



BANK OF GHANA

**Explanatory Notes on the Notice on
Regulatory Measures to Reduce Non-
Performing Loans (NPLs)**

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

August 2025

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INTRODUCTION

Pursuant to Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and Section 44(1) of the Non-Bank Financial Institution (NBFIs) Act, 2008 (Act 774), the Bank of Ghana (BOG) has issued the Notice on Regulatory Measures to Reduce Non-Performing Loans (NPLs) following consultation with the banking industry (herein called “the industry”) as well as the IMF Resident Advisor.

The Notice on Regulatory Measures to Reduce NPLs is aimed at ensuring that banks, specialised deposit-taking institutions (SDIs), and non-bank financial institutions (NBFIs) hereafter referred to as Regulated Financial Institutions (RFIs), have a framework for effectively addressing the rising stock of NPLs in the banking sector, set BOG’s supervisory expectations to managing NPLs and prevent the potential adverse effect of NPLs on RFIs’ lending to customers, profitability, operational efficiency, liquidity, and solvency as well as its threat to the stability of the financial system.

The Bank of Ghana has since carefully considered the Notice on Regulatory Measures to Reduce Non-Performing Loans (NPLs) in the light of feedback, comments and contributions received during the public consultation process. This has culminated in a revised Notice on Regulatory Measures to Reduce Non-Performing Loans (NPLs) dated August 2025 which addresses material issues identified in the Exposure Draft of the Notice.

This document therefore explains the significant revisions reflected in the final version of the Notice titled Notice on Regulatory Measures to Reduce Non-Performing Loans (NPLs).

NOTES EXPLAINING REVISIONS REFLECTED IN THE NOTICE ON REGULATORY MEASURES TO REDUCE NON-PERFORMING LOANS

Part I – Measures to Reduce Non-Performing Loans

A footnote has been added to expand the definition of 'Loans' to mean all forms of advances and credit facilities, including off-balance sheet obligations extended to a borrower.

Part I – Observe the Prudential Limit on NPLs

- i. Paragraph 2 has been revised to maintain the current NPL ratio limit of 5% applicable to microfinance institutions.
- ii. Paragraph 3 has been revised to specify a 30-day deadline for the Board to submit a Non-Performing Loan (NPL) reduction plan. This is to provide further clarity on the different timelines for RFIs to notify the Bank of Ghana of a violation to the NPL ratio limit and to submit a Board-approved NPL reduction plan.
- iii. The compliance period for an RFI to meet the NPL ratio limit of 10% has been extended from 180 days to one year, under paragraph 4. This is to incorporate RFIs' strategy of restructuring loan facilities which need to be monitored for a minimum of 180 days before being reclassified as performing.
- iv. Paragraph 5 has been revised to delete restrictions on entry into new business lines (except for those sectors of the RFI's credit portfolio with NPL ratios above the prudential limit) and branch expansion. The restrictions have been reviewed to focus on excessive growth in loans aimed at reducing NPL ratios without an improvement in the credit risk management practices of the RFI.

Part I – Write off all Fully Provisioned Loans and Loans with No Realistic Prospects of Recovery

- i. A new paragraph has been inserted to provide supervisory guidance on the format required when requesting for loan write-off approval from the Bank of Ghana.
- ii. Definition for related parties has been newly inserted as a footnote to ensure clarity.

Part II – Measures on Wilful Defaulters

- i. A new definition of a wilful defaulter has been inserted to include borrowers who have defaulted and subsequently relocated without the RFI's knowledge of their new address to ensure the definition adequately encompasses all instances of wilful default.
- ii. The publication dates for the list of wilful defaulters (30th June and 31st December) have been specified to indicate when such disclosures are to be made.

Part III – Supervisory Reporting and Disclosure Requirements

An additional disclosure requirement has been introduced, mandating the reporting of both cumulative and current year loan write-offs in the annual report, to enhance transparency and provide stakeholders with comprehensive information on loan write-offs.

Appendix I – Loan Write-off Application

A table has been inserted to illustrate the prescribed format for submitting loan write-off applications.

Appendix III – Wilful Defaulter List

A table has been inserted to illustrate the prescribed format for publishing the list of wilful defaulters.

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