Bank of Ghana
Monetary Policy Report

Banking Sector Developments

Vol. 6 No.5/2021 September 2021

1.0 Overview

An assessment of the banking sector as at end-August 2021 indicated that the sector's performance remained strong, underpinned by sustained growth in total assets, deposits, and investments. The expansion in the industry's assets was on the back of increased liquidity flows from deposits and borrowings during the review period. Banks' average lending rates have also declined marginally during the review period in tandem with the policy rate cut and the interbank interest rate. However, credit growth was somewhat weak despite the marginal up-tick observed over the last two months. The sluggish growth in credit was due to both supply and demand side challenges from the lingering effects of the COVID-19 pandemic.

New advances by banks during 2021 has been robust, supported by the regulatory reliefs and policy measures introduced at the onset of the pandemic in 2020. The latest Credit Conditions Survey point to a potential increase in demand for credit and a likely softening of banks' credit stance over the next two months, a development which may further boost New Advances and translate into higher credit growth.

Financial Soundness Indicators (FSIs) of the banking sector remained healthy with improved profitability, solvency, and liquidity indicators. The industry's Non-Performing Loans (NPL) ratio, however, increased marginally due mainly to the pandemic-induced loan repayment challenges, sluggish credit growth and some bank-specific loan recovery challenges. The latest stress tests show that banks remained resilient under mild to moderate stress conditions supported by the strong capital and liquidity buffers as well as the regulatory reliefs introduced during the pandemic.

2.0 Banks' Balance Sheet

Total assets of the banking industry increased by 16.7 percent year-on-year to GH¢166.4 billion as at end-August 2021, although lower than the 23.8 percent growth recorded in the same period of 2020 due to the lingering impact of COVID-19. The asset growth reflected the rebound in economic activity, with the year-to-date growth rate of 11.4 percent in 2021 marginally exceeding the corresponding growth of 10.6 percent in 2020. The growth in total assets was on account of an increase in domestic assets by 15.4 percent, while foreign assets contracted by 26.3 percent. This development translated into an increase in the share of domestic assets in total assets from 92.4 percent in August 2020 to 95.2 percent in August 2021 while the share of foreign assets in total assets declined (Table 1).

Investments in Treasury bills and securities continue to be the preferred asset choice of banks during the pandemic evidenced by banks' portfolio reallocation in favour of these less risky assets as at end-August 2021. The share of bills, securities and equity in total assets increased to 48.3 percent from 44.0 percent, on account of the 28.0 percent year-on-year growth in these investments in August 2021, relative to the sluggish growth in credits.

Growth in gross loans and advances remained subdued reflecting sluggish credit demand and supply conditions, and the increased appetite of banks for government securities due to the elevated credit risks due to the pandemic. Gross loans and advances recorded a year-on-year increase of 8.7 percent to GH¢48.9 billion as at end-August 2021, lower than the 15.7 percent growth recorded in the previous year. Following a similar trend, net loans and advances (gross loans adjusted for provisions and interest in suspense) also recorded a modest growth of 8.5 percent to GH¢42.3 billion compared with a 14.5 percent growth in August 2020. The COVID-related regulatory reliefs and policy measures, however, continued to support lending activities, with New Advances totalling GH¢21.6 billion for the first eight months of 2021, marginally above the GH¢20.7 billion for the same period in 2020.

Table 1: Key Developments in DMBs' Balance Sheet (Ghana Cedis millions)

				Y-on-Y Growth (%)		Year-to-date growth (%)			Shares (%)	
	Aug-20	Jun-21	Aug-21	Aug-20	Aug-21	Aug-20	*Jun-21*	*Aug-21*	Aug-20	Aug-21
TOTAL ASSETS	**142,616**	**162,868**	**166,394**	**23.8**	**16.7**	**10.6**	**9.1**	**11.4**	***100.0***	***100.0***
A. Foreign Assets	10,888	10,694	8,021	15.6	(26.3)	4.9	(11.9)	(33.9)	*7.6*	*4.8*
B. Domestic Assets	131,728	152,174	158,373	24.5	20.2	11.1	10.9	15.4	*92.4*	*95.2*
Investments	62,774	75,698	80,331	36.7	28.0	29.9	17.5	24.7	*44.0*	*48.3*
i. Bills	17,529	20,538	23,377	16.4	33.4	17.1	44.7	64.7	*12.3*	*14.0*
ii. Securities	45,016	54,935	56,731	47.9	26.0	36.9	9.9	13.5	*31.6*	*34.1*
Advances (Net)	39,024	41,075	42,329	14.5	8.5	(2.3)	(1.7)	1.3	*27.4*	*25.4*
of which Foreign Currency	11,653	12,403	13,017	(2.4)	11.7	(3.8)	1.5	6.6	*8.2*	*7.8*
Gross Advances	**44,971**	**47,539**	**48,872**	**15.7**	**8.7**	**(0.4)**	**(0.5)**	**2.3**	***31.5***	***29.4***
Other Assets	6,234	7,276	7,627	49.8	22.3	21.7	12.6	18.0	*4.4*	*4.6*
Fixed Assets	4,734	5,133	5,161	16.2	9.0	1.8	2.4	2.9	*3.3*	*3.1*
TOTAL LIABILITIES AND CAPITAL	**142,616**	**162,868**	**166,394**	**23.8**	**16.7**	**10.6**	**9.1**	**11.4**	***100.0***	***100.0***
Total Deposits	**91,623**	**110,290**	**111,588**	**20.5**	**21.8**	**9.8**	**6.2**	**7.5**	***64.2***	***67.1***
of which Foreign Currency	24,916	29,157	29,195	17.5	17.2	3.8	8.3	8.4	*17.5*	*17.5*
Total Borrowings	15,601	17,163	18,774	(2.1)	20.3	(23.7)	18.3	29.4	*10.9*	*11.3*
Foreign Liabilities	7,853	10,975	11,536	(13.6)	46.9	(20.9)	33.3	40.1	*5.5*	*6.9*
i. Short-term borrowings	3,000	5,029	5,381	(50.7)	79.4	(55.3)	43.8	53.9	*2.1*	*3.2*
ii. Long-term borrowings	4,405	4,850	5,011	65.1	13.8	54.2	21.5	25.6	*3.1*	*3.0*
iii. Deposits of non-residents	448	1,096	1,143	35.5	155.1	25.7	46.5	52.8	*0.3*	*0.7*
Domestic Liabilities	114,485	128,130	130,330	28.1	13.8	12.8	7.0	8.8	*80.3*	*78.3*
i. Short-term borrowing	6,715	5,160	6,347	14.0	(5.5)	(31.2)	3.2	27.0	*4.7*	*3.8*
ii. Long-term Borrowings	1,481	2,124	2,035	15.3	37.4	32.2	4.9	0.5	*1.0*	*1.2*
iii. Domestic Deposits	91,175	109,194	110,446	20.5	21.1	9.7	6.0	7.2	*63.9*	*66.4*
Other Liabilities	15,115	12,681	12,546	132.2	(17.0)	102.1	30.0	28.6	*10.6*	*7.5*
Paid-up capital	9,738	9,757	9,757	5.2	0.2	1.1	0.0	0.0	*6.8*	*5.9*
Shareholders' Funds	20,278	22,735	23,485	21.3	15.8	15.3	7.0	10.5	*14.2*	*14.1*

Source: Bank of Ghana

The industry continued to record strong and sustained growth in deposits attributed to liquidity flows within the domestic economy. Deposits recorded a robust growth of 21.8 percent to GH¢111.6 billion as at end-August 2021, relative to the 20.5 percent growth recorded a year earlier (Table 1). The COVID-19 fiscal stimulus, payments to contractors, SDI depositors, and clients of SEC-licensed fund managers as well as increased savings by individuals and firms from the pandemic-induced slowdown in consumer and investment spending in some sectors, contributed to the observed growth in total deposits.

Banks also relied on additional liquidity flows from borrowings to support growth in total assets. Total borrowings increased by 20.3 percent in August 2021, compared with a contraction of 2.1 percent last year. The increase in growth in total borrowings was more on account of an increase in short-term borrowings from foreign sources.

The industry's shareholders' funds position remained strong, indicative of a strong capital base within the banking sector to withstand shocks. Albeit lower than the previous year, shareholders' funds grew by 15.8 percent to GH¢23.5 billion as at end-August 2021, compared to the 21.3 percent growth in August 2020. The slower growth in shareholders' funds this year relative to last year reflects in part, the marginal slowdown in profit growth this year as well as the lifting of restrictions on dividend payments by banks put in place at the height of the pandemic. The strong shareholders' funds position continues to support the stability and resilience of the banking sector.

Overall, the banking industry posted a strong balance sheet position in August 2021 on the back of increased liquidity flows from deposits, shareholders' funds, and borrowings. The lingering effect of the pandemic, however, continued to constrain credit growth and contributed to the continuous reallocation of liquidity flows into investments.

2.1 Asset and Liability Structure

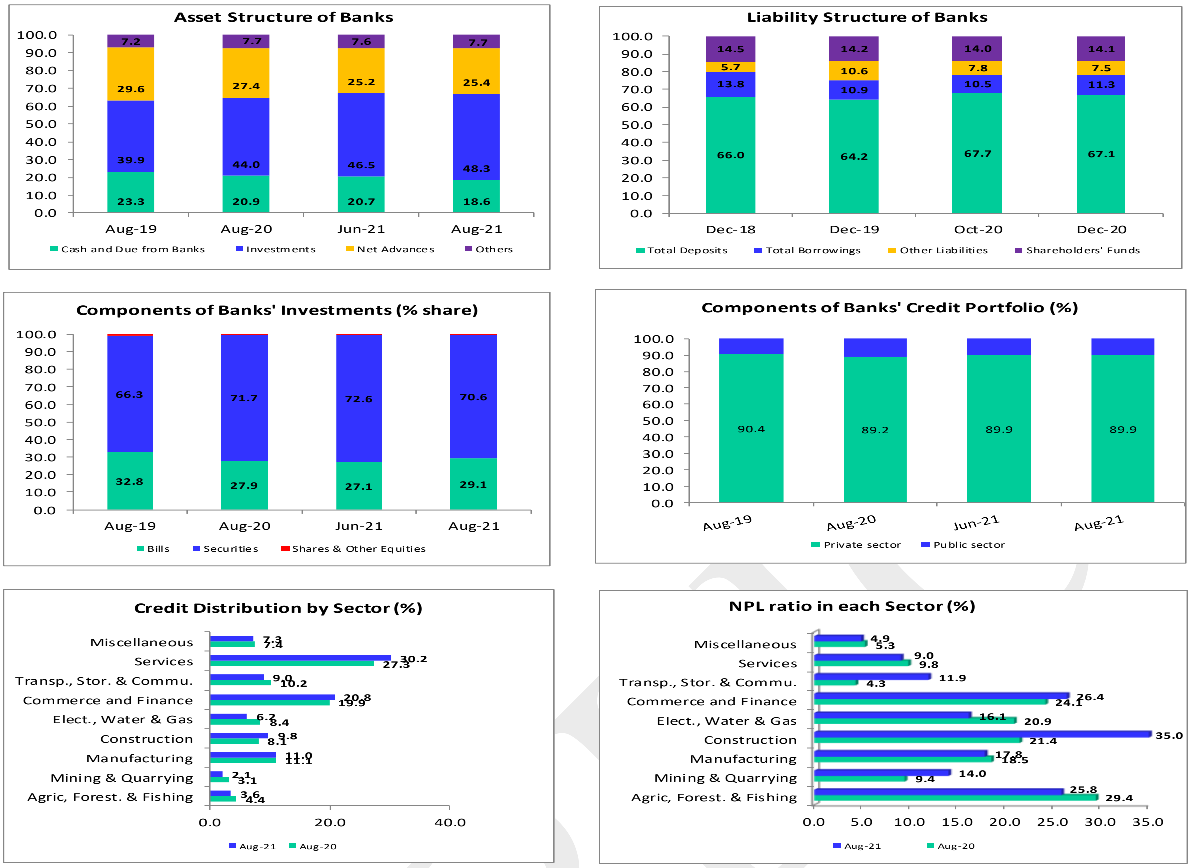
The asset structure of the banking industry's balance sheet continued to reflect banks' preference for less risky assets during the review period. The share of Investments increased further from 44.0 percent in August 2020 to 48.3 percent in August 2021 while the proportion of loans and advances (net) in total assets declined to 25.4 percent from 27.4 percent over the same review period. The share of "Cash and Due from Banks" also declined marginally from 20.9 percent to 18.6 percent, as banks continued to channel liquidity flows into investments. The share of non-earning assets (fixed assets and other assets) however, remained unchanged at 7.7 percent during the review period (Annexes Table 1).

On the liability side, deposits continued to dominate the funding mix of banks, with its share increasing to 67.1 percent from 64.2 percent over the two corresponding periods. The rebound in growth in borrowings translated into an increased share of 11.3 percent in August 2021 compared to 10.9 percent a year earlier. Following a relative slower growth, shareholders' funds moderated marginally to 14.1 percent from 14.2 percent. The share of "Other liabilities" also declined to 7.5 percent in August 2021 from 10.6 percent in the previous year (Annexes Table 1).

2.2 Share of Banks' Investments

The portfolio allocation of banks' investments as at end-August 2021 remained skewed towards long-term debt instruments (securities). Securities accounted for the largest proportion of banks' total investments, but its share declined marginally from 71.6 percent in August 2020 to 70.6 percent in August 2021 following the decline in its growth rate from 36.9 percent to 13.5 percent over the review period. The share of short-term bills in total investments, however, increased from 27.9 percent to 29.1 percent during the same comparative periods. The share of equity investments, however, remained small, declining marginally to 0.3 percent in August 2021 from 0.4 percent in August 2020 (Figure 1).

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



Source: Bank of Ghana Staff Calculations

3.0 Credit Risk

The banking sector's exposure to credit risk remained elevated due to the adverse impact of COVID-19 on borrowers' capacity to repay their loans. Consequently, the non-performing loans (NPL) ratio of the sector inched up in August 2021 relative to August 2020 on the back of impairment of some facilities by some banks during the period.

3.1 Credit Portfolio Analysis

Growth in gross advances picked up during the last two months but generally remained within the single digit range due to the negative impact of COVID-19 on credit risk, the attraction of the risk-free instruments and the general low demand for credit. The stock of gross loans and advances amounted to GH¢48.9 billion at end-August 2021, representing a lower annual growth of 8.7 percent, compared to 15.6 percent growth in August 2020. The 8.7 percent growth rate, however, marginally exceeded the 5.7 percent growth as at end-June 2021. Private sector credit which accounts for the biggest share of total credit (89.9 percent of total credit) also recorded a decline in growth from 14.1 percent to 9.6 percent during the review period. Similarly, growth in public sector credit, declined to 1.5 percent in August 2021 from 29.8 percent in August 2020 while its share in total credit moderated to 10.1 percent from 10.8 percent during the same comparative period (Annexes Tables 2 & 4).

On a year-to-date basis, growth in gross loans and advances turned positive at 2.3 percent for the first eight months of 2021, slightly better than the contractions of 0.4 and 0.5 percent as at August 2020 and June 2021 respectively. Private sector credit increased marginally by 0.9 percent in August 2021 from a growth of 1.9 percent last year. Public sector credit, however, picked up strongly by 16.5 percent in August 2021, after declining by 16.2 percent in the previous year (Annexes Table 2).

In terms of sector classification, the services sector held the largest share of 30.2 percent in total credit as at August 2021. This was followed by the commerce and finance sector and the manufacturing sectors with respective shares of 20.8 percent and 11.1 percent (Figure 1). These three sectors therefore accounted for 62.0 percent of total credit in August 2021 compared with 58.3 percent in August 2020. The remaining share of 38.0 percent was distributed across five other economic sectors in various proportions (Figure 1). The mining and quarrying sector were the lowest recipient of industry credit with a share of 2.1 percent at end-August 2021, compared with a 3.1 percent share in the previous year.

3.2 Off-Balance Sheet Activities

Banks recorded an increase in off-balance sheet transactions (comprising largely trade finance and guarantees) in August 2021 relative to August 2020. Total off-balance sheet transactions amounted to GH¢15.0 billion as at end-August 2021, representing a 36.8 percent annual growth, compared to the 7.9 percent growth a year ago. Accordingly, banks' contingent liabilities as a percentage of total liabilities increased to 10.6 percent from 8.8 percent during the review period. On a year-to-date basis, off-balance sheet transactions increased by 22.0 percent this year compared with the 5.7 percent contraction last year, reflecting the gradual recovery in economic activity and resumption of cross-border trading activities this year (Annexes Table 3).

3.3 Asset Quality

Asset quality risks have elevated this year compared to last year due to repayment challenges associated with the COVID-19 pandemic as well as some bank specific loan recovery challenges. The NPL ratio increased from 15.5 percent in August 2020 to 17.3 percent in August 2021. This was attributed to the combined effect of an increase in the stock of NPLs by 21.0 percent to GH¢8.4 billion, as well as a modest growth in the stock of gross loans by 8.7 percent over the period. The adjusted NPL ratio (excluding the fully provisioned loan loss category) however, remained unchanged at 6.6 percent over the review period, an indication that the increase in the NPL ratio was due to a build-up of loss category loans.

The rise in the NPL ratio was mainly driven by the increase in the private sector NPL ratio from 16.6 percent to 18.6 percent, while the public sector NPL ratio marginally declined from 5.9 percent to 5.1 percent. The increase in the industry NPL ratio reflected mainly in the construction and the transport, storage and communication sectors, which recorded higher NPL ratios in August 2021 compared with last year. The NPL ratio of the construction and the transport, storage and communication sectors increased by 13.6 percentage points and 7.6 percentage points to 35.0 percent and 11.9 percent respectively during the review period. Additionally, the mining and quarrying and the commerce and finance sectors recorded increases in their respective NPL ratios by 4.6 percentage points and 2.3 percentage points to 14.0 percent and 26.4 percent over the same comparative period. All other economic sectors recorded declines in the NPL ratios during the review period with the greatest improvement in the quality of the loan portfolio attributed to the agriculture, forestry and fishing sector (Figure 1).

4.0 Financial Soundness Indicators (FSIs)

The financial soundness indicators remained healthy in August 2021 underpinned by robust solvency, liquidity, and profitability indicators.

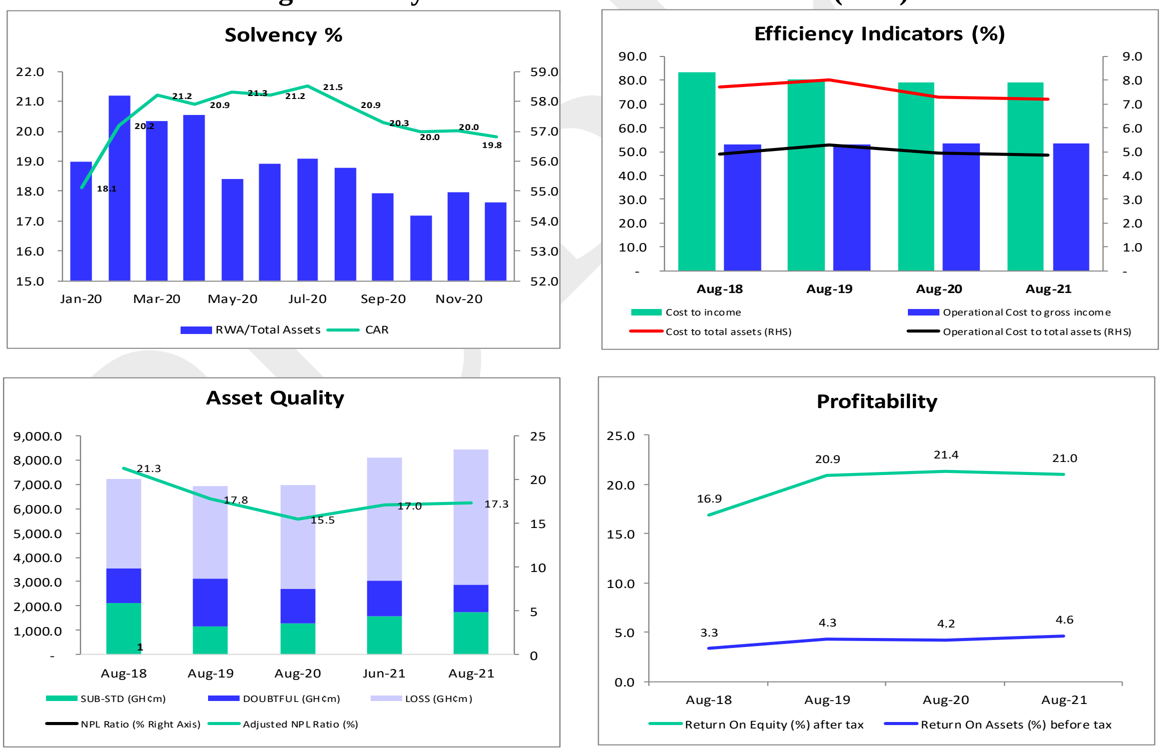
4.1 Liquidity Indicators

The industry's liquidity position remains strong despite the marginal declines experienced during the review period. The ratio of core liquid assets (mainly cash and due from banks) to total deposits moderated from 32.5 percent in August 2020 to 27.7 percent in August 2021 while the ratio of core liquid assets to total assets declined from 20.9 percent to 18.6 percent over the same comparative period. Similarly, the broad liquid assets to total deposits ratio declined from 100.8 percent to 99.5 percent while the broad liquid assets to total assets ratio dipped from 64.8 percent to 66.7 percent over the review period. The decline in the broad measures partly reflects the moderation in investment growth this year compared to the same period last year (Annexes Table 5).

4.2 Capital Adequacy Ratio (CAR)

The industry solvency position remained robust, with a CAR of 20.7 percent as at end August 2021, well above the regulatory minimum of 11.5 percent. The higher capital adequacy ratio enhances the ability of banks to deepen intermediation and shows that banks have adequate buffers to absorb any potential losses from such increased lending during the current uncertain operating environment.

Figure 2: Key Financial Soundness Indicators (FSIs)



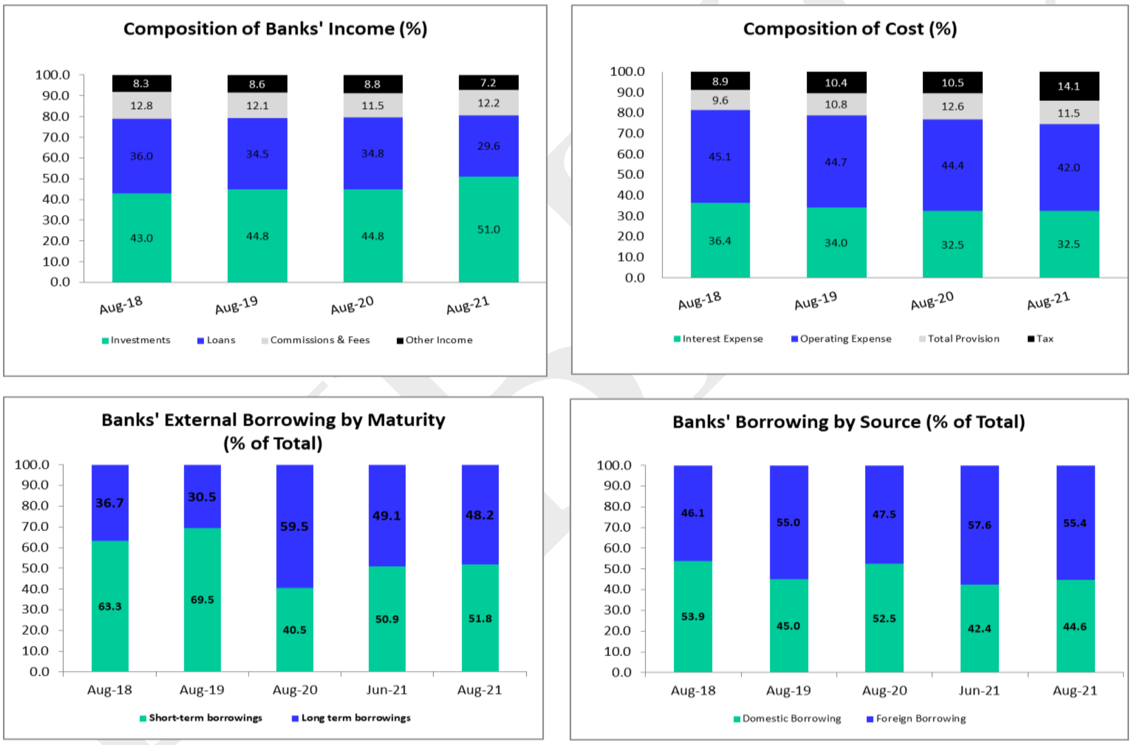
Source: Bank of Ghana Staff Calculations

4.3 Profitability

Profitability performance of the sector remained robust in August 2021. Profit before tax for the first eight months of the year recorded a growth rate of 27.4 per cent, higher than the 19.2 percent recorded a year ago. Higher growth outturns for key income lines of banks relative to the same period last year, contributed to the strong profit performance during the review period. However, an increase in the growth of interest expenses, associated with the increase in growth in deposits and borrowings this year compared to last year, culminated in a marginally lower growth in net interest income. Net interest income increased by 17.9 percent in August 2021 compared to a growth of 18.7 percent in August 2020. The strong growth in contingent liabilities and trade finance activities supported the growth in net fees and commissions by 21.8 percent in August 2021, higher than the increase of 8.9 percent in August 2020.

Growth in operating expenses was lower at 9.0 percent in August 2021 relative to the 12.1 percent growth a year earlier, reflecting the sustained cost minimization strategy of banks. The slower growth in operating expenses was largely driven by the sharper drop in the growth of other operating expenses (mainly administrative expenses) from 16.7 percent in August 2020 to 6.1 percent in August 2021. Growth in staff cost component of operating expenses on the other hand increased from 8.3 percent in August 2020 to11.7 percent during the review period (Annexes Table 7 and Figure 3).

Figure 3: Composition of Income, Cost and Borrowings



Source: Bank of Ghana Staff Calculations

(a) Return on Assets and Return on Equity

Profitability indicators reflected the strong profit before tax outturn in August 2021. The sector's Return on Assets (ROA) improved to 4.6 percent from 4.2 percent during the comparative period. However, banks' Return on Equity (ROE) declined marginally to 21.0 percent in August 2021 from 21.4 percent in August 2020, reflecting the slight moderation in profit after tax during the reference period (Figure 2 and Annexes Table 6).

(b) Interest Margin and Spread

Banks' interest spreads remained unchanged at 7.6 percent between August 2020 and August 2021 on account of marginal changes in gross yields (from 11.3% to 11.1%) and interest payable (from 3.6% to 3.5%). The sector's interest margin to total assets also remained unchanged at 5.0 percent between the two periods, while the interest margin to gross income ratio increased by 1 percentage point to 54.9 percent from 53.9 percent.

The ratio of gross income to total assets (asset utilisation) moderated slightly to 9.1 percent from 9.2 percent. The industry's profitability ratio also recorded a marginal improvement to 20.9 percent in August 2021 from 20.8 percent a year earlier (Annexes Table 6).

(c) Composition of Banks' Income

Income from investments remained the largest component of banks' income streams in August 2021, accounting for more than half of banks' income (51 percent in August 2021, an increase from 44.8 percent in August 2020). The share of interest income from loans, however, declined from 34.8 percent to 29.6 percent, in line with the lower credit growth this year compared to last year. The share of banks' income from fees and commissions increased to 12.2 percent from 11.5 percent, due to the higher growth of net fees and commissions over the period. The share of other income, however, declined to 7.2 percent from 8.8 percent during the period under review (Figure 3).

4.4 Operational Efficiency

The banking sector was relatively more cost efficient in August 2021 compared with August 2020 as evidenced by improvements in key efficiency indicators during the period. Marginal improvements were recorded in the cost-to-income ratio (from 79.3 percent in August 2020 to 79.1 percent in August 2021), the cost-to-total assets ratio (from 7.3 percent to 7.2 percent) and the operational cost to gross income ratio (from 53.5 percent to 53.4 percent). The operational cost to total asset ratio, however, remained unchanged at 4.9 percent over the review period (Figure 2).

4.5 Banks' Counterparty Relationships

Banks' offshore activities recorded a mixed performance in August 2021 relative to August 2020. Banks' offshore balances contracted by 36.4 percent in August 2021 compared to a growth of 13.9 percent a year earlier, from contractions in both nostro balances and placements. Nostro balances declined by 36.7 percent compared with a growth of 33.8 percent in August 2020 while the contraction of 6.3 percent recorded a year earlier in placements, intensified to 37.1 percent in August 2021. In line with this trend, the ratio of offshore balances to net worth dipped to 27.1 percent from 49.3 percent over the review period (Annexes Table 8).

The share of banks' external borrowings in total borrowings increased to 55.4 percent in August 2021 from 47.5 percent in August 2020, while that of domestic borrowing declined to 44.6 percent from 52.5 percent during the review period. Banks' external borrowings were largely short-term in nature, picking up significantly from 40.5 percent to 51.8 percent over the review period. The share of long-term funds in total external borrowing, however, declined to 48.2 percent from 59.5 percent over the review period (Figure 3).

5.0 Credit Conditions Survey

The August 2021 credit conditions survey round pointed to a net ease in overall credit stance on loans to enterprises between June and August 2021 but a net tightening on loans to households. The net ease in the stance on corporate loans was driven by a net ease in the stance on loans to large enterprises and on long term loans. The overall credit stance on household loans, however, recorded a marginal net tightening between June and August 2021, driven by a net tightening in the stance on mortgages. The stance on consumer credit, however, recorded a net ease during the period.

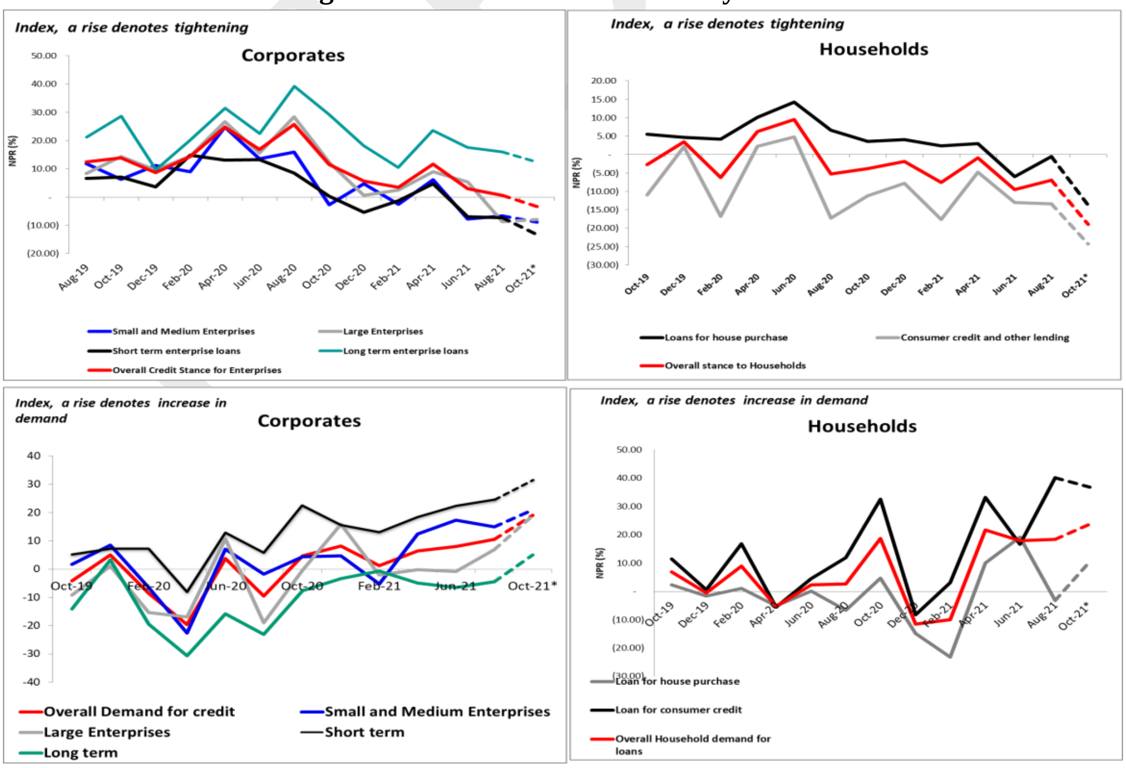
Over the next two months, banks have projected a net ease in overall credit stance on loans to enterprises and households. The expected net ease in the stance on corporate loans is from a projected net ease in the stance on loans to all sub-categories of enterprise loans except for loans to large enterprises. The projected net ease in the stance on loans to households is however, expected to reflect in both loans for house purchases and consumer credit.

The current survey results indicated an increase in overall demand for loans by enterprises between June and August 2021 while the demand for loans by households remained unchanged during the period. The increase in demand by corporates was a result of increases in the demand for all the sub-components of enterprise credit, except for demand for loans by SMEs which softened. The sharp decline in demand for mortgage loans moderated the increase in demand for consumer credit leading to the unchanged overall demand for household loans during the period.

Banks have projected an increase in overall demand for loans by corporates and households in the subsequent two months. The projection of an increase in demand for loans by enterprises is expected to come from increases in demand from all sub-components of corporate loans. The expected increase in demand for household loans over the next two months is, however, projected from a rebound in demand for mortgages while demand for consumer credit is expected to soften following the sharp increase in the prior two months (Figure 4).

Banks' inflation expectations for six-months ahead from August 2021 increased during the current survey period, attributable to the increase in the actual inflation rate and the recent marginal volatility in the exchange rate. Banks, however, expect lending rates to decline over the next six-months in line with the decline in the Monetary Policy Rate (MPR) and other short-term money market rates.

Figure 4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

6.0 Conclusion and Outlook

The banking sector performance improved with strong capital buffers to withstand shocks in August 2021. This was underpinned by sustained growth in total assets, deposits, and profits amid the COVID-19 pandemic. The policy measures and regulatory reliefs continues to cushion the sector to moderate the impact of potential risks. The outlook for the banking industry remains positive and projections of an expected increase in credit demand and ease in credit stance are expected to boost private sector credit to support the recovery process.

ANNEXES

Table 1: Asset and Liability Structure of the Banking Sector

	Aug-18	Aug-19	Aug-20	Jun-21	Aug-21
Components of Assets (% of Total)					
Cash and Due from Banks	25.6	23.3	20.9	20.7	18.6
Investments	38.8	39.9	44.0	46.5	48.3
Net Advances	27.6	29.6	27.4	25.2	25.4
Others	8.0	7.2	7.7	7.6	7.7
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	64.7	66.0	64.2	67.7	67.1
Total Borrowings	16.0	13.8	10.9	10.5	11.3
Shareholders' Funds	13.0	14.5	14.2	14.0	14.1
Other Liabilities	6.2	5.7	10.6	7.8	7.5

Bank of Ghana Staff Calculations

Table 2: Credit Growth

	GH¢million				y/y growth (%)		year-to-date growth(%)		
Economic Sector	Aug-19	Aug-20	Jun-21	Aug-21	Aug-20	Aug-21	Aug-20	Jun-21	Aug-21
Public Sector	**3,747**	**4,864**	**4,795**	**4,935**	**29.8**	**1.5**	**-16.2**	**13.2**	**16.5**
Private Sector	**35,155**	**40,107**	**42,743**	**43,937**	**14.1**	**9.5**	**1.9**	**-1.8**	**0.9**
- Private Enterprises	25,920	29,322	31,301	31,954	13.1	9.0	1.8	-4.4	-2.4
o/w Foreign	4,052	3,332	4,014	4,268	-17.8	28.1	-11.8	4.4	11.0
Indigeneous	21,868	25,990	27,287	27,686	18.9	6.5	3.8	-5.6	-4.2
- Households	8,048	9,653	9,861	10,356	19.9	7.3	2.6	3.2	8.4
Gross Loans	**38,903**	**44,971**	**47,539**	**48,872**	**15.6**	**8.7**	**-0.4**	-0.5	**2.3**

Bank of Ghana Staff Calculations

Table 3: Contingent Liability

GHCM	Aug-18	Aug-19	Aug-20	Jun-21	Aug-21
Contingent Liabilities (GH¢M)	8,806.6	10,001.4	10,784.4	14,071.7	14,997.9
Growth (y-o-y)	12.4	14.9	7.9	25.7	36.8
% of Total Liabilities	9.7	10.2	8.8	10.1	10.6

Bank of Ghana Staff Calculations

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

	Aug-19		Aug-20		Jun-21		Aug-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	**9.6**	**2.4**	**10.8**	**4.2**	**10.1**	**3.1**	**10.1**	**3.0**
i. Government	3.7	0.3	4.1	0.3	4.5	2.0	4.8	1.8
ii. Public Institutions	1.5	0.3	2.8	0.3	2.5	0.0	2.4	0.0
iii. Public Enterprises	4.4	1.8	4.0	3.5	3.1	1.1	2.9	1.1
b. Private Sector	**90.4**	**97.6**	**89.2**	**95.8**	**89.9**	**96.9**	**89.9**	**97.0**
i. Private Enterprises	66.6	82.2	65.2	84.5	65.8	87.9	65.4	88.9
o/w Foreign	10.4	8.5	7.4	7.3	8.4	3.5	8.7	5.0
Indigeneous	56.2	73.7	57.8	77.2	57.4	84.4	56.7	84.0
ii. Households	20.7	10.9	21.5	8.7	20.7	7.3	21.2	6.4
iii. Others	3.1	4.5	2.5	2.7	3.3	1.7	3.3	1.6

Bank of Ghana Staff Calculations

Table 5: Liquidity Ratios

	Aug-18	Aug-19	Aug-20	Jun-21	Aug-21
Liquid Assets (Core) - (GH¢'million)	26,764.4	26,853.94	29,819.5	33,656.13	30,915.86
Liquid Assets (Broad) -(GH¢'million)	66,890.3	72,350.01	92,364.3	109,129.94	111,023.97
Liquid Assets to total deposits (Core)-%	39.5	35.3	32.5	30.5	27.7
Liquid Assets to total deposits (Broad)- %	98.7	95.2	100.8	98.9	99.5
Liquid assets to total assets (Core)- %	25.6	23.3	20.9	20.7	18.6
Liquid assets to total assets (Broad)- %	63.9	62.8	64.8	67.0	66.7

Bank of Ghana Staff Calculations

Table 6: Profitability Indicators (%)

	Aug-18	Aug-19	Aug-20	Aug-21
Gross Yield	10.3	12.0	11.3	11.1
Interest Payable	4.0	4.1	3.6	3.5
Spread	6.3	7.9	7.6	7.6
Asset Utilitisation	9.3	10.0	9.2	9.1
Interest Margin to Total Assets	4.5	5.2	5.0	5.0
Interest Margin to Gross income	48.6	51.9	53.9	54.9
Profitability Ratio	16.7	19.5	20.8	20.9
Return On Equity (%) after tax	16.9	20.9	21.4	21.0
Return On Assets (%) before tax	3.3	4.3	4.2	4.6

Source: Bank of Ghana Staff Calculations

Table 7: DMBs' Income Statement Highlights

	(GH ¢'million)				Y-on-y Growth (%)		
	Aug-18	Aug-19	Aug-20	Aug-21	Aug-19	Aug-20	Aug-21
Interest Income	7,647	9,089	10,448	12,233	18.9	14.9	17.1
Interest Expenses	-2,934	-3,134	-3,377	-3,898	6.8	7.8	15.4
Net Interest Income	**4,714**	**5,955**	**7,070**	**8,335**	**26.3**	**18.7**	**17.9**
Fees and Commissions (Net)	1,243	1,392	1,515	1,846	12.0	8.9	21.8
Other Income	801	985	1,159	1,097	23.0	17.7	(5.4)
Operating Income	6,757	8,332	9,745	11,278	23.3	17.0	15.7
Operating Expenses	-3,632	-4,120	-4,619	-5,036	13.4	12.1	9.0
Staff Cost (deduct)	-1,639	-2,247	-2,433	-2,717	37.1	8.3	11.7
Other operating Expenses	-1,993	-1,873	-2,186	-2,319	(6.0)	16.7	6.1
Net Operating Income	**3,125**	**4,212**	**5,126**	**6,242**	**34.8**	**21.7**	**21.8**
Total Provision (Loan losses, Depreciation & others)	-788	-1,009	-1,307	-1,376	28.1	29.5	5.3
Income Before Tax	**2,337**	**3,203**	**3,819**	**4,865**	**37.0**	**19.2**	**27.4**
Tax	-719	-963	-1,096	-1,690	33.9	13.8	54.3
Net Income	**1,618**	**2,240**	**2,723**	**3,175**	**38.4**	**21.5**	**16.6**
Gross Income	9,691	11,466	13,122	15,176	18.3	14.4	15.7

Bank of Ghana Staff Calculations

Table 8: Developments in Offshore Balances

	Aug-18	Aug-19	Aug-20	Jun-21	Aug-21
Offshore balances as % to Networth	75.9	52.5	49.3	40.4	27.1
Annual Growth in Offshore balances (%)	45.4	-15.0	13.9	-0.3	-36.4
Annual Growth in Nostro Balances (%)	52.9	-14.9	33.8	14.5	-36.7
Annual Growth in Placement (%)	39.0	-15.3	-6.3	-17.3	-36.1

Source: Bank of Ghana Staff Calculations