



**BANK OF GHANA**

# **Notice on Regulatory Measures to Reduce Non-Performing Loans (NPLs)**

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*in Banks, Specialised Deposit-Taking Institutions and Non-Bank Financial Institutions*

**(EXPOSURE DRAFT)**

*Prepared by the Bank of Ghana*

June 2025

EXPOSURE DRAFT

The Bank of Ghana (BOG) has issued a **Notice on Regulatory Measures to Reduce Non-Performing Loans in Banks, SDIs AND NBFIs** as an **Exposure Draft** to solicit comments and inputs from the banking industry and the general public.

In light of this, the Exposure Draft shall be made available on the BOG's website at [www.bog.gov.gh](http://www.bog.gov.gh) for a period of five (5) working days from the date of the publication of the Exposure Draft, for comments.

**All comments shall be sent to the Bank of Ghana via email at [bsdletters@bog.gov.gh](mailto:bsdletters@bog.gov.gh) by 20<sup>th</sup> June 2025. The Bank of Ghana shall consider all material comments received.**

PUBLIC

# BANK OF GHANA

## NOTICE TO BANKS, SPECIALISED DEPOSIT-TAKING INSTITUTIONS, NON-BANK FINANCIAL INSTITUTIONS AND THE GENERAL PUBLIC

NOTICE NO. BG/GOV/SEC/2025/.....

### REGULATORY MEASURES TO REDUCE NON-PERFORMING LOANS IN BANKS, SDIs AND NBFIs

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In response to the high Non-Performing Loans (NPLs) in the Banking Industry, the Bank of Ghana (BOG) has reviewed its policy on problem assets to address the increasing risks to the industry's profitability, liquidity and solvency as well as threat to the stability of the financial system.

This Notice re-emphasizes existing prudential guidance and highlights additional measures in line with international best practices for managing credit risks. The Regulatory Measures underlisted are issued pursuant to Section 92 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) as well as Non-Bank Financial Institution (NBFI) Act, 2008 (Act 774) and shall apply to all Banks, Specialised Deposit-Taking Institutions (SDIs), and Non-Bank Financial Institutions (NBFIs) collectively referred to in this Notice as "Regulated Financial Institutions (RFIs)".

#### Part I – Measures to Reduce Non-Performing Loans

Bank of Ghana (BOG) requires all RFIs in Ghana to, where applicable:

##### A. Maintain a Robust Credit Risk Management Framework.

1. An RFI shall, on a continuous basis, enhance its credit risk management function and processes in compliance with BOG's credit risk management requirements and shall demonstrate the robustness of such processes to BOG. The Board of an RFI shall have overall responsibility for approving and periodically (at least annually) reviewing the credit risk management strategy and policies of the RFI. In addition, an RFI shall, amongst others, have in place:
  - i. well-defined Board-approved credit-granting criteria;
  - ii. adequately resourced and properly managed credit-granting function;
  - iii. appropriate systems for monitoring the performance of credits individually or collectively based on similar credit risk characteristics;
  - iv. a system of independent, ongoing assessment of the credit risk management processes;

- v. a system for early remedial action on deteriorating credits and for managing problem credits; and
- vi. a system to maintain accurate reporting of credit data to credit reference bureaus.

**B. Observe the Prudential Limit on NPLs.**

2. RFIs shall ensure that the level of NPLs to gross loans (NPL ratio) does not exceed 10 percent, or such other levels as may be prescribed by the BOG from time to time.
3. RFIs shall comply with the above limit by the end of December 2026. Thereafter, RFIs in breach of this limit shall notify BOG of the violation within ten (10) working days and submit a Board-approved plan to reduce their NPLs to 10 percent or below.
4. The Board-approved NPL reduction plan shall be aimed at returning the RFI to full compliance within 180 days. The plan shall lay out the RFI's NPL reduction strategies and measures to effectively manage NPLs so as to maximise recoveries and ultimately reduce the stock of NPLs. RFIs shall also put in place appropriate governance arrangements accompanied by allocation of adequate resources, including experienced staff, for the establishment of dedicated units (work-out and arrears support units) to effectively manage NPLs and other underperforming or risky assets (such as restructured and watchlist accounts). These units shall operate with clearly defined targets to assess their effectiveness and shall be supported by appropriate monitoring and reporting mechanisms.
5. RFIs with NPLs of more than 10 percent of gross loans shall, from 1<sup>st</sup> January 2027, be restricted from the payment of dividends and bonuses, entry into new business lines, branch expansion, lending to related parties and/or growing their loan portfolio.

**C. Write off all Fully Provisioned Loans and Loans with No Realistic Prospects of Recovery.**

6. RFIs, with prior written approval from the BOG, shall immediately write off NPLs in the loss category, as per the BOG prudential loan classification and provisioning norms, as well as those in the substandard and doubtful categories where there is no reasonable expectation of recovering contractual cashflows in a timely manner. All loans to be written off shall be fully provisioned per IFRS 9 impairment and BOG provisioning norms.

7. A write-off shall not mean that the RFI has forfeited the legal right to recover the debt. RFIs shall continue to take the necessary steps to collect, sell or transfer the credit to another entity.
8. Exposures to related parties<sup>1</sup> of the RFI, shall not be written off unless expressly approved by the BOG. Furthermore, where the facility in default is linked to the RFI's director or key management personnel (KMP) or significant shareholder and is in default for more than 180 days, the Bank of Ghana would deem such persons as not fit and proper and would:
  - i. withdraw the approval of such individuals to continue serving as a director or KMP and prohibit the individual from ever serving in such positions in any RFI;
  - ii. in the case of a significant shareholder, divest the person's holdings in all RFIs and the proceeds used to offset the credit facility; and
  - iii. require the RFI to publish the list of defaulters in at least two daily newspapers of national circulation in Ghana and on the website of the RFI.

#### **D. Restructure NPLs to Qualifying Borrowers.**

9. RFIs may initiate the restructuring of a loan facility and discuss sustainable payment options with borrowers or restructure a loan at the borrower's request to enhance the affordability and sustainability of loan repayment by qualifying borrowers. This aims to minimize the potential losses to the RFI due to default or deterioration in borrowers' creditworthiness.
10. To maintain the integrity of RFIs' financial statements, RFIs shall ensure that the restructured loans are appropriately classified and treated in accordance with the requirements of IFRS 9 impairment and BOG's prudential loan classification and provisioning norms.
11. A restructured facility shall remain classified as non-performing until the borrower has resolved its financial difficulty and has made six (6) consecutive full repayments (principal and interest) for monthly and quarterly repayments and four

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<sup>1</sup> Related parties means the RFI's subsidiaries, affiliates (including their subsidiaries, affiliates and special purpose entities), and any other party that the RFI exerts control over or that exerts control over the RFI; the RFI's significant shareholders, directors, key management personnel, corresponding persons in affiliated companies as well as their related persons and related interests.

Related persons and related interests are as defined in Act 930.

(4) consecutive full repayments for semi-annual repayments, as per the revised contractual terms.

12. In the case of a restructured bullet loan, it shall remain classified as non-performing until at least 24 months of timely payments under the restructured terms, full clearance of arrears, and a demonstrated sustainable improvement in the borrower's financial condition.

#### **E. Timely Realize Collaterals on Written-off Facilities.**

13. RFIs shall take concrete steps to realize collaterals for exposures that have been written off. RFIs shall, within 30 days after write-off, enforce their right to realize the collateral by initiating proceedings in court or without initiating proceedings in court where a security interest is registered under the Borrowers and Lenders Act, 2020 (Act 1052), failing which the BOG will take the following appropriate remedial actions:

- i. require the RFI to provide reasons for the failure to act on collateral recovery;
- ii. require the RFI to submit a detailed recovery plan, including timelines, responsible officers and the legal steps to be taken; and
- iii. require the RFI to implement any other measure that the BOG deems appropriate to address the issue.

### **Part II – Remedial Measures**

In addition to the remedial measures prescribed in the relevant Acts including Act 930 and Act 774, other remedial measures that shall be considered include the following:

#### **F. General**

14. RFIs shall submit to the Financial Stability Department of BOG and all Credit reference Bureaus in Ghana, list of defaulters whose facilities have been written off. RFIs shall also report all exposures in default that have not been written off to the Credit Reference Bureaus in accordance with credit reporting regulations; and
15. No additional credit facilities shall be granted by any RFI within the banking sector to the listed defaulters, who shall be deemed as Wilful Defaulters, unless the basis for the write-off was due to a default orchestrated by a natural disaster or disability.

## **G. Measures on Wilful Defaulters**

16.A 'wilful default' would be deemed to have occurred if any of the following events is noted:

- i. The borrower has defaulted on its repayment obligations to the RFI even when it has the capacity to honour the said obligation;
- ii. The borrower has defaulted on its repayment obligations to the RFI and has siphoned or diverted the funds for other purposes;
- iii. The borrower has defaulted on its repayment obligations to the RFI and has provided falsified or misrepresented collateral in support of the loan application, thereby securing the facility through fraudulent means;
- iv. The borrower has defaulted on its repayment obligations to two (2) or more RFIs, concurrently<sup>2</sup>; or
- v. The borrower has defaulted on its repayment obligations to the RFI and has, without the RFI's knowledge or consent, disposed of or removed the movable or immovable assets pledged as security for the facility.

17.RFIs shall publish the list of Wilful Defaulters in at least two daily newspapers of national circulation in Ghana and on their website.

18.RFIs shall forward the list of Wilful Defaulters to the Financial Intelligence Centre (FIC).

19.Wilful Defaulters shall be prohibited from accessing new credit facilities from any RFI for a period commencing from the date of BOG approval for write-off. The prohibition period shall be determined as twice the period between the date of write-off approval and the date of full settlement. For example, if a facility remained unsettled for 1 year after write-off, then the borrower would be prohibited from accessing credit for the next 2 years commencing from the date of write-off approval. RFIs shall include the date the write-off was approved when reporting to Credit Reference Bureaus.

20.Borrowers who have been listed as Wilful Defaulters on two or more occasions will be prohibited from accessing credit for five (5) years or the prohibition period, where this duration exceeds the five (5) years.

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<sup>2</sup> The borrower may be exempted as a Wilful Defaulter if evidence is provided to the RFI that its inability to meet repayment obligations is due to, for example, loss of employment, business failure, natural disaster or disability.

21. Directors of companies who are Wilful Defaulters, where RFIs have identified siphoning/ diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions, shall be prohibited from accessing credit for the same period as the defaulting company.
22. In the case where a guarantor of a Wilful Defaulter refuses to comply with the demand by an RFI for payment, despite having sufficient means to make payment, then such guarantor would also be treated as a Wilful Defaulter and prohibited from accessing credit for the same period as the defaulting company.
23. A Wilful Defaulter may become eligible to access credit from RFIs upon fulfilment of the following conditions:
  - i. Full repayment of written-off facilities, including any charges or fees;
  - ii. No adverse information on credit report from Credit Reference Bureaus; and
  - iii. The prohibition period for the defaulter to access credit has ended and the RFI establishes that there are no concerns about the defaulter's future ability to generate stable and sufficient cash flows as well as their willingness to fulfil any future loan repayment obligations.

### **Part III – Supervisory Reporting and Disclosure Requirements**

24. RFIs with NPLs ratio above 5% shall submit to the Bank of Ghana, on a monthly basis, a report on NPLs as per the template in **Appendix I**.
25. RFIs shall disclose in their Annual Report:
  - i. details of NPL amounts segregated into the BOG prescribed sectoral distribution;
  - ii. breaches/ non-compliance to this Notice;
  - iii. details of non-performing related party exposures (names of borrowers, amount outstanding, and classification status); and
  - iv. details of facilities of Wilful Defaulters and Non-wilful Defaulters written off and the amounts recovered, in the format shown in Appendix I (3).

**Banks, Specialised Deposit-taking Institutions (SDIs), Non-Bank Financial Institutions (NBFIs) and the General Public are hereby advised to take note of the above for immediate compliance.**



## Appendix I - Monthly Regulatory Reporting of NPL

(Amounts in GHS'000)

### 1. NPL level and flows

	Amount	
Total gross loans	X1	
Stock of NPLs	X2	
Stock of specific provisions (stage 3 of IFRS 9)	X3	
		(%)
NPLs as a proportion of total gross loans		X2/X1
NPLs net of specific provisions as a proportion of total gross loans		(X2-X3)/X1
Stock of specific provisions as a proportion of stock of NPL (NPL Coverage)		X3/X2

### 2. Credit Migration over the last month

(GHS'000)

Monthly flow from:	Prev Month	To		
		NPLs	Performing but not restructured exposures	Performing restructured
NPLs		M1	M2	M3
Performing Exposures		M4	M5	M6
Performing Restructured		M7	M8	M9

### 3a. Wilful Defaulters Monthly Write-offs

(GHS'000)

	Amount	
Total write-offs	X4a	
Total non-recoverable write-offs	X5a	
Cash Recovery from write-offs	X6a	
Realisation from collaterals of exposures written-off	X7a	
		(%)
Write-offs as a percentage of total stock of NPLs		X4a/X2
Total Recovery as a percentage of total write-off		(X6a+X7a)/X4a

### 3b. Non-Wilful Defaulters Monthly Write-offs

(GHS'000)

	Amount	
Total write-offs	X4b	
Total non-recoverable write-offs	X5b	
Cash Recovery from write-offs	X6b	
Realisation from collaterals of exposures written-off	X7b	
		(%)
Write-offs as a percentage of total stock of NPLs		X4b/X2
Total Recovery as a percentage of total write-off		(X6b+X7b)/X4b

**3c. Total Monthly Write-offs***(GHS'000)*

Total write-offs  
 Total non-recoverable write-offs  
 Cash Recovery from write-offs  
 Realisation from collaterals of exposures written-off

Amount	
X4a+X4b	
X5a+X5b	
X6a+X6b	
X7a+X7b	
	(%)
Write-offs as a percentage of total stock of NPLs	$(X4a+X4b)/X2$
Total Recovery as a percentage of total write-off	$(X6a+X6b) + (X7a+X7b)/(X4a+X4b)$

**4. Cash Recovery from NPLs**

Cash recovery from NPLs  
 Realisation from property related Collaterals  
 Realisation from non-property related Collaterals

Amount	
X8	
X9	
X10	
	(%)
Cash recovery from NPLs as a percentage of total NPLs	$X8/X2$
Realisation from property related collaterals as a percentage of total NPLs	$X9/X2$
Realisation from non-property related collaterals as a percentage of total NPLs	$X10/X2$
Total recoveries and realization as a percentage of total NPLs	$(X8+X9+X10)/X2$

**5. Restructuring activity**

Stock of Restructured NPLs  
 Amount (value) and Number of restructured loans that are:

Performing  
 Yet to be reclassified as Performing  
 In arrears for greater than 90 days.

Newly restructured loans for the month

Amount	
X11	
	Number
X12	N1
X13	N2
X14	N3
X15	N4

Type of Restructure Measures	Recently agreed restructuring (Month)		Stock of restructured loans	
	Number of facilities	Amount	Number of facilities	Amount
Interest payment only				
Reduced payment (Part principal and/ or interest)				
Grace period or payment moratorium				
Arrears/interest capitalisation				
Interest rate reduction				
Extension of maturity term				
Sale by agreement (assisted sale) - Settlement				
Rescheduled payments				
Conversion of currency				
Other alteration of contract conditions/covenants				
New credit facilities				
Debt consolidation				
Partial or total debt forgiveness				
Others (Describe)				