in all but the agriculture, forestry and fishing, transport, storage and communications, mining and quarrying, and the services sectors. The construction sector recorded the most pronounced increase in its NPL ratio from 14.8 percent to 24.4 percent during the review period. Other sectors namely the electricity, gas and water, manufacturing and the commerce and finance sectors recorded moderate increases in their sectoral NPL ratios in February 2021 compared to the previous year (see Figure 1).

## 4.0 Financial Soundness Indicators

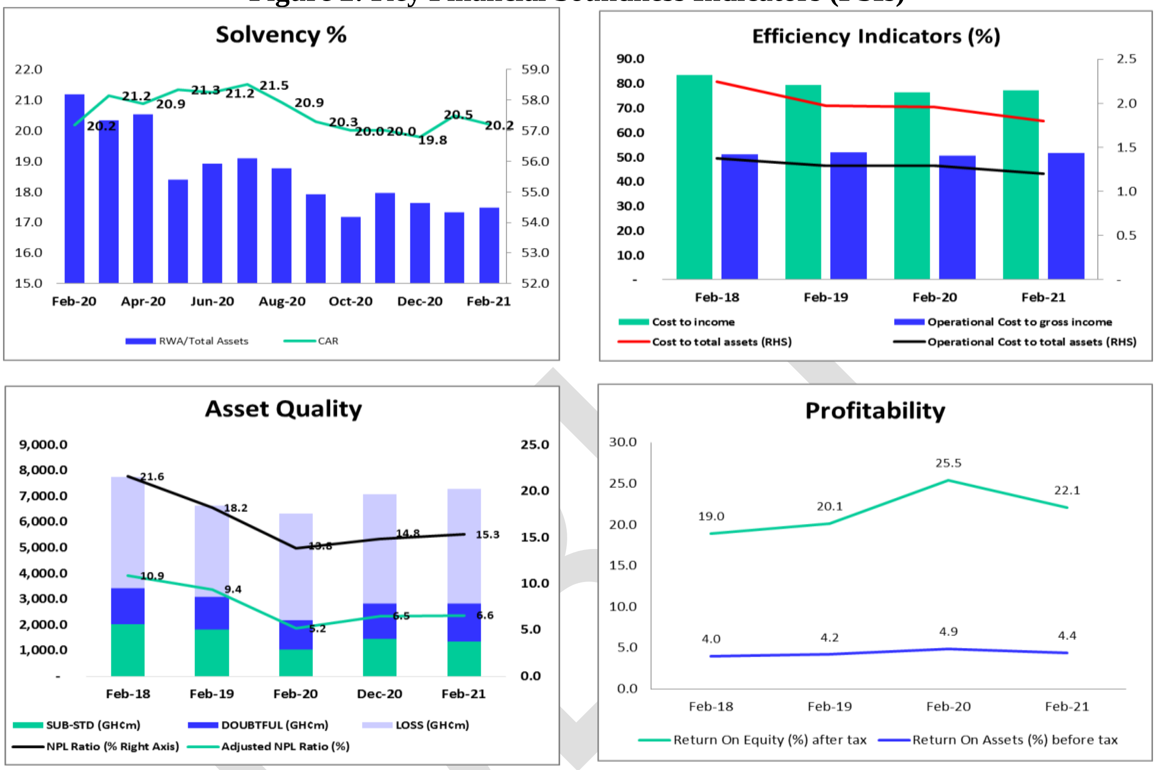
Financial soundness indicators remained strong and healthy as at end-February 2021, underpinned by robust solvency, liquidity, and profitability indicators.

### *4.1 Liquidity Indicators*

Liquidity within the banking sector was adequate over the review period, partly due to the 2-percentage point reduction in the primary reserve requirement in the first quarter of 2020. The ratio of core liquid assets (mainly cash and due from banks) to total assets dipped from 24.2 percent a year ago to 19.9 percent in February 2021. Core liquid assets to total deposits also declined from 37.3 percent to 29.1 percent over the same period, reflecting both the reduction in primary reserves and the sharp increase in deposits growth during the year (see Annexes Table 5).

The increase in banks' investments holdings resulted in the ratio of broad liquid assets to total assets increasing to 64.4 percent from 60.1 percent. The liquid assets to total deposits ratio inched up from 92.8 percent to 94.2 percent over the same comparative period.

**Figure 2: Key Financial Soundness Indicators (FSIs)**




*Source: Bank of Ghana Staff Calculations*

### *4.2 Capital Adequacy Ratio (CAR)*

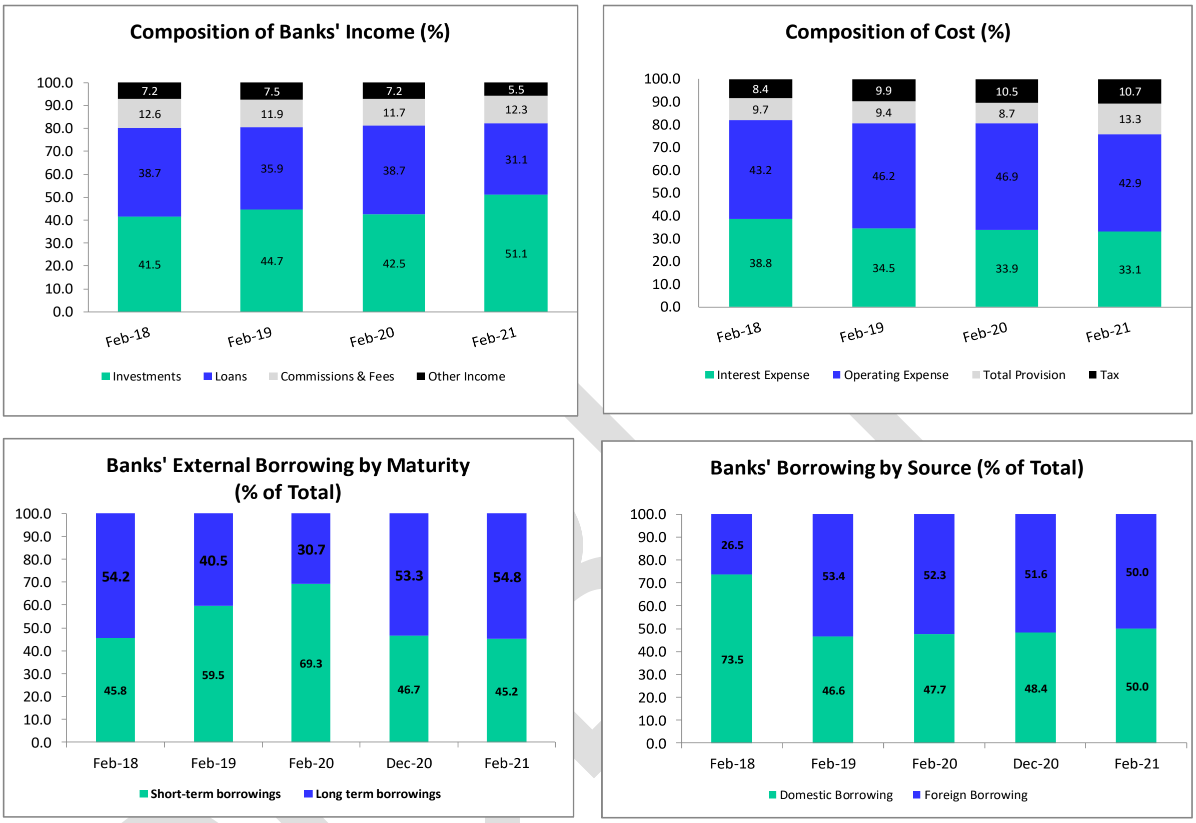
The banking sector remains solvent, with sufficient capital buffers to absorb potential losses from increased lending and/or from the current challenging operating environment. The CAR of 20.2 percent as at February 2021 was well above the current minimum regulatory threshold of 11.5 percent under Basel II/III requirements, and is supportive of increased lending to the real sector to facilitate economic recovery.

### *4.3 Profitability*

Banks' reported a modest profit performance for the first two months of 2021 compared to the same period last year, attributed to declines in growth in revenue lines and higher loan provisions. Growth in profit after tax slowed to 5.9 percent from 38.8 percent during the prior year. Interest income growth declined to 9.5 percent in February 2021 from 22.0 percent February 2020 due to the relatively low growth in credits while net fees and commissions increased by 13.7 percent, lower than the 18.4 percent recorded in the previous year. Slower growth in credits, trade-financing and other off-balance sheet transactions contributed to the decline in growth of fees and commissions during the review period. Similarly, net interest income growth declined from 25.9 percent in February 2020 to 10.9 percent in February 2021, notwithstanding the dip in growth in interest expenses from the contraction in borrowings.

Cost control measures continue to impact positively on the sector with operational costs declining marginally by 0.3 percent, as against a growth of 18.6 percent over the same period in 2020. The marginal gain in operating cost was however offset by higher loan provisions. Total provisions increased by 62.2 percent in February 2021, compared to 6.5 percent in February 2020, due to the rising NPLs partly from the general pandemic-induced repayment challenges as well as some bank-specific loan recovery challenges.

**Figure 3: Composition of Income, Cost and Borrowings**




*Source: Bank of Ghana Staff Calculations*

*(a) Return on Assets and Return on Equity*

Due to the slower growth in profits, profitability indicators declined, yet remained strong as at February 2021. Return on Equity (ROE) declined from 25.1 percent to 22.1 percent, while Return on Assets (ROA) dipped from 4.9 percent to 4.4 percent over the same comparative period (see Figure 2 and Annexes Table 6).

*(b) Interest Margin and Spread*

Banks' interest spreads narrowed marginally from 2.1 percent to 1.9 percent between February 2020 and February 2021, reflecting lower interest rates between the periods. Accordingly, the industry's gross yield declined from 3.1 percent to 2.8 percent while banks' interest payable declined from 1.0 percent to 0.9 percent during the period. The sector's interest margin to total assets also recorded a marginal decline from 1.4 percent to 1.3 percent over the period. The interest margin to gross income ratio however increased to 56.6 percent from 55.2 percent, reflecting the slower growth in gross income during the period.

The ratio of gross income to total assets (asset utilisation) marginally declined to 2.3 percent from 2.6 percent implying that for each asset in use, the gross income generated was less in February compared to the previous year. The industry's profitability ratio also declined to 22.8 percent in February 2021 from 23.3 percent a year earlier (see Annexes Table 6).

*(c) Composition of Banks' Income*

The composition of banks' income in February 2021 reflected the structure of the balance sheet. 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 51.1 percent in February 2021 from 42.5 percent in the previous year. Interest income from loans was the second largest source of banks' income but its share declined to 31.1 percent from 38.7 percent, reflecting the slowdown in credit growth. The share of fees and commissions however increased marginally to 12.3 percent from 11.7 percent over the same comparative period while the share of other income sources declined to 5.5 percent from 7.2 percent (see Figure 3).

### *4.4 Operational Efficiency*

Cost efficiency indicators continued to reflect cost control measures taken by the banks during the review period, with only marginal changes recorded in cost efficiency measures in February 2021 compared to February 2020. The cost-to-income ratio of the industry inched up from 76.5 percent in February 2020 to 77.2 percent in February 2021 while cost-to-total assets improved marginally to 1.8 percent from 2.0 percent during the same comparative period. The ratio of operational cost to total assets similarly improved from 1.3 percent to 1.2 percent while the ratio of operational cost to gross income increased marginally to 51.7 percent from 50.6 percent (see Figure 2).

### *4.5 Banks' Counterparty Relationships*

Banks recorded some moderation in counterparty risk in February 2021 relative to February 2020. Growth in offshore balances slowed to 6.8 percent in February 2021 from 7.7 percent a year earlier attributed to a contraction in banks' placements and a moderation in growth in banks' nostro balances. Growth in banks' nostro balances declined from 40.0 percent to 15.3 percent between the two periods. Placements declined by 1.9 percent following a more pronounced contraction of 12.9 percent in February 2020. Off shore balances at end-February 2021 was GH¢11.0 billion representing a 44.5 percent share of banks' net worth compared with GH¢9.7 billion (50.5 percent share) in February 2020. (see Annexes Table 8).

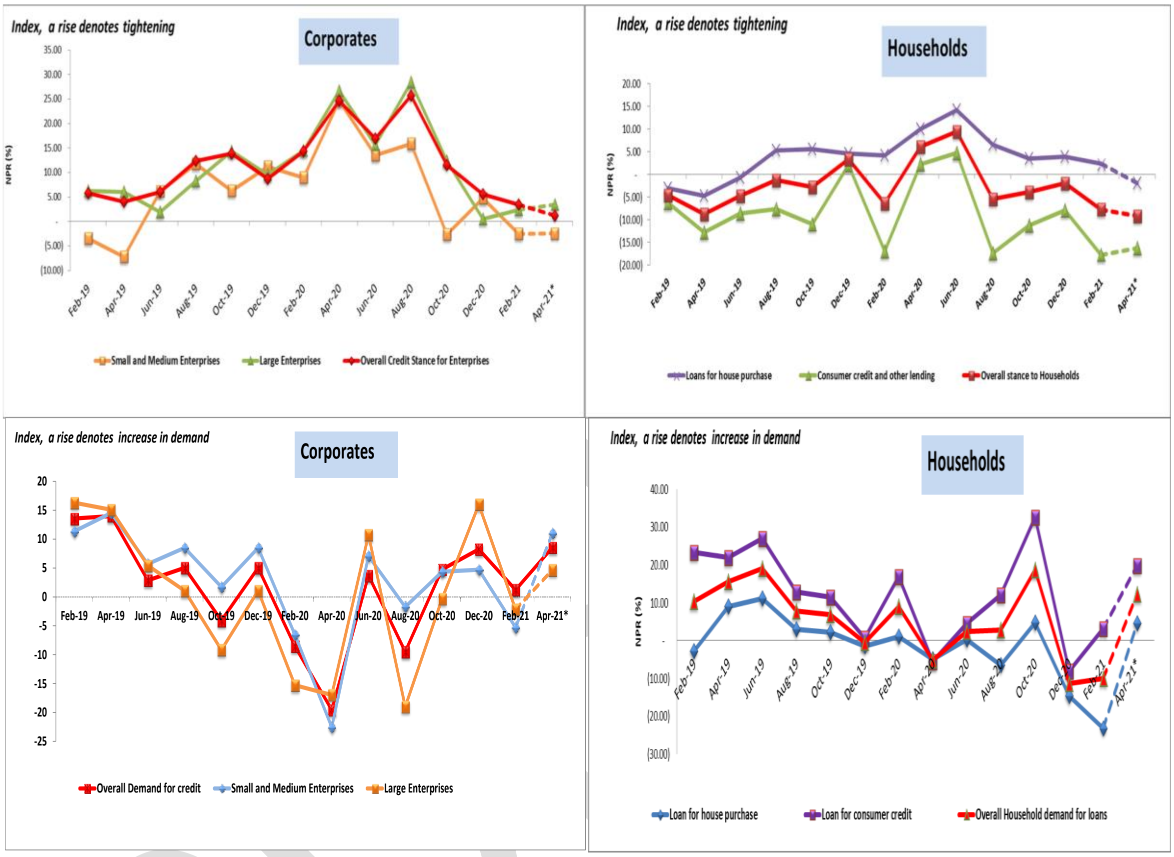
The share of banks' external borrowings in total borrowings declined to 50.0 percent in February 2021 from 52.3 percent in February 2020, which indicated a moderation in counterparty risk. In addition, there was a shift in the tenor of foreign borrowings within the review period in favour of more stable longer term borrowings. The share of long-term funds in total external borrowing increased sharply to 54.8 percent from 30.7 percent, while the share of short-term external borrowing declined to 45.2 percent from 69.3 percent over the review period (see Figure 3).

## 5.0 Credit Conditions Survey

The credit stance on loans to enterprises and households eased further in February 2021 in line with earlier projections, albeit marginally. Results from the February 2021 credit conditions survey pointed to a marginal net ease in overall credit stance on loans. However, credit stance on loans to large enterprises tightened marginally and is projected to tighten further in the next two months. The stance on SME loans was however expected to ease between February and April 2021.

The net ease in the overall credit stance on household loans was on the back of a net ease in stance on mortgages and consumer credit. Projections of a further net ease in credit stance on household loans is expected to reflect in the stance on mortgages while banks' stance on consumer credit is projected to tighten marginally in the next two months.

**Figure 4: Credit Conditions Survey Results**




*Source: Bank of Ghana Staff Calculations*

Demand for loans by enterprises and households remained relatively weak compared to pre-pandemic levels. Demand for loans by enterprises declined during the first two months of the year but is expected to pick up in March and April 2021. Credit demand by households however inched up marginally at the beginning of the year on the back of strong consumer credit demand. Overall household demand was however moderated by a sharp decline in demand for mortgages during the first two months of the year. Demand for credit by households is projected to increase in March and April 2021 (see Figure 4).

The latest survey showed a decline in bank's inflation expectations for the next six months, attributable to improved perceptions on performance of the economy. Banks' expectations of lending rates six months ahead also declined, influenced by the observed marginal decline in banks' actual lending rate and other money market rates since the beginning of the year.

## 6.0 Conclusion and Outlook

The robust performance of the banking sector continued into 2021. Asset growth remained strong on the back of strong deposit and investment growth. However, credit growth was sluggish due to the lingering effect of low credit demand and supply conditions triggered by the COVID-19 pandemic. The financial soundness indicators continued to reflect a well-capitalised and liquid sector. Profitability was moderately affected by the pandemic but effective cost control measures ensured that the impact of the pandemic on the bottom line was somewhat contained. Asset quality remains a risk in the outlook. Continuous monitoring of the sector to promote effective risk management will further cushion the banking sector from the negative impact of the pandemic. Consequently, the sector would be closely monitored and supervision intensified to address potential vulnerabilities as the pandemic lingers.

# ANNEXES

**Table 1: Asset and Liability Structure of the Banking Sector**

| | Feb-18 | Feb-19 | Feb-20 | Dec-20 | Feb-21 |
|---|---|---|---|---|---|
| ***Components of Assets (% of Total)*** | | | | | |
| Cash and Due from Banks | 24.9 | 23.5 | 24.2 | 21.2 | 19.9 |
| Investments | 34.3 | 39.9 | 36.3 | 43.1 | 44.7 |
| Net Advances | 31.9 | 29.2 | 31.5 | 28.0 | 27.2 |
| Others | 8.7 | 7.4 | 8.0 | 7.7 | 8.2 |
| ***Components of Liabilities and Shareholders' Funds (% of Total)*** | | | | | |
| Total Deposits | 63.0 | 66.0 | 64.8 | 69.5 | 68.4 |
| Total Borrowings | 16.0 | 13.1 | 14.5 | 9.7 | 9.4 |
| Shareholders' Funds | 6.8 | 6.3 | 6.5 | 6.5 | 7.7 |
| Other Liabilities | 14.2 | 14.6 | 14.2 | 14.2 | 14.6 |

*Bank of Ghana Staff Calculations*

**Table 2: Credit Growth**

| Economic Sector | GH¢million | | | | y/y growth (%) | | year-to-date growth(%) | |
|---|---|---|---|---|---|---|---|---|
| | Feb-19 | Feb-20 | Dec-20 | Feb-21 | Feb-20 | Feb-21 | Aug-19 | Aug-20 |
| **Public Sector** | **3,384** | **5,645** | **4,236** | **4,347** | **66.8** | **-23.0** | **-2.7** | **2.6** |
| **Private Sector** | **33,099** | **40,254** | **43,533** | **43,216** | **21.6** | **7.4** | **2.3** | **-0.7** |
| - Private Enterprises | 24,684 | 30,158 | 32,756 | 31,644 | 22.2 | 4.9 | 4.7 | -3.4 |
| o/w Foreign | 3,995 | 3,629 | 3,844 | 4,118 | -9.1 | 13.5 | -3.9 | 7.1 |
| Indigeneous | 20,689 | 26,528 | 28,912 | 27,526 | 28.2 | 3.8 | 6.0 | -4.8 |
| - Households | 7,505 | 8,883 | 9,557 | 10,279 | 18.4 | 15.7 | -5.6 | 7.6 |
| **Gross Loans** | **36,483** | **45,900** | **47,769** | **47,563** | **25.8** | **3.6** | **1.6** | **-0.4** |

*Bank of Ghana Staff Calculations*

**Table 3: Contingent Liability**

| GHCM | Feb-18 | Feb-19 | Feb-20 | Dec-20 | Feb-21 |
|---|---|---|---|---|---|
| **Contingent Liabilities (GH¢M)** | 8,883.7 | 9,733.0 | 10,716.0 | 12,289.3 | 11,912.5 |
| **Growth (y-o-y)** | 31.3 | 8.1 | 17.2 | 11.7 | 7.4 |
| **% of Total Liabilities** | 10.9 | 10.5 | 9.7 | 9.6 | 9.2 |

*Bank of Ghana Staff Calculations*

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

| | Feb-19 | | Feb-20 | | Dec-20 | | Feb-21 | |
|---|---|---|---|---|---|---|---|---|
| | 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** | **9.3** | **3.1** | **12.3** | **2.9** | **8.9** | **2.0** | **9.1** | **1.9** |
| i. Government | 3.6 | 1.0 | 5.6 | 0.2 | 3.4 | 0.6 | 3.7 | 0.5 |
| ii. Public Institutions | 1.2 | 0.3 | 2.6 | 0.2 | 2.8 | 0.0 | 2.6 | 0.0 |
| iii. Public Enterprises | 4.5 | 1.7 | 4.0 | 2.5 | 2.6 | 1.3 | 2.8 | 1.4 |
| **b. Private Sector** | **90.7** | **96.9** | **87.7** | **97.1** | **91.1** | **98.0** | **90.9** | **98.1** |
| i. Private Enterprises | 67.7 | 85.6 | 65.7 | 82.7 | 68.6 | 88.5 | 66.5 | 87.9 |
| o/w Foreign | 10.9 | 10.2 | 7.9 | 9.1 | 8.0 | 4.8 | 8.7 | 4.1 |
| Indigeneous | 56.7 | 75.4 | 57.8 | 73.6 | 60.5 | 83.7 | 57.9 | 83.8 |
| ii. Households | 20.6 | 9.6 | 19.4 | 8.5 | 20.0 | 7.8 | 21.6 | 8.6 |
| iii. Others | 2.5 | 1.8 | 2.6 | 5.9 | 2.6 | 1.7 | 2.7 | 1.6 |

*Bank of Ghana Staff Calculations*

**Table 5: Liquidity Ratios**

| | Feb-18 | Feb-19 | Feb-20 | Dec-20 | Feb-21 |
|---|---|---|---|---|---|
| **Liquid Assets (Core) - (GH¢'million)** | 23,708.8 | 25,551.82 | 31,021.6 | 31,585.96 | 30,216.39 |
| **Liquid Assets (Broad) -(GH¢'million)** | 55,877.5 | 68,593.36 | 77,142.6 | 95,774.74 | 97,917.44 |
| **Liquid Assets to total deposits (Core)-%** | 39.6 | 35.6 | 37.3 | 30.4 | 29.1 |
| **Liquid Assets to total deposits (Broad)- %** | 93.3 | 95.4 | 92.8 | 92.3 | 94.2 |
| **Liquid assets to total assets (Core)- %** | 24.9 | 23.5 | 24.2 | 21.2 | 19.9 |
| **Liquid assets to total assets (Broad)- %** | 58.7 | 63.0 | 60.1 | 64.1 | 64.4 |

*Bank of Ghana Staff Calculations*

**Table 6: Profitability Indicators (%)**

| | Feb-18 | Feb-19 | Feb-20 | Feb-21 |
|---|---|---|---|---|
| **Gross Yield** | 3.3 | 2.8 | 3.1 | 2.8 |
| **Interest Payable** | 1.3 | 1.0 | 1.0 | 0.9 |
| **Spread** | 2.0 | 1.9 | 2.1 | 1.9 |
| **Asset Utilitisation** | 2.7 | 2.5 | 2.6 | 2.3 |
| **Interest Margin to Total Assets** | 1.3 | 1.3 | 1.4 | 1.3 |
| **Interest Margin to Gross income** | 47.8 | 53.1 | 55.2 | 56.6 |
| **Profitability Ratio** | 16.4 | 20.3 | 23.3 | 22.8 |
| **Return On Equity (%) after tax** | 19.0 | 20.1 | 25.5 | 22.1 |
| **Return On Assets (%) before tax** | 4.0 | 4.2 | 4.9 | 4.4 |

*Source: Bank of Ghana Staff Calculations*

**Table 7: DMBs' Income Statement Highlights**

| | (GH ¢'million) | | | | Y-on-y Growth (%) | | |
|---|---|---|---|---|---|---|---|
| | Feb-18 | Feb-19 | Feb-20 | Feb-21 | Feb-19 | Feb-20 | Feb-21 |
| Interest Income | 2,046 | 2,179 | 2,659 | 2,910 | 6.5 | 22.0 | 9.5 |
| Interest Expenses | -827 | -742 | -850 | -904 | (10.3) | 14.6 | 6.4 |
| **Net Interest Income** | **1,219** | **1,438** | **1,809** | **2,006** | **17.9** | **25.9** | **10.9** |
| Fees and Commissions (Net) | 322 | 323 | 383 | 435 | 0.4 | 18.4 | 13.7 |
| Other Income | 184 | 203 | 235 | 196 | 10.2 | 15.6 | (16.5) |
| Operating Income | 1,725 | 1,964 | 2,427 | 2,638 | 13.8 | 23.6 | 8.7 |
| Operating Expenses | -921 | -992 | -1,176 | -1,172 | 7.7 | 18.6 | (0.3) |
| Staff Cost (deduct) | -484 | -546 | -645 | -647 | 12.9 | 18.3 | 0.3 |
| Other operating Expenses | -437 | -446 | -531 | -525 | 1.9 | 19.0 | (1.0) |
| **Net Operating Income** | **804** | **972** | **1,251** | **1,465** | **20.9** | **28.6** | **17.1** |
| Total Provision (Loan losses, Depreciation & others) | -206 | -211 | -225 | -364 | 2.2 | 6.5 | 62.2 |
| **Income Before Tax** | **598** | **761** | **1,026** | **1,101** | **27.4** | **34.8** | **7.3** |
| Tax | -180 | -212 | -264 | -293 | 17.8 | 24.4 | 11.1 |
| **Net Income** | **418** | **550** | **763** | **808** | **31.5** | **38.8** | **5.9** |
| Gross Income | 2,552 | 2,706 | 3,277 | 3,542 | 6.0 | 21.1 | 8.1 |

*Bank of Ghana Staff Calculations*

**Table 8: Developments in Offshore Balances**

| | **Feb-18** | **Feb-19** | **Feb-20** | **Dec-20** | **Feb-21** |
|---|---|---|---|---|---|
| **Offshore balances as % to Networth** | 59.0 | 53.7 | 50.5 | 51.8 | 44.5 |
| **Annual Growth in Offshore balances (%)** | 2.5 | 7.5 | 7.7 | 13.3 | 6.8 |
| **Annual Growth in Nostro Balances (%)** | 16.9 | -31.2 | 40.0 | 1.0 | 15.3 |
| **Annual Growth in Placement (%)** | -14.0 | 67.9 | -12.9 | 31.9 | -1.9 |

*Source: Bank of Ghana Staff Calculations*