OPENING REMARKS BY MRS ELSIE ADDO AWADZI, SECOND DEPUTY GOVERNOR OF THE BANK OF GHANA, AT THE BANK OF GHANA/BANK OF ENGLAND REGIONAL EVENT HELD FROM 13-15TH DECEMBER 2021 ON THE THEME, "MICROPRUDENTIAL SUPERVISION OF CREDIT RISK"

Her Excellency Harriet Thompson, British High Commissioner to Ghana

Officials from the Bank of England Centre for Central Banking Studies and the Prudential Regulatory Authority

Colleagues from the Bank of Ghana, participating African Central Banks, and regional institutions

A very good morning, and welcome or *Akwaaba* as we say in Ghana!

The Bank of Ghana is most honoured to co-host this regional event in collaboration with the Bank of England. We are thankful to the Bank of England and the Government of the United Kingdom for their continued technical support for us at the Bank of Ghana over the past three years. The Bank of England/Bank of Ghana technical cooperation has involved several high-quality training programmes delivered by staff of the Bank of England for staff of the Bank of Ghana on a wide range of critical topics including macroeconomic forecasting, macroprudential oversight, microprudential supervision, crisis management and resolution of failed institutions, among others.

This week's event is the third Microprudential Supervision training event in a row that has been extended to staff of sister Central Banks in Africa. We are grateful to the Bank of England for appreciating how important these regional events are in supporting the Bank of Ghana's efforts to strengthen cross-border supervisory cooperation in the region. Indeed, these regional events help to build the supervisory capacity of Central Banks in the region through peer learning, and help us find cutting-edge solutions to supervisory concerns that are common to us, particularly as we strive to promote more effective regulation and supervision of Pan-African banks that operate in several African countries and beyond.

The theme for this three-day event – Microprudential Supervision of Credit Risk – has always been critical in promoting the safety, soundness, and resilience of the banking sector. A number of factors account for high credit risk faced by banks in Africa. These include poor credit underwriting standards by some banks, weak credit market infrastructure such as credit reporting systems, challenges in loan enforcement in the face of defaults, and macroeconomic challenges that impact the real sector, among others.

As the pandemic rages on, banks face heightened credit risk as depicted in rising non-performing loan ratios and this is of great concern to banks, supervisors, and macroeconomic policy makers. What is more, the full extent of banks' credit risk cannot be assessed with any high degree of certainty given the uncertain economic outlook in the midst of the pandemic and the fact that many reliefs granted by banks to borrowers at the onset of the pandemic remain in force. The impact of the pandemic on supervisors' ability to conduct on-site examination of banks is another key concern, given the limitations of off-site loan book reviews.

This regional training event therefore provides a great opportunity for bank supervisors in Africa to discuss common challenges and identify common solutions that work for our region, while learning from some of the experiences of the Bank of England and other advanced Supervisory Authorities.

On the part of Ghana, the Bank of Ghana's banking sector reforms over the last several years have helped to cushion banks somewhat against the impact of the pandemic. Following an Asset Quality Review conducted by the Bank of Ghana in 2015/16 which unearthed significantly impaired assets and insolvency in the banking system, the Bank of Ghana resolved nine banks from August 2017 through January 2019 without causing upheavals in the system. A mandated recapitalisation exercise, the implementation of the Capital Requirement under Pillar 1 of Basel II/III, and the adoption of IFRS 9's Expected Credit Loss computation by banks from 2018/2019 enabled the banking system to rebuild adequate capital buffers that positioned banks to better withstand the economic shock from the pandemic.

As we look ahead in an uncertain economic future, it is my hope that the peer learning from this training event will help supervisors in Africa to improve the quality of microprudential supervision of banks' credit risk, and help to better promote the stability and resilience of Africa's banking system.

On behalf of Governor Ernest Addison and the entire management team of the Bank of Ghana, I once again say *Akwaaba* to our colleagues from the 16 African Central Banks and two regional institutions (WAMI and WAIFEM) participating in this training programme. I again thank the Bank of England and the Government of the United Kingdom for their very generous support for the Bank of Ghana and the region as a whole, and wish everyone a fruitful webinar.

Thank you for your attention!