



TESAH 2023 BANKING SECTOR PERFORMANCE REVIEW

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INTRODUCTION

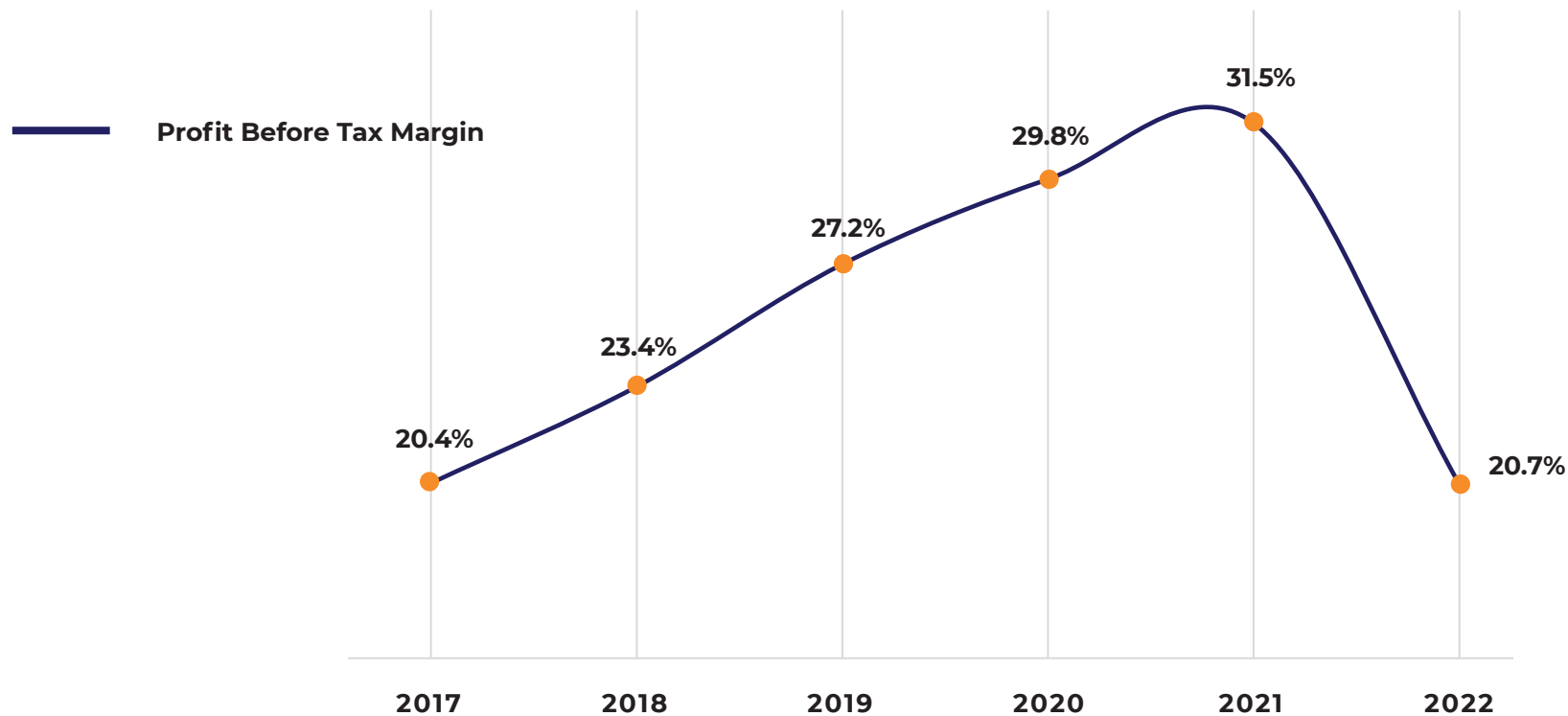
The recent restructuring of the country's debt has had a negative impact on the profitability and operations of most banks in the country. The profitability of the banking sector decreased by 13.5% to GHS 6.4 billion, from the GHS 7.4 billion recorded in the previous year.

The Republic of Ghana announced the Domestic Debt Exchange Programme (DDEP) on December 5th, 2022, which invited eligible bond holders to exchange approximately GHS 137.3 billion of domestic bonds for bouquet new bonds with reduced coupons and longer maturities. This program was part of a broader initiative aimed at restoring debt sustainability.

Banks held a huge chunk of government bonds on their books and their participation in the program was key to its success. Our analysis, discussed in the article titled "Effect of the Domestic Debt Exchange Programme on Government Budget," revealed that the debt exchange programme resulted in a 77% reduction in the settlement value of the indicative bonds. This led to significant losses that had a detrimental impact on the industry's profitability. Without the DDEP, the banks' profit before tax was projected to increase by 11.4%.

Nevertheless, despite these challenges, the banking industry in Ghana remained well capitalized and well managed during the year under review. There are currently 23 licensed banks in Ghana, with 35% of them being locally owned (with majority shareholders being Ghanaians) and 65% owned by foreigners.

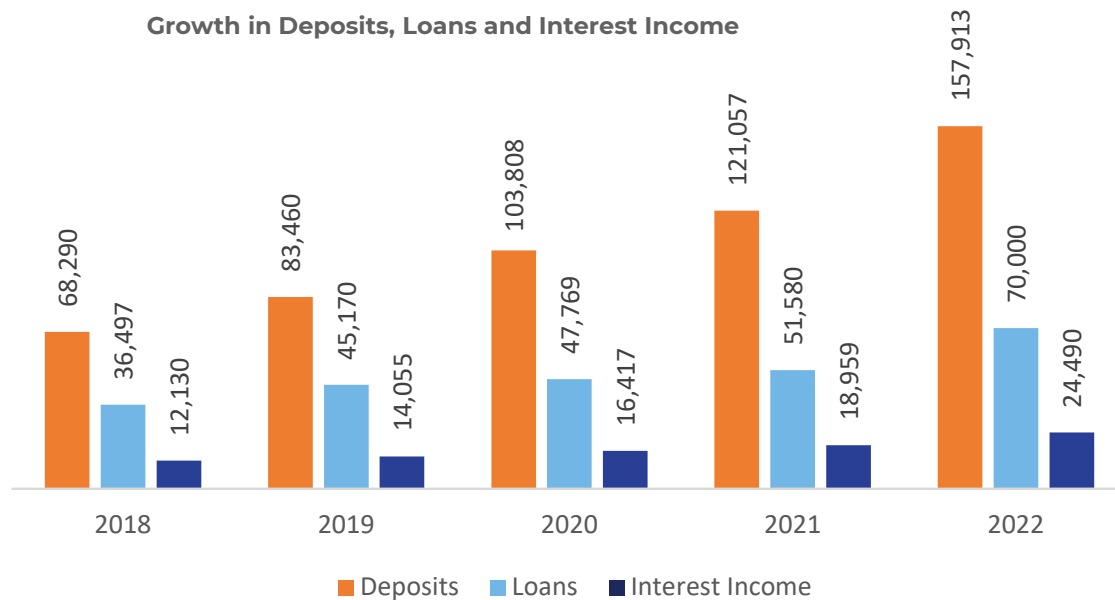
PROFITABILITY OF THE BANKING INDUSTRY OVER THE YEARS



Following the cleanup of the financial sector, the banking industry experienced its most significant decline in profitability, evidenced by a sharp drop in the Profit before Tax (PBT) margin to 20.7% in 2022. This marks a notable decrease from the 31.5% and 29.8% recorded in 2021 and 2020, respectively.

TREND IN INVESTMENT, LOANS AND DEPOSITS

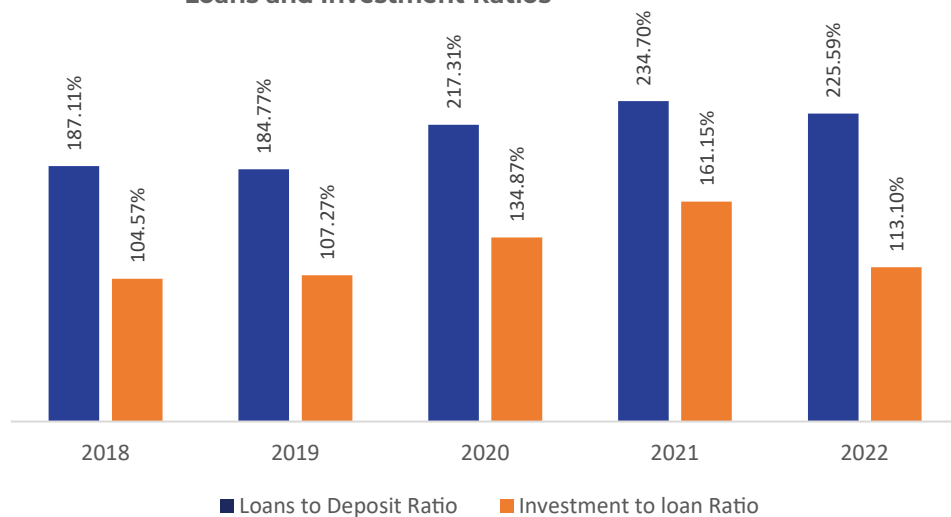
Growth in Deposits, Loans and Interest Income



The banking industry has experienced robust growth in gross advances, with a Compound Annual Growth Rate (CAGR) of 14% over the past five years. Simultaneously, deposits have seen an even faster growth at an 18% CAGR. The growth in deposits is attributed to the surge in its foreign currency component which has been influenced by the rapid depreciation of the Cedi in recent years

This has bolstered a 15% increase in interest income for the banking industry since 2018.

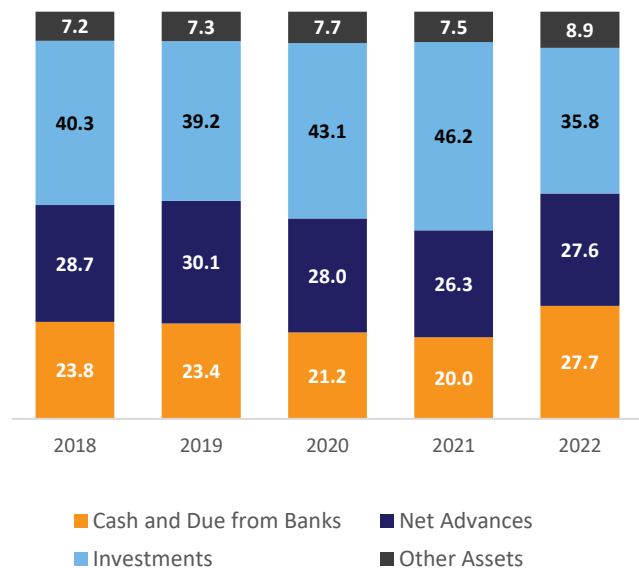
Loans and Investment Ratios



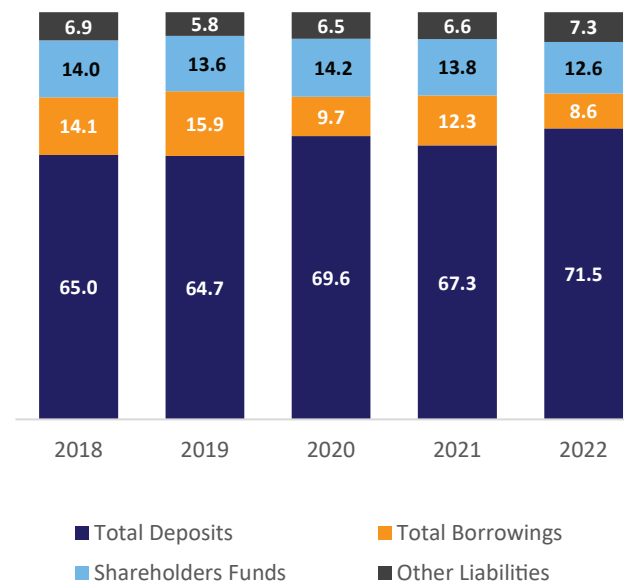
The loan to deposit ratio of the banking industry stood at 225.9% as at 31st December 2022.

During the same period, the investment to deposit ratio stood at 113.10% which was lower than the 161.15% recorded the year before.

ASSET STRUCTURE (%)



LIABILITY STRUCTURE (%)



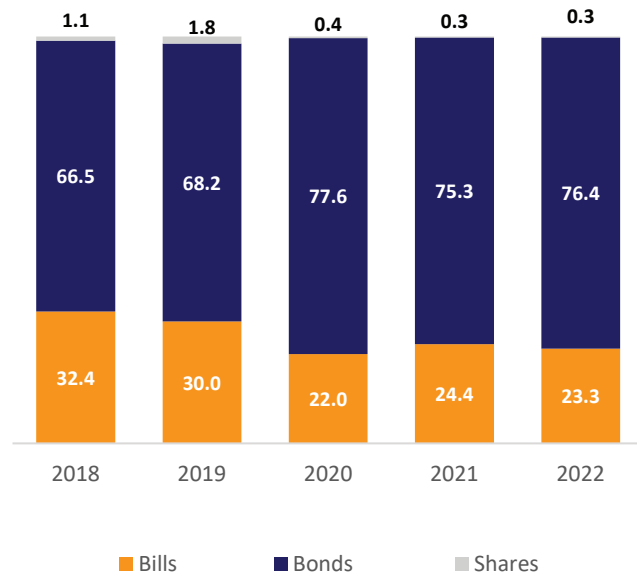
The total assets of Deposit Money Banks (DMB's) increased by 22.9% to GHS 221 billion in 2022 compared to 20.4% increase to GHS 180 billion in 2021.

Similar to the past five years, investments formed a larger proportion of the asset mix; 35.8% of total assets, despite dropping by 10.2 percent from the previous year. The drop in investments occurred due to the substantial losses recorded on government bonds as a consequence of the Domestic Debt Exchange Programme.

Deposits remained the major source of funding for the industry as its share increased by 4.2 percentage points to 71.5% in 2022.

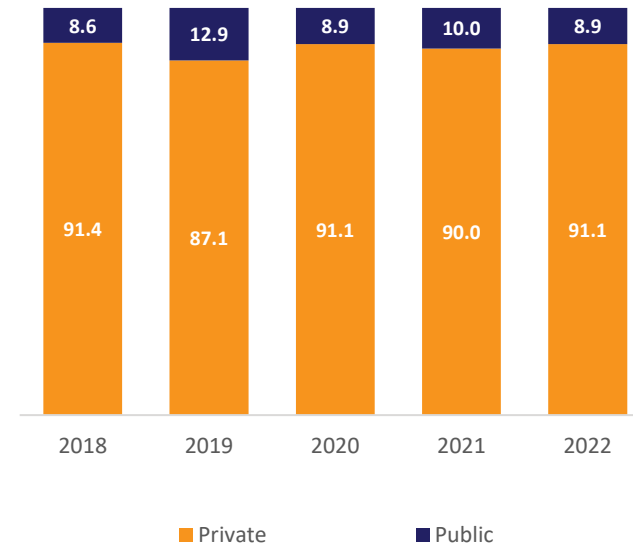
Banks reduced their reliance on borrowings as a significant funding source, with a 3.7% decrease in this category.

COMPONENTS OF BANKS' INVESTMENTS (%)



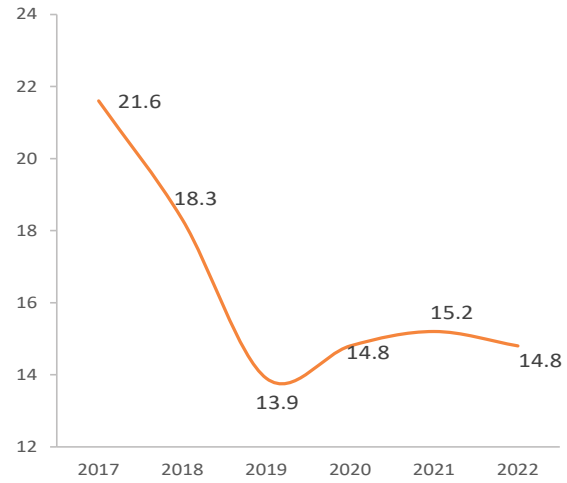
The asset mix of banks remained fairly the same in 2022 compared to the previous year. Out of the GHS 79.2 billion worth of investments held by the bank, GHS 18.5 billion was in Bills, GHS 60.5 billion was invested in Bonds, with the remaining GHS 0.2 billion was in shares

COMPONENTS OF BANKS' LOAN PORTFOLIO (%)

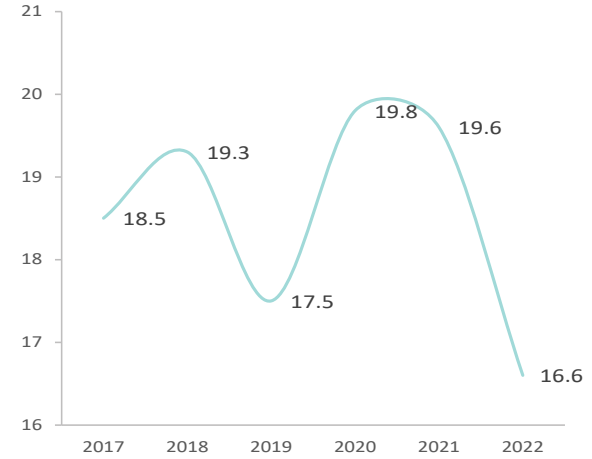


Credit to the private sector remains the largest portion of lending by banks. Banks' loans to the private sector increased marginally from 90.0% in 2021 to 91.1% in 2022.

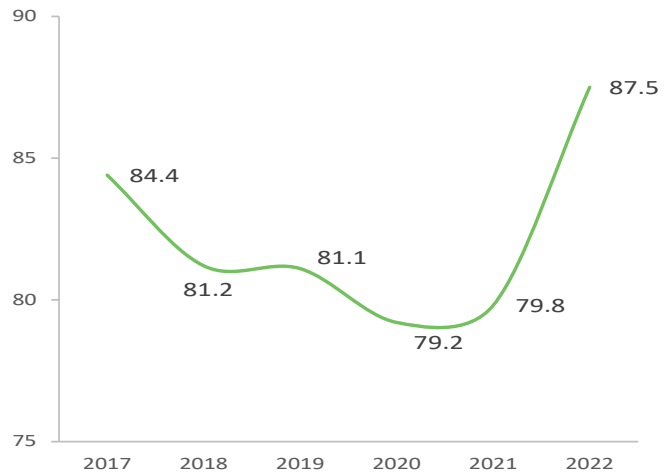
NPR (ASSET QUALITY) (%)



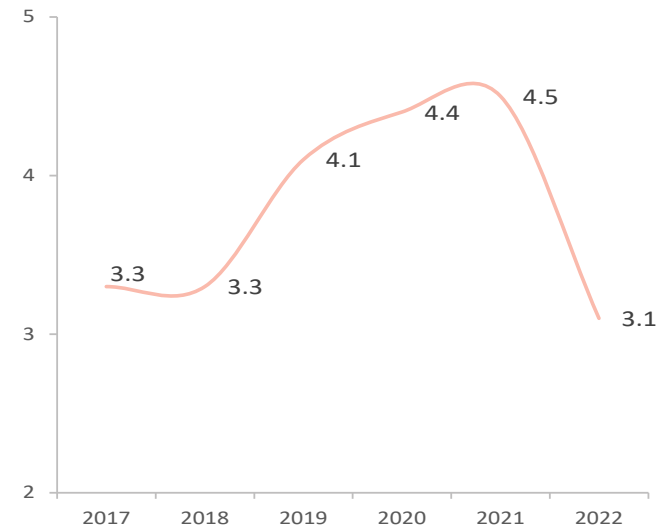
CAR (LIQUIDITY) (%)



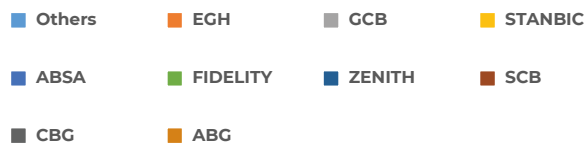
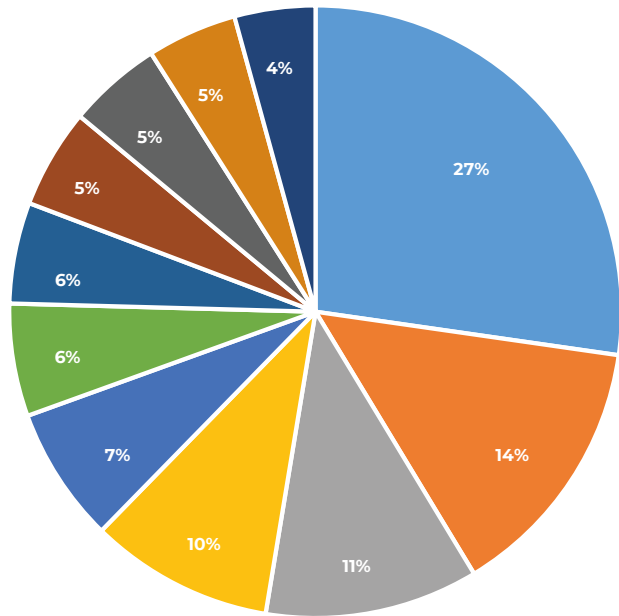
TOTAL COST TO GROSS INCOME RATIO (EFFICIENCY) (%)



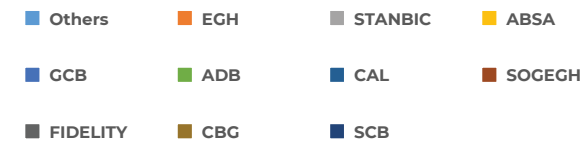
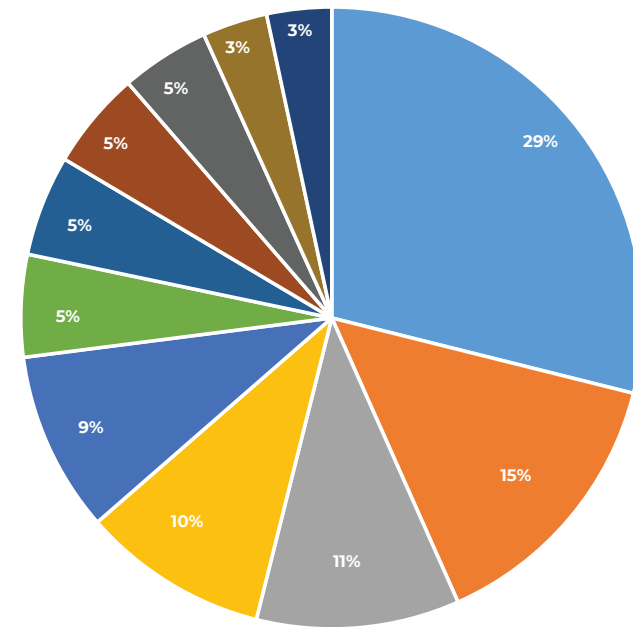
RETURN ON ASSETS (PROFITABILITY) (%)



MARKET SHARE OF
TOTAL DEPOSIT



MARKET SHARE OF
TOTAL LOANS



BANK PERFORMANCE EVALUATION AND RANKING

The bank performance evaluation rankings were based on the financial statements released by the banks for HY 2023. The rankings focused on twenty (20) out of the twenty-three (23) commercial banks in Ghana

A thorough analysis of essential financial ratios encompassing liquidity, asset quality, management efficiency, and profitability were employed in two different methodologies; (1) assigning weights to the key aspects assessed (2) key aspects were considered to be of equal importance.

Zenith Bank, Guaranty Trust Bank, Standard Chartered Bank, Access Bank Ghana and Stanbic Bank were the top three (5) banks with strong performances in the period under review using the unequally weighted methodology. On the contrary, Republic Bank, Bank of Africa, Prudential Bank Ghana, First National Bank and Universal Merchant Bank were the least ranked banks

The table below shows the various proxies assessed and the key weights assigned to the key aspects using the first methodology.

PROXIES USED

Key Aspect	Proxy	Weight
Liquidity	CAR	37.50%
	Loans-to Deposits	
	Core Liquid Assets to Deposits	
Asset Quality	Asset Size	25.00%
	NPL	
Management Efficiency	Cost-to-Income (CIR)	12.50%
Profitably	ROA	15.00%
	ROE	
	Net Interest Margin	
Business Diversification Risk	Non-Interest Income to Operating income	10.00%

BANK PERFORMANCE EVALUATION AND RANKING

BANK	Unequally Weighted Score*	Rank	Equally Weighted Score*	Rank
Access Bank Ghana	1.88	1	6.7	2
Guaranty Trust Bank	2.13	2	6.5	1
Standard Chartered Bank	2.35	3	8.5	3
Zenith Bank Ghana	2.4	4	9.6	4
Fidelity Bank Ghana	2.48	5	10	7
Stanbic Bank	2.65	6	10.5	11
United Bank of Africa	2.78	7	9.6	4
Bank of Africa	2.78	8	10.4	10
ABSA Ghana	2.8	9	10.1	8
FBN Bank Ghana	2.88	10	9.9	6
EcoBank Ghana	2.95	11	10.1	8
Consolidated Bank Ghana	2.98	12	10.5	11
GCB Bank	3.05	13	11.5	15
Société Générale Bank Ghana	3.15	14	10.6	14
First Atlantic Bank Ghana	3.18	15	10.5	11
First National Bank	3.43	16	14.8	18
Republic Bank Ghana	3.45	17	14.2	17
OmniBSIC	3.45	18	13.9	16
CAL Bank	3.55	19	16.3	20
Prudential Ghana	3.8	20	15.8	19
Agricultural Development Bank	3.85	21	16.4	21
Universal Merchant Bank	4.03	22	16.6	22

*Unequally Weighted Score: 1st methodology involving the assigning of unequal weights

*Equally Weighted Score: 2nd methodology involving the assigning of equal weights

DISPARITIES OBSERVED THROUGH THE APPLICATION OF THE TWO METHODOLOGIES

Variances in the methodologies utilized led to variations among the ranked banks.

The table below outlines the key distinctions observed in the rankings produced by the two different approaches.

BANK	Unequally Weighted Rank	Equally Weighted Rank	Position Difference
Access Bank Ghana	1	2	1
Guaranty Trust Bank	2	1	-1
Standard Chartered Bank	3	3	0
Zenith Bank Ghana	4	4	0
Fidelity Bank Ghana	5	7	2
Stanbic Bank	6	11	5
United Bank of Africa	7	4	-3
Bank of Africa	8	10	2
ABSA Ghana	9	8	-1
FBN Bank Ghana	10	6	-4
EcoBank Ghana	11	8	-3
Consolidated Bank Ghana	12	11	-1
GCB Bank	13	15	2
Société Générale Bank Ghana	14	14	0
First Atlantic Bank Ghana	15	11	-4
First National Bank	16	18	2
Republic Bank Ghana	17	17	0
OmniBSIC	18	16	-2
CAL Bank	19	20	1
Prudential Ghana	20	19	-1
Agricultural Development Bank	21	21	0
Universal Merchant Bank	22	22	0

*Unequally Weighted Score: 1st methodology involving the assigning of unequal weights

*Equally Weighted Score: 2nd methodology involving the assigning of equal weights

DISPARITIES OBSERVED THROUGH THE APPLICATION OF THE TWO METHODOLOGIES_ CASE BY CASE

STANBIC BANK

Stanbic Bank ranked 6th using the unequally weighted methodology but dropped to 11th when all proxies were treated with equal importance. This occurred due to an increase in weightings on asset quality and liquidity, in which Stanbic Bank demonstrated superior performance.

UNITED BANK OF AFRICA

United Bank of Africa ranked 7th using the unequally weighted methodology but increased in rank to 4th when all proxies were treated with equal importance. This was the result of heightened weight assigned to asset quality revealing United Bank of Africa's subpar performance.

FBN BANK GHANA

FBN Bank Ghana ranked 10th using the unequally weighted methodology but increased in rank to 6th when all proxies were treated with equal importance. This outcome stemmed from an increased emphasis on asset quality and liquidity, exposing FBN's subpar performance.

ECOBANK GHANA

Ecobank Ghana ranked 11th using the unequally weighted methodology but increased in rank to 8th when all proxies were treated with equal importance. This result originated from a greater focus on liquidity, unveiling EcoBank's subpar performance.

FIRST ATLANTIC BANK GHANA

First Atlantic Bank Ghana ranked 15th using the unequally weighted methodology but increased in rank to 11th when all proxies were treated with equal importance. This outcome originated from an amplified emphasis on liquidity and management efficiency revealing First Atlantic Bank's subpar performance.

PROXY DETAILS

	ABSA	ABG	ADB	BOA	CAL	CBG	EGH	FABL	FID	FBN	FNB
Asset Size (in billion GHS)	17,102,274	10,057,221	7,412,718	3,635,210	9,219,254	10,616,368	25,774,085	7,428,291	13,785,897	2,834,455	3,068,380
NPL ratio	15.96%	3.38%	29.74%	10.07%	11.70%	19.34%	9.50%	12.00%	7.83%	24.94%	7.09%
Cost -to- Income ratio	24.40%	28.44%	89.83%	45.52%	52.89%	-88.92%	43.15%	51.32%	46.02%	30.73%	136.36%
CAR	19.47%	36.93%	7.36%	31.62%	11.90%	-4.50%	14.60%	18.00%	16.79%	56.90%	19.82%
Return on Assets (ROA)	-2.59%	-3.86%	-5.35%	0.17%	-8.48%	-14.09%	-0.15%	0.00%	-2.86%	2.60%	-12.27%
Return on Equity (ROE)	-20.07%	-33.34%	-56.41%	0.83%	-164.19%	211.18%	-1.26%	-0.02%	-59.20%	9.45%	-138.44%
Net Interest Margin	14.61%	10.34%	15.29%	10.07%	8.98%	7.58%	34.16%	16.57%	9.57%	11.41%	7.45%
Loans to Deposits	52.23%	21.87%	55.28%	51.44%	50.54%	26.24%	39.60%	23.57%	29.98%	33.65%	51.06%
Core Liquid asset to deposit	82.06%	97.47%	38.51%	105.82%	74.96%	96.41%	63.79%	59.67%	99.72%	1.79%	90.43%
Non-Interest Income to Revenue	33.98%	53.52%	34.80%	32.15%	23.72%	35.03%	12.22%	19.83%	37.47%	54.91%	44.14%

PROXY DETAILS

	GCB	GT	OMNIBSIC	PRUD	RBGH	SCB	SOGE	STAN	UBA	UMB	ZEN
Asset Size (in billion GHS)	21,357,121	7,132,786	3,108,545	5,206,346	5,080,292	10,367,004	6,595,836	18,597,451	6,210,062	4,771,270	9,659,571
NPL ratio	20.59%	2.42%	28.40%	28.78%	19.85%	12.04%	13.48%	8.96%	15.80%	33.38%	3.80%
Cost-to- Income ratio	53.48%	22.23%	89.74%	52.37%	57.14%	35.94%	43.47%	46.77%	27.01%	66.06%	39.07%
CAR	17.86%	33.42%	21.70%	14.23%	21.25%	22.90%	16.00%	12.30%	20.20%	-0.21%	36.00%
Return on Assets (ROA)	-2.81%	1.89%	-5.01%	-7.44%	-1.44%	-2.93%	1.81%	-0.38%	1.03%	-5.97%	-4.53%
Return on Equity (ROE)	-30.10%	9.42%	-34.42%	-96.77%	-10.10%	-22.57%	10.00%	-3.67%	5.00%	-122.06%	-42.73%
Net Interest Margin	14.88%	13.79%	6.08%	11.48%	12.43%	14.46%	18.69%	14.83%	13.77%	6.65%	11.29%
Loans to Deposits	30.81%	35.99%	25.55%	50.32%	47.87%	24.71%	73.19%	41.92%	32.12%	32.68%	22.03%
Core Liquid asset to deposit	75.11%	72.05%	81.60%	88.09%	43.30%	89.85%	46.49%	70.66%	89.30%	67.01%	75.93%
Non-Interest Income to Revenue	29.60%	50.98%	49.33%	29.62%	24.90%	34.00%	40.00%	33.33%	21.29%	61.93%	31.58%

Foreign Banks



ABSA



BOA



ABG



EGH



FAB



FBN



FNB



GTB



OMNI



RBG



SCB



SOGE



STB



UBA



ZEN

Local Banks



UBB



CAL



CBG



GCB



ADB



FID



PRB



NIB

ABSA- ABSA Ghana, ABG –Access Bank Ghana, ADB- Agricultural Development Bank, BOA – Bank of Africa, CAL- CAL Bank, CBG – Consolidated Bank Ghana, EGH – EcoBank Ghana, FAB – First Atlantic Bank Ghana, FID – Fidelity Bank Ghana, FBN -FBN Bank Ghana, FNB – First National Bank, GCB- Ghana Commercial Bank, GT – Guaranty Trust Bank, OMNI – OmniBSIC, PRB – Prudential Bank Ghana, RBG – Republic Bank Ghana, SCB – Standard Chartered Bank, SOGE – Société Générale Bank Ghana, STB – Stanbic Bank, UBA – United Bank of Africa, UMB – Universal Merchant Bank, ZEN – Zenith Bank Ghana.

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