SECTOR PROFILE OF GHANA’S FINANCIAL SERVICES INDUSTRY
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List of Abbreviations and Acronyms

AfDB  African Development Bank
ASEA  African Securities Exchanges Association
ATMs  Automated Teller Machines
BoG   Bank of Ghana
CAR   Capital Adequacy ratio
CDH   Consolidated Discount House
CUA   Credit Union Association
CUs   Credit Unions
DTA   Double Taxation Agreements
ECOWAS Economic Community of West African States
FINSAP Financial Sector Adjustment Program
FINSSP Financial Sector Strategic Plan
GDP   gross domestic product
GGILBs Government of Ghana Index-Linked Bonds
GIC   Ghana Investment Corporation
GoG   Government of Ghana
GOIL  Ghana Oil Company Limited (Goil
GSE   Ghana Stock Exchange
GSR   Golden Star Resources Ltd
ICT   Information and communication technology
IFC   International Finance Corporation
IFRS  international financial reporting standards
IMF   International Monetary Fund
LAR   Liquid asset ratio
LTS   Long-Term Savings
M2+   Ghanaian broad money
MFIs  micro finance institutions
MIGA  Multilateral Investment Guarantee Agency
MPC   Monetary Policy Committee
NBFI  Non-Bank Financial Institution
NGOs  Non-Governmental Organizations
NIC   National Insurance Commission
NPL   Non-Performing Loan
RCB   rural and community bank
RCBs  Rural and Community Banks
SDC   Security Discount Company
SEC   Securities & Exchange Commission
SIC   State Insurance Company
SLCs  Savings and Loans Companies
SMF   secondary mortgage finance
SSNIT Social Security and National insurance Trust
UBBL  Universal Banking Business Licence
VCTF  Venture Capital Trust fund
Executive Summary

Overview

The finance services industry encompasses a broad range of organizations that deal with the management of money. In Ghana, the financial services industry is categorized into three main sectors:

- Banking and Finance (including Non-Bank Financial Services and Forex Bureau)
- Insurance and
- Financial market/capital markets

The operating institutions include both foreign and local major banks, Rural and Community Banks (RCBs), Savings and Loans Companies (SLCs) and other finance and leasing companies.

Through the implementation of the Financial Sector Strategic Plan (FINSSP) the Government of Ghana intends to promote the evolution of a financial sector which is appropriate for the needs of a country moving towards middle income status. The vision is one of a financial sector which is responsive to the needs of the 21st century, particularly given the prospect of greater international and regional competition and opportunity for Ghanaian financial market participants.

Investment opportunities

There is a high demand for various financial services in Ghana, as evidenced by the consistent high growth of companies in the sector. The relatively underdeveloped financial services sector in neighboring countries is an opportunity for financial services firms in Ghana to supply needed services in those countries.

Investment opportunities exist for the following range of businesses, amongst others: Universal banks; Development banks; Insurance companies; Reinsurance companies; Mortgage finance institutions; Leasing companies; Venture capital companies; Hire purchase companies; Export finance companies; Investment banks; Mutual funds; Investment trusts; Savings and loans companies; Specialized finance houses
Key players

Key players in the industry include the following banks and supporting institutions:

**Banks:**


**Supporting Institutions:**

Bank of Ghana; Securities and Exchange Commission; ARB Apex Rural Bank; National Insurance Commission; Association of Rural Banks; Ghana Co-operative Credit Unions Association; the Ghana Microfinance Institutions Network

The Market

Developments in the banking system as of January 2008 show a continuous surge in asset growth resulting mainly from credit expansion. Banks’ deposits and borrowings were used to fund the growth in assets.

Total assets of the banking industry grew on an annual basis by 46.2 per cent to GH¢7,807.0 million as of January 2008, compared with 38.1 per cent growth for same period in 2007.

As of January 2008 net loans and advances had reached GH¢3,868.7 million, recording an annual growth of 59.2 per cent compared with growth of 37.6 per cent a year earlier.

Banks’ investments reached GH¢1,363.1 million in January 2008 recording a year-on-year deceleration of 0.4 per cent compared with 37.5 per cent in the 12-month period to January 2007.

The growth in banks’ foreign assets picked up in January 2008 reaching 54.7 per cent compared with the 20.7 per cent recorded during the same period in 2007.
Credit-deposit ratio increased to 81.5 per cent as of January 2008 from 73.4 per cent in the same period in 2007
1.0 Overview of the Industry

1.1 Introduction

The financial services industry encompasses a broad range of organizations that deal with the management of money. In Ghana, the financial services industry is categorized into three main sectors:

- Banking and Finance (including Non-Bank Financial Services and Forex Bureaux)
- Insurance and
- Financial market/capital markets

The Government of Ghana has shown strong commitment to financial sector development, in particular with the Cabinet approval in 2003 of the Financial Sector Strategic Plan (FINSSP) which aims at broadening and deepening the financial sector. Improved governance in the financial markets remains an important focus for the continued reform agenda.

Through the implementation of the FINSSP the Government of Ghana intends to promote the evolution of a financial sector which is appropriate for the needs of a country moving towards middle income status. The vision is one of a financial sector which is responsive to the needs of the 21st century, particularly given the prospect of greater international and regional competition and opportunity for Ghanaian financial market participants.

Consistent with the Government’s vision, the project has an underlying theme of establishing an enabling environment supported by effective regulation, with an objective that all savers and investors will have the benefit of regulatory oversight. As a “second generation” financial sector reform program, it is accepted that the basic institutions required for effective provision of financial services are largely in place; the objective is rather to allow them to operate more efficiently.

Following significant improvements in the financial system, there is no doubt that the sector is now in a better shape to play the effective role of harnessing financial resources for sustainable economic growth of the country.

The operating institutions include both foreign and local major banks, Rural and Community Banks (RCBs), Savings and Loans Companies (SLCs) and other finance and leasing companies. The number of institutions existing in the various categories at the end of April 2008 was as follows:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>28</td>
</tr>
<tr>
<td>Rural and Community Banks</td>
<td>129</td>
</tr>
</tbody>
</table>
1.2 Government Policy and Regulatory Environment for the Industry

Government Policy

In 2003, the government of Ghana launched the Financial Sector Strategic Plan II (FINSSP II) to serve as the blueprint for Ghana’s financial sector development.

The stated objectives of government under the FINSSP are to:

- promote efficient savings mobilization;
- make Ghana the preferred source of finance for domestic companies;
- establish Ghana as the financial gateway to the Economic Community of West African States (ECOWAS) region;
- enhance the competitiveness of Ghana’s financial institutions within a regional and global setting;
- ensure stronger and more facilitative regulatory regime; and
- achieve a diversified domestic financial sector within a competitive environment.

The activities of FINSSP II include:

1.2.1 Regulation and Supervision of Financial Markets

The project is supporting the strengthening of the Securities & Exchange Commission (SEC). The project provides:

(i) SEC with technology upgrading;
(ii) technical assistance and capacity building to enhance performance in the areas of supervision, surveillance and enforcement;
(iii) support for the implementation of the amendments to the Long-Term Savings (LTS) Act, 2004;
(iv) support for the development, regulation and supervision of the LTS agency, and
(v) provides support to SEC public education campaign.

1.2.2 Banking and NBFI (Non-Bank Financial Institution) Regulation and Supervision

The project supports strengthening of the Bank of Ghana (BoG) through:

(i) technical assistance to review the structure of the Banking Supervision Department and the fit of various departments in the overall organizational structure of BoG;
(ii) support for the enactment of several laws critical for implementation of reforms (e.g. Bills and Checks Bill, Credit Bureaus law);
(iii) improvements to the technological base of BoG;
(iv) providing support to clarify regulations and supervisory responsibilities between BoG and the Credit Union Association (CUA), for the credit unions, and BoG and ARB Apex Bank, for the rural banks;
(v) strengthening supervisory and regulatory capacity of BoG, CUA and ARB Apex Bank.

1.2.3 Insurance Regulation and Supervision

The project is supporting the National Insurance Commission (NIC) by

(i) providing technical assistance for the design of a curriculum and a strategic plan to support training of insurance industry staff at, and operation of, the Insurance Industry Training Center;
(ii) revising and instituting a modern legal and regulatory insurance framework, including development of regulations;
(iii) capacity-building to improve insurance supervision, and
(iv) capacity-building support to the research and actuarial units within NIC.

1.2.4 Strengthening of Capital Markets

The project is providing:

(i) support to review Ghana Stock Exchange (GSE) rules and regulations;
(ii) expertise to manage the business and regulatory risks of demutualization;
(iii) support for GSE automation; and
(iv) support to build GSE staff capacity and that of market operators.
1.2.5 Pension Sector Development

The project is providing;

(i) support for strengthening of legislation for the governance of the pensions sector, in particular in order to establish the framework to transfer the responsibility for SSNIT’s (Social Security and National insurance Trust) investment management to external, independent and regulated private investment fund managers;
(ii) support to evaluate and design a process for such outsourcing of SSNIT’s investment management functions;
(iii) to strengthen the capacity of SSNIT staff to undertake actuarial simulations of revenue and benefit flows according to different medium-term reform scenarios; and
(iv) support to strengthen the timeliness and accuracy of individual data account records at SSNIT.

1.2.6 Access to Finance and Financial Sector Governance

The project aims to establish a stronger Banking and NBFI system that provides a wide range of competitive products through;

(i) providing technical assistance to develop a strategic vision and establish a governance framework for Ghana Commercial Bank, Agricultural Development Bank, National Investment Bank and State Insurance Corporation;
(ii) applying the Finmark approach to better understand access to finance issues (with a focus on the demand side);
(iii) facilitating the flow of remittances;
(iv) establishing a sound basis for governance and regulation of the proposed Venture Capital Trust Fund, and
(v) supporting the work program of the Presidential Commission on Pension Reform through technical studies of policy reform areas it is considering.

1.2.7 Regulatory Environment

The regulation of the financial services industry in Ghana is mainly conducted by five institutions; namely, the

a) Bank of Ghana (BOG),
b) National Insurance Commission (NIC),
c) Securities and Exchange Commission (SEC)
d) ARB Apex Rural and the
e) Ghana Cooperative Credit Unions Association (CUA)
1.2.8 Bank of Ghana

The Bank of Ghana (BOG) is the overall supervisory and regulatory authority in all matters relating to banking and non-banking financial business in Ghana.

The regulatory and legal framework within which banks, non-bank financial institutions as well as forex bureaux operate in Ghana are the following:

- Banking Act, 2004 (Act 673)
- Financial Institutions (Non-Bank) Law 1993, PNDC Law 328
- Companies Code Act 179, 1963
- Bank of Ghana Notices/Directives/Circulars/Regulations

The Bank of Ghana (BOG) is therefore, charged with the responsibility of ensuring that the financial system is stable to ensure that it serves as a facilitator for wealth creation, economic growth and development.

The functions and responsibilities of the Central Bank as a Regulator are defined in Act 612 and Act 673 as follows:

- To regulate, supervise and direct the banking system and credit system to ensure the smooth operation of a safe and sound banking system.
- To appoint an officer designated as the head of Banking Supervision Department, who shall be appointed by the Board.
- To consider and propose reforms of the laws relating to banking business.

1.2.9 National Insurance Commission

The National Insurance Commission (NIC) is the regulator of the insurance sector.

The National Insurance Commission (NIC) has as its principal objective under the Insurance Law, 1989 to ensure effective administration, supervision, regulation and control of the business of insurance in Ghana.

The general functions of the Commission cover the broad areas of

- Licensing and Registration of insurance operatives - underwriters, brokers and agents
- Solvency supervision of insurance companies
- Marketplace supervision and consumer protection
- Policy-making and establishment of industry guidelines and
- Administration, supervision, regulation and control of insurance business in Ghana.
The NIC’s activities include ensuring compliance with Insurance Laws and Regulations; ensuring capital adequacy of insurance and reinsurance companies; setting standards and formulating policies to govern the conduct of insurance business; educating the public on insurance and addressing their complaints.

1.2.10 Securities and Exchange Commission


Responsibilities of the Securities and Exchange Commission include:

- Providing companies and the general public with guidance in interpreting the provisions of the securities laws, rules and regulations on the subject of listing of securities, and handling any investor complaints;
- Licensing and regulating all market operators such as Investment Advisors, Dealers and their representatives, including the regulation of the Ghana Stock Exchange;
- Overseeing and regulating the fund management industry in Ghana and administering the securities laws affecting Collective Investment Schemes such as Unit trusts and Mutual funds;
- Overseeing the disclosure of material information to the investing public by companies, including securities, listed on the Ghana Stock Exchange;
- Performing post-prospectus checks on the utilization of funds collected through public subscriptions;
- Investigating any breaches of the securities laws and the Companies Code; and
- Supervising mergers and acquisitions offers.

1.2.11 ARB Apex Rural Bank

The ARB Apex Bank Limited was incorporated as a public limited liability company on 4th January, 2000. Its shareholders are the Rural and Community banks. It was granted a banking license on 23rd April, 2001 and was admitted to the Bankers Clearing House as the 19th member in August, 2001. It had its certificate to commence business on 1st November, 2001, thus, completing all the legal processes for the commencement of operations.
The ARB Apex Bank Limited began clearing services on 2nd July, 2002 in all the 11 clearing centres in Ghana. The bank has outlets in all the 10 regional capitals and Hohoe.

The ARB Apex Bank Ltd was registered under the Companies Code 1963, Act 179 as a public limited liability company and licensed by the Bank of Ghana under the then Banking Law, 1989 (PNDCL 225) as repealed by the Banking Act 2004, (Act 673). Apart from the above legal and regulatory framework in which the Bank is operating, it is also subject to the Bank of Ghana Act, 2002 (Act 612) and other directives issued by the Bank of Ghana from time to time. The Bank is also regulated by other legislations relating to the administration of financial matters which are in force for the time being, that is, Financial Administration Act, 2003 (Act 654), Public Procurement Act, 2003 (Act 663); among others. Furthermore, the ARB Apex Bank Ltd is regulated by its Regulations; ARB Apex Bank Regulation (L.I.1825).

The mission of the ARB Apex Bank is to provide banking as well as non-banking support services to the rural/community banks with the aim of improving their operational efficiency, and thereby, transforming them into efficient and credible financial institutions, which can effectively address the banking needs of the communities in which they operate.

The vision of the bank is to promote accelerated development of the rural-economy by the provision of cost-effective information and communication technology-based banking, through the rural/community banks and micro finance institutions (MFIs) by the year 2015.

The ARB Apex Bank is a “mini” central bank for the Rural/Community Banks under the supervision of the Bank of Ghana. Being a dedicated controlling bank, the Apex Bank ensures effective supervision of rural/community banks.

ARB Apex Bank has the following functions:

a) Provision of cheque clearing services. This addresses the constraints of delays in cheque clearing through the big commercial banks

b) Handling cash movement and funds management services. This ensures effective and efficient management of the cash of rural/community banks.

c) Development of new innovative banking products. This is to enable more rural dwellers to have access to banking products purposely designed to meet their needs.

d) Provision of inspection services. The provision of both on-site and off-site inspection services addresses the problems of inadequate bookkeeping, non-observance of internal control measures and lack of regular inspection of the rural/community banks.
e) Provision of Information Technology support to computerize rural/community banks operations and ensure efficient handling of data/information which will result in quality customer service.

f) Sourcing of funds for on-lending to the rural/community banks.

g) Training of staff and directors of rural/community banks. This ensures that the staff and the management of rural/community banks possess the requisite skills to operate professionally.

1.2.12 Credit Unions (CUs) and Non-Governmental Organizations (NGOs)

(a) Credit Unions

Credit Unions (CUs) and Non Governmental Organizations (NGOs) are legally registered semi-formal organizations but are not licensed by the Bank of Ghana. NGOs are incorporated as companies limited by guarantee (not for profit) under the Companies Code. Their poverty focus leads most of them to provide multiple services to poor clients, including micro-credit, though mostly on a limited scale. They are not licensed to take deposits from the public and hence have to use external (usually donor) funds for micro-credit.

Credit Unions are registered by the Department of Cooperatives as cooperative thrift societies that can accept deposits from and give loans to their members. Although credit unions are nominally included in the NBFI Law, BOG has allowed the apex body Ghana Cooperative Credit Unions Association to continue to regulate the societies pending the introduction of a new Credit Union Law.

(b) Informal Finance (‘Susu’)

The informal financial system covers a range of activities known as susu, including individual savings collectors, rotating savings and credit associations, and savings and credit “clubs” run by an operator. It also includes moneylenders, trade creditors, self-help groups, and personal loans from friends and relatives. Moneylenders are supposed to be licensed by the police under the Moneylenders Ordinance 1957.
1.3 Developments in the Industry

Ghana’s financial sector has undergone significant changes over the years. In the 1970s, the Bank of Ghana promoted the establishment of rural banks and the government of Ghana also embarked on an extensive regulatory reform programme in 1983.

1. The first generations of financial sector reforms were launched under the Financial Sector Adjustment Program (FINSAP) in 1988. The government promulgated the Banking Act in 2004. Such developments have brought a number of new institutions into the sector.

2. The Banking Law (PNDCL 225) was revised in 1989. The innovations in the new law included (i) the tightening of risk exposure limits, (ii) establishment of tighter capital adequacy ratios, (iii) strengthening of accounting standards and making them uniform for all banks, (iv) broadening the scope for audits of the banks, (v) imposition of stringent reporting requirements, and (vi) improvement of on-site and off-site supervision of banks by the Bank of Ghana. A revised Bank of Ghana Law (PNDCL 291) was also enacted in 1992 to give more supervisory powers to the central bank. These two laws together provide the legal and regulatory framework for the banking business in Ghana.

3. One major development was the establishment of the Home Finance Company that has brought about a great change in the loan portfolios of banks in Ghana. Since the introduction of Banks in Ghana, their loan portfolios have consisted of short-term facilities granted to their customers who were mostly international traders. But since the mid-1980s, most of the banks started to expand their loan portfolios by granting mortgage facilities to customers. In order to provide secondary markets for the banks in this direction, the Home Finance Company Ltd. was established in 1987 to provide secondary mortgage finance (SMF) to the banks. Thus it can be said that, the SMF scheme provides the banks with the opportunity to manage their asset-liabilities and liquidity efficiently thereby preventing failures in the banking system.

4. In addition to the above, until 1992 the discount houses remained the main institutions providing intermediary functions (secondary market) between the local banks and the Bank of Ghana. The Banks could only buy or sell securities to the discount houses. They provided the daily liquidity needs of the banks. They were the only institutions that served as the primary market for the Bank of Ghana and secondary market for the commercial banks and other institutions for government of Ghana stocks and bonds, bank of Ghana bills, cocoa bills and bank acceptances.

5. In 1992, there was a great change when the wholesale market was established to enhance competition in the secondary market for these instruments. Under this scheme, the banks are now allowed to deal directly with the Bank of Ghana through the establishment of the Repo
Market. The scheme also encouraged the establishment of the inter-bank market to compete with the discount houses for short-term funds. In addition, selected brokerage firms have also been allowed to participate in the weekly wholesale Treasury bill auctions.

6. The consequence of the above institutional changes has been an increased competition in the money market and led to the development of new instruments like the REPO in 1992. This new change and development has provided a means for the banks to manage their liquidity better than before because they can now trade directly with the Bank of Ghana. They can also trade among themselves in the inter-bank market, and with brokers, and the discount houses. They now have a larger and better primary and secondary money market where they can easily borrow and lend when they are short of funds or have excess liquidity. This is important as it reduces bank failures and systemic risk as a result of commercial banks important role in the payment system.

7. In order to further increase the size of the secondary markets for the capital markets, the Ghana Stock Exchange was established in 1989 and started operations in 1990. After its establishment, it introduced the GSE All Share Index in 1994 to help traders in the financial markets especially those who are concerned with general price movements to measure market trends. This is expected to help investors in their investment decision making in the financial markets. Also, the GSE now serves as a secondary market where especially non-bank financial institutions can both lend and borrow money through the equity and the bond markets. These have expanded the secondary capital market and also reduced the excessive reliance on banks for borrowed funds.

8. In order to bring more financial institutions under the purview of the Bank of Ghana, a Financial Institutions (Non-Banking) Law (PNDCL 328) was also enacted in 1993. This law covered the activities of discount houses, finance houses, acceptance houses, building societies, leasing and hire-purchase companies, venture capital companies, mortgage financing companies, savings and loans companies, and credit unions.

9. As part of government financial sector reforms, a number of laws have been enacted including:
   a. The Banking Act, 2004: Act 673
   b. Payment System Act 2003 (Act 662)
   c. The Long Term Savings Act, 2004: (Act 679)
   e. Insolvency Act 2006 (Act 723)
   g. Credit Reporting Act 2006 (726)
   h. Insurance Act 2006 (Act 724)
   i. ARB Apex Bank Regulations 2007: LI 1825
   j. Central Depository System Act 2007 (Act 733), and
   k. Banking Amendment Act 2007 (Act 738)
10. The financial reforms also involved management and financial restructuring of the banks. New boards were created for most of the banks and there were shake-ups in the top management positions as well. Financial restructuring involved, in the main, the recapitalization of the banks with equity injection where liquidity was low, and the cleaning up of their balance sheets of non-performing assets.

11. There was also institutional restructuring of the financial system involving the establishment of new institutions, and liquidation of banks and divestiture of public sector shareholding in some of the banks. Under the FINSAP, five new banks and twenty non-bank institutions were established. This was to encourage competition in the financial sector.

In 1995, the Social Security Bank merged with the National Savings and Credit Bank. Under the institutional restructuring, the money market was formalized in the creation in 1991 of a second discount house, the Security Discount Company (SDC) to compete with the Consolidated Discount House (CDH), which was created in 1987. Both were wholly owned by the banks in Ghana and charged with carrying out inter-bank operations. These institutions help optimise the allocation of resources within the banking sector and facilitate proper mobilization of resources to the needy sector, thus, reducing structural imbalances in the system.

12. In December 2000, an Act to amend some provisions of the Securities Industry Law 1993, PNDCL 333 was passed. This Act, Act 590, makes fuller provisions for the operation and regulation of Unit Trusts and Mutual Funds.

13. In February 2003, BoG formally introduced the Universal Banking Business License (UBBL), which has brought more competition within the industry. To operate under the UBBL, existing banks must have a minimum net worth of €70billion (excluding statutory reserves), and new banks should have a paid-up capital of €70billion. Banks are required to hold 9% of the cedi and forex deposit base with BOG on daily basis as primary reserves and 35% of their deposit base in cedi denominated assets as secondary reserves.

14. The Government of Ghana Index-Linked Bonds (GGILBs) was introduced in 2001, which was part of the reserve requirements and converted Government of Ghana (GoG) short-term liabilities into long-term loans. BOG requires banks to hold 15% of their total deposits in GGILBs. The GGILB is now being phased out by the new 2nd and 3rd year fixed or floating bonds.

15. Government proposed in 2007 to establish an Independent Investment Authority to be known as the Ghana Investment Corporation (GIC) to encourage the private sector to participate in the financing of the energy, roads, railway and water sectors. GIC will explore the possibility of
investing and acquiring shares in international and multinational companies that purchase and process Ghana’s raw materials such as cocoa and gold, and their processing, to enable the country hedge against falling commodity prices, through receipts of dividends and capital appreciation of the shares of these multinationals.

16. A bill was passed by Parliament in March 2007 to include provisions in the Banking Act to allow for the operation and regulation of the offshore banking services portion of the International Financial Services Centre. Barclays Bank of Ghana has since been the first to be issued with a license to operate offshore banking services.

17. Ghana on September 27th 2007 became the first Sub-Saharan African sovereign country (except South Africa) to access the International Bond Market with a benchmark issue of US$750 million, 10-year tenure and at a coupon rate of 8.5 percent. The deal was about four times (4 times) oversubscribed with a high quality book of investors made up of about 40 percent from the US market, 36 percent from the UK market, and the rest from other European countries, the Middle Eastern region and Asia.

18. The Venture Capital Trust fund (VCTF) was established by Act 680 passed in November 2004, with the objective to provide investment capital to Small and Medium Enterprises (SMEs). In most cases loans granted by VCTF carry an interest rate that is actually below the market rate or what the normal banking institutions offer.

19. The Bank of Ghana has proposed a review of the minimum requirements of banks and non-bank financial institutions: (A) Banks minimum paid up capital is to increase from GH¢7.0 million to between GH¢50-60 million; and (B) Minimum capital requirements for deposit taking non-bank financial institutions (NBFIs) and finance houses would increase from GH¢1.0 million and GH¢1.5 million respectively, to between GH¢5-8 million.

20. The Bank of Ghana launched the E-Zwich biometric smart card on 28th April 2008. The E-Zwich is expected to bring electronic payment to the doorstep of all Ghanaians, whether unbanked, non-banked, or under-banked, and can be accessed even in the remotest parts of the country where electricity and telecommunication facilities are unavailable. The E-Zwich biometric payment system has a low transaction cost with limited infrastructure needs and is able to work in the rural and informal sectors.

21. In what could be described as a landmark policy initiative, the Bank of Ghana in July 2007 redenominated the Ghanaian currency by setting the current ten thousand cedis (¢10,000) to one Ghana cedi (1GH¢). This was intended to address the lingering legacy of past inflation and macroeconomic instability, which resulted in increases in the numerical value of prices in local currency terms. The multiple zeros accompanying the local currency caused difficulties in expressing monetary values.
It placed significant deadweight burden on the economy which comes in several forms such as the high transaction costs at the cashiers, general inconvenience and high risks involved in carrying loads of currency for transaction purposes, difficulties in maintaining bookkeeping and statistical records, and ensuring compatibility with data processing software, and the strain on the payments system, particularly the ATMs. These necessitated the need to remove four zeros from the domestic local currency to restore credibility of the currency, particularly with the transition towards a single digit inflationary regime.

The re-denomination exercise was completed in December 2007.

22. In 2007, the Ghana Stock Exchange (GSE) went through an international competitive bidding process, selected a winning bid and signed a contract which hopefully will see the Exchange go automated trading in June 2008.

23. **Harmonization of West African markets:** Also in 2007, the GSE continued but stepped up discussions among the three West African Exchanges (Nigeria, BRVM in Cote d'Ivoire and Ghana) on harmonization including the harmonization of regulations and rules as well as operational procedures. The aim is to ultimately allow investors and issuers access to all of the West African Markets.

24. The year 2008 will be a watershed for Ghana's capital market in view of major changes that will come along in 2008. First of all, the Ghana Stock Exchange by June 2008 would have gone live with an automated trading platform. It will at that point do away with the white boards that are currently in use on the Trading Floor.

25. Also in 2008, the market will move all paper share certification of listed companies into a Depository regime and thereby resort to electronic clearing, settlements and keeping of shareholding records. Under these arrangements which will be carefully and widely publicized for utmost participation, every investor who trades on the Exchange will be required to open an account with the Depository. The account investors open will show records of shareholdings of investors (balances, purchases and sales of shares, etc.) so that on receipt of regular statements, every shareholder can know all his ownership of listed shares. The goal is to reduce risks (of loss, impersonation, forgery, etc.) associated with the present paper certification and make it easier for investors to trade in listed securities thereby improving liquidity on the market.

26. In 2008, the Exchange also expects to focus attention on a number of prospective listings and facilitate their primary market offer and subsequent listing on the Exchange preferably before the end of the third quarter of 2008. These will include equities and debt instruments. Finally, as part of efforts to ensure the smooth take off and wide acceptance of these innovations, the Exchange will step up public
education among the investing public throughout 2008 while seeking the support of the media in that direction.

27. **International Financial Service Centre (IFSC)**

International Financial Service Centre (IFSC) at its simplest form is the provision of financial services by banks and other agents to non-residents. These services include the borrowing of money from non-residents and lending to non-residents. This can take the form of lending to corporate and other financial institutions, funded by liabilities to offices of the lending bank elsewhere, or to market participants. It can also take the form of the taking of deposits from non-residents, and investing the proceeds in financial markets elsewhere.

The existence of IFSC affects the work of the Central Bank in several ways. First, a better understanding of the activities taking place in IFSC can contribute to the strengthening of the financial system surveillance by improving abilities to identify and deal with risks at an early stage. Second, IFSC are generally used not only by major industrial countries, but also by emerging market economies whose financial systems are perhaps more vulnerable than others to reversals in capital flows, rapid accumulation of short-term debt, unhedged exposure to currency fluctuations, and selective capital account liberalization. Finally, the operation of IFSC has implications for the Central bank’s work on the promotion of good governance because it can reduce transparency, including through the exploitation of complex ownership structures and relationships among different jurisdictions involved.

Both private and public service provider such as the Registrar of Companies, utility service providers and professional experts have a key role in facilitating efficient international financial services. Besides, effective and efficient transport facilities by sea and air to the destinations of the non-residents customers, who are doing business through the IFSC, are also paramount. An important requirement also is for the Government of Ghana to negotiate favorable Double Taxation treaties (DDT).

### 1.4 Trends in the Industry

1. The bank and non-bank financial institutions recorded significant growth during the year 2007 due to the relatively stable macroeconomic environment. In the face of stiff competition, banks introduced new products, services and strategies in the market for customer funds. In this regard, most of them extended their working hours and provide services on Saturdays.
2. To enhance transparency, BOG commenced the publication of banks' interest rates and charges in the newspapers and on its website. BOG also collaborated with the Ghana Association of Bankers with respect to the introduction of the Annual Percentage Rate (APR) system for pricing of credit to ensure full disclosure. Banks are now required to display the full cost of borrowing on the customer's loan sheet.

3. Bank of Ghana has introduced its framework for Risk-Based Supervision to meet the new challenges in the banking industry with respect to new technologies, branch expansion, product innovation, size and speed of financial transactions, and as a precursor to the full implementation of the Basel II accord.

   This framework involves the critical identification of risks associated with the operations of banks, and the assessment of management oversight functions of risks, in order to ascertain the effectiveness of these oversight functions to mitigate the impact of risks. In the process, banks would be compelled to focus more on their risk management systems to facilitate their improvement and thereby improve the overall risk management functions within the institutions.

4. The Bank introduced a new licensing policy, which allows only well established foreign banks into the domestic banking system. The policy is geared towards supporting the development of a well-capitalized and robust financial system.

5. Capacity building of RCBs is being continued in terms of computerization, logistics support and training of ARB Apex Bank and RCB staff.

6. In 2006, total assets of banks grew by 40.9 per cent to ₵5,837.8 billion, which represented 90.7 per cent of the total assets of the bank and non-bank financial institutions. The rural and community banks accounted for 5.0 per cent while the share of NBFIs was 4.8 per cent. Growth was funded mainly by deposits, which increased by ₵9,901.80 billion, representing 65.80 per cent of the growth in assets.

   The increase in total assets of the industry reflected mainly in net loans and advances which increased by ₵7,346.85 billion. Cash and bank balances and investments also went up by ₵4,470.78 billion and ₵2,375.8 billion respectively.

7. The balance sheet of the NBFIs expanded by 3.75 per cent in 2006. The sources of funding for the expansion in assets were shareholders funds, deposits and borrowings. Expansion reflected in mainly loans and advances (قيقي.32 billion) cash and bank balances (廋.7 billion) and fixed assets (廋.62 billion).

8. **Performance of the banking sector in the Third Quarter of 2007**
Growth in total liquidity and monetary aggregates remained strong in the third quarter of 2007. Broad money supply (M2+) growth picked up from 32.8 per cent at the end of the second quarter to 33.9 per cent at the end of the third quarter. This was on account of strong growth in demand deposits (33.2%) as well as savings and time deposits (41.8%).

Domestic credit experienced strong growth on an annual basis and for the second successive quarter in line with robust economic activity. Outstanding credit extended by banks to public and private institutions rose by 59.9 per cent (GH¢1,348.5 million) at the end of the third quarter from 55.4 per cent in the previous quarter and 31.7 per cent a year ago. Aggregate outstanding credit stood at GH¢3,600.3 million at the end of the third quarter. Of this total, the private sector accounted for 80.1 per cent while the public sector received 19.9 per cent.

Interest rates remained broadly stable during the quarter after the MPC maintained the prime rate at 12.5 per cent in August. Interest rate movements in money market instruments varied between short-term and medium to long term instruments during the third quarter. The rates on 91-day and 182-day treasury bills increased by 9 and 1 basis points to 9.83 and 10.24 per cent respectively, whereas interest rates on 2, 3 and 5 year treasury notes and bonds declined by 235, 342 and 80 basis points to 12.8, 12.1 and 13.7 percent respectively. Interbank market weighted average rates ranged between 11.6 and 12.49 per cent.

The stock market recorded significant improvements. On a year on year basis, the GSE All-Share index increased by 13.4 per cent compared with 3.7 per cent in the corresponding period of 2006. Increases in equity prices and additional listings during the third quarter marginally pushed up market capitalization by 0.4 per cent to GH¢11,750.7 million.

Outstanding credit extended by banks to public and private institutions continued to surge with an annual growth rate of 59.9 per cent (GH¢1,348.5 million) registered at the end of the third quarter. This compares with 55.4 per cent (GH¢1,098.1 million) in the previous quarter and 31.7 per cent (GH¢542.2 million) a year ago. Outstanding credit at the end of the third quarter stood at GH¢3,600.3 million. Out of this, GH¢2,883.4 million (80.1%) went to the private sector while the public sector accounted for GH¢716.9 million (19.9%).

Outstanding credit to the private sector also rose by 56.9 per cent (GH¢1,045.4 million) on annual basis during the third quarter from 52.5 per cent (GH¢874.1 million) in the second quarter and 38.9 per cent (GH¢514.8 million) in the corresponding period in 2006. Banks’ credit to the private sector continued to be concentrated in the Services (23.0% or GH¢663.0 million), Manufacturing (16.9% or GH¢487.0 million) and Commerce & Finance (16.3% or GH¢471.1 million) sectors.
Activities on the money market during the third quarter eased due to high net inflows in September 2007. Actual daily liquidity requirements in the money market ranged between GH¢250.03 million and GH¢445.52 million during the third quarter of 2007 compared with a range of GH¢161.4 million and GH¢241.6 million during the corresponding period last year. Daily average liquidity during the third quarter was GH¢301.66 million compared with GH¢236.40 during the second quarter and GH¢188.03 million during the third quarter of 2006.

Value of transactions on the Interbank market grew by 69.3 per cent in the third quarter to GH¢5,485.9 million. Compared with the value traded during the third quarter of 2006, this represented an increase of 170.9 per cent. Daily average value traded stood at GH¢84.4 million in the third quarter compared with GH¢53.1 million in the second quarter and GH¢31.2 million a year before.

1.5 Institutional Support

1. Support provided to the industry include:
   - Regulation of the banking system and credit system to ensure the smooth operation of a safe and sound banking system
   - Review of the laws relating to banking business
   - Licensing and Registration of insurance operatives - underwriters, brokers and agents
   - Solvency supervision of insurance companies
   - Marketplace supervision and consumer protection
   - Policy-making and establishment of industry guidelines
   - Setting of standards to govern the conduct of insurance business
   - Public education
   - Guidance in interpreting the provisions of the securities laws, rules and regulations on the subject of listing of securities and handling any investor complaints
   - Capacity Building for staff

2. The Central Bank supports the industry as follows:
   - Regulates, supervises and directs the banking system and credit system to ensure the smooth operation of a safe and sound banking system
   - Appoints an officer designated as the head of Banking Supervision Department, who shall be appointed by the Board
   - Considers and proposes reforms of the laws relating to banking business

Consequently, the Central Bank ensures that:
   - depositors’ funds are safe
   - the solvency, good quality assets, adequate liquidity and profitability of banks are maintained;
• adherence to statutory and regulatory requirements is enforced;
• fair competition among banks
• the maintenance of an efficient payment system

3. The Securities and Exchange Commission’s supports the industry as follows:

• maintains surveillance over the securities business to ensure orderly, fair and equitable dealing in securities:
• registers, licenses, and authorizes, a Stock Exchange, investment advisors, securities dealers, etc.
• protects the integrity of the securities markets against any abuses arising from the practice of insider trading.

4. Ghana Stock Exchange also provides the following Regulatory Support

• **Membership Regulations:** These regulations deal with the criteria for membership of the GSE, code of conduct or ethics for members, among others.
• **Listing Regulations:** These prescribe, among others, criteria for listing securities (local and external), continued obligations of the listed companies as well as Take-over and merger procedures.
• **Trading and Settlement Rules:** These govern floor trading, clearing and settlement procedures
• **Regulations Affecting Foreign and Non-Resident Investors:** Exchange Control permission was given in 1993 to non-resident Ghanaians and non-resident foreigners to invest through the Exchange without any prior approval. However, each non-resident foreign portfolio investor may not hold more than 10% of a listed company’s total issued shares while total holdings of non-resident foreigners in any one listed security is limited to 74% unless with prior exchange control approval from the Bank of Ghana.
2. Investment Opportunities

There is a high demand for various financial services in Ghana, as evidenced by the consistent high growth of companies in the sector. The relatively underdeveloped financial services sector in neighboring countries is an opportunity for financial services firms in Ghana to supply needed services in those countries. Furthermore, the establishment of off-shore banking services provides new opportunities for expanding and diversifying financial services exports.

- **Credit Reference Bureaus**

Investment opportunities also exist for financial institutions to acquire licenses for the operation of credit reference bureaus in the country. The Credit Report Act, which became law in June 2007, is supposed to provide a legal and regulatory framework for credit reporting in Ghana to banks.

The availability of credit information is generally accepted to be crucial for the development and maintenance of an effective financial sector. Borrowers tend to have a natural incentive not to reveal negative information about themselves. The lack of a credit information system therefore increases the risks of lending, and causes financial institutions to provide less credit. A credit reporting system in Ghana would provide timely, accurate, and up-to-date information on the debt profile and repayment history of borrowers and would lead to a number of benefits.

- **Discovery of oil**

Ghana has struck oil in commercial quantities estimated at 3 billion barrels while exploration is still in progress. Enormous opportunities therefore exist for the banking and financial sector to develop the appropriate products to support the oil industry.

Total expected oil revenues are estimated at $6 million per day by GNPC, or $2.2 billion per year. Oil revenues accruing to the State are estimated at US $2.3 million per day which would translate to US $836,777,100.00 per annum. Banking services that would be needed include financing for GNPC’s interest, transfers, letters of credit, financing rigs and supply vessels and importing foreign flags rigs.

All equipment and facilities of the oil industry would have to be insured. The various downstream activities in the sector also require significant financing.

General investment opportunities exist for the following range of companies, amongst others.
• Universal banks
• Development banks
• Insurance companies
• Reinsurance companies
• Mortgage finance institutions
• Leasing companies
• Venture capital companies
• Hire purchase companies
• Export finance companies
• Investment banks
• Mutual funds
• Investment trusts
• Savings and loans companies
• Specialized finance houses
3. Challenges

The challenges facing the industry include:

1. Recent establishment of the Regional Stock Exchange in Abidjan could divert some business from the Ghana Stock Exchange (GSE)

2. The size of the Nigerian Stock Exchange and its use of advanced technology could also divert some business from the GSE

3. Predilection for neighbouring French-speaking countries to promptly seize opportunities and internalize them within the CFA zone

4. Lack of long-term debt market, representing lost opportunities;

5. Excessive industry concentration whereby 5 banks out of 28 hold 62% of total bank deposits

6. Off-shore insurers are doing business in contravention of provisions that an insurer or reinsurer shall utilize all available local capacity before recourse to foreign reinsurance

7. A need for a further deepening of the bond market to provide long term financing

8. Need to develop appropriate strategic responses to the current ECOWAS drive for financial integration

9. The International Financial Services Centre project needs to be expanded to cover the non-bank financial sector.

10. A continuing need to strengthen the regulatory agencies to adapt to the changes that are taking place on both local and international financial markets
4. Investment Incentives

Tax Holiday (from start of operations)
- Rural Banks: 10 years

The Ghana Investment Promotion Centre Act, 1994, provides for automatic incentives and benefits as follows:

### 4.1 Import Duties and Tariffs

<table>
<thead>
<tr>
<th>Heading No.</th>
<th>Tariff Description</th>
<th>Import Duty (%)</th>
<th>VAT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>82.08</td>
<td>Knives and Cutting Blades</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>84.71</td>
<td>Automatic Data Processing Machines and units thereof</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>85.01</td>
<td>Solar, Wind, &amp; Thermal Energy Generating sets, Electric Generating sets of 375 KVA</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>98.07</td>
<td>Air-conditioners; Furnishing including Carpets, Bedding and Fixtures; Fans and</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>98.08</td>
<td>Radio Sets; Refrigerators/Deep Freezers; Television Sets; Public Address Systems;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>and Crockery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44.07</td>
<td>Sawn, Chipped, Sliced or Peeled Wood</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>76.01</td>
<td>Aluminium Ingots</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>45.03</td>
<td>Floats for fishing nets (of natural corks)</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>58.08</td>
<td>Float cords for fishing nets</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>70.20</td>
<td>Floats for fishing nets (of glass)</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>78.06</td>
<td>Lead weights for fishing nets (of lead)</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>98.02.30</td>
<td>Inputs for the manufacture of fishing nets &amp; fishing ropes</td>
<td>0</td>
<td>12.5</td>
</tr>
<tr>
<td>R00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98.10</td>
<td>Recording instruments for the music industry</td>
<td>0</td>
<td>12.5</td>
</tr>
</tbody>
</table>
The following attract concessionary duty as follows:

Import duty is imposed on vehicles depending on the type of vehicle. All motor vehicles with cylinder capacity not exceeding 1900 attract an import duty rate of 5%. Motor vehicles of cylinder capacity exceeding 1900 but not exceeding 3000 attract an import duty of 10%. Other vehicles of cylinder capacity exceeding 3000 and those designed for traveling on snow, golf cars and similar vehicles attract an import duty of 20%.

1. Commercial vehicles for the transport of goods such as trucks, tippers and lorries attract a duty of 5%.
2. Commercial buses with seating capacity of above 30 passengers, workshop vans, breakdown vehicles, mobile showrooms, ambulances, hearse and motor bikes are exempt from the payment of import duty.
3. All the type of vehicles referred to in i, ii, iii above attract a Value Added Tax (VAT) rate of 12.5%, except ambulances, which are VAT-exempt.
4. Exemptions may be granted from payment of customs import duty and other related charges for any special equipment that is not zero-rated upon application to the GIPC.

4.2 Income Tax Incentives

(A) Corporate Tax

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed Companies</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>Newly Listed Companies</td>
<td>25%  (for first 3 years)</td>
<td></td>
</tr>
<tr>
<td>Income from Non-Traditional Exports</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Hotels</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

The tax rate applicable to income derived by a financial institution from a loan granted to a farming enterprise for use by that enterprise in the production of its income

The tax rate applicable to income derived by a financial institution from a loan granted to a leasing company for the use by that company for the funding of acquisition of assets for lease is

Notes:

“Non-Traditional Goods” means

- Horticultural productions.
• Processed and raw agricultural productions other than cocoa beans grown in Ghana.
• Wood products other than lumber and logs;
• Handcrafts;
• Locally manufactured goods.

(B) Exemptions

i. Tax Holiday (from start of operations)

a. Real Estate: The income of a company from a business of construction for sale or letting of residential premises is exempt for five (5) years from the date of commencement of operations.

b. Rural Banks: 10 years

c. Agriculture and agro-industry:
   • Cocoa farmers and producers - income tax exempt
   • Cattle ranching - 10 years
   • Tree cropping (e.g. coffee, oil palm, shea butter, rubber and coconut) - 10 years
   • Livestock excluding cattle and poultry - 5 years
   • Fish farming, poultry and cash crops - 5 years.
   • Agro processing – the business of converting crops, fish or livestock produced in Ghana into edible canned or other packaged product other than in their raw state – 5 years

d. Waste Processing (including plastics and polythene) – 7 years

e. Free Zones Enterprise/Development - 10 years and 8% thereafter.

ii. Location Incentives (Tax Rebates)

a) Manufacturing industries located in regional capitals other than

   • Accra and Tema - 25% rebate
   • Elsewhere - 50% rebate

b) After the initial 5-year tax holiday period, agro-processing enterprises, which use local agricultural raw materials as their main inputs, shall have corporate tax rates fixed according to their location as follows:

   • Accra-Tema – 20%
   • Other Regional Capitals – 10%
   • Outside Regional Capitals – 0%
   • All over Northern, Upper East, Upper West Regions – 0%

(C) Capital Allowances
Capital allowances are granted to persons who own depreciable assets and use these assets in the production of income. Depreciable assets are grouped in Classes and the applicable capital allowance rates are as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Assets Included</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Computers and Data Handling Equipment</td>
<td>40%</td>
</tr>
<tr>
<td>2</td>
<td>i. Automobile, trailers, plant and machinery used in Manufacturing</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>ii. Plantation Equipment</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>i. Mineral Petroleum exploration rights, locomotives, water transportation equipment in respect of mineral and petroleum in year of operations.</td>
<td>80% of cost in year of purchase; 50% of residue annually thereafter; uplift of 5% on cost in the following year</td>
</tr>
<tr>
<td></td>
<td>ii. Buildings, structures and works of permanent nature used in respect of mineral and petroleum exploration.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii. Plant and Machinery used in mining or petroleum operations.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Locomotives, water transportation equipment, aircraft equipment not included in other Class</td>
<td>20%</td>
</tr>
<tr>
<td>5</td>
<td>Buildings, structures and works of a permanent nature other than those mentioned in Class 3 above</td>
<td>10%</td>
</tr>
<tr>
<td>6</td>
<td>Intangible Assets, e.g. Goodwill</td>
<td>Useful Life</td>
</tr>
</tbody>
</table>

Note: Unutilized capital allowances are carried forward indefinitely.

4.3 Carry Forward Losses

Tax losses are carried forward for five years and are lost if unutilized after the lapse of the fifth year. Only businesses involved in Manufacturing mainly for export, farming and mining have this right.

4.4 Investment Guarantees

i. Free Transferability of Capital, Profits and Dividends

The GIPC Act 478 provides guarantees to all enterprises, including free transferability through any authorized dealer bank in freely convertible currency of dividends or net profits attributable to the investment; payments in
respect of loan servicing where a foreign loan has been obtained; remittance of proceeds (net of all taxes and other obligations) in the event of sale or liquidation of the enterprise or any interest attributable to the investment. Guarantees against expropriation of private investments provided under Act 478 are buttressed by the constitution.

ii. Insurance against Non-Commercial Risks

Ghana is a signatory to the World Bank’s Multilateral Investment Guarantee Agency (MIGA) Convention. This Convention guarantees coverage (insurance) against non-commercial risks such as transfer restrictions, breach of contract, expropriation, war and civil disobedience.

iii. Double Taxation Agreements

Ghana also uses Double Taxation Agreements (DTA) to rationalize tax obligations of investors who come from global tax sourced jurisdictions with a view to saving the investors the incidence of double taxation. Ghana has to date signed and ratified DTAs with France and the United Kingdom. Another DTA has been signed (but not ratified) with the Republic of Germany. It has also concluded (but yet to sign and ratify) same with Belgium, Italy and Yugoslavia.

iv. Investment Promotion and Protection Agreements

Ghana offers commitments at the bilateral level to protect investors and their investments. To date, Ghana has concluded 21 Investment Promotion and Protection Agreements (IPPA). Some of these have been ratified while others are still awaiting ratification. Another 19 are pending for conclusion. The countries with whom the agreements have been signed and ratified are:

1. The United Kingdom
2. The People’s Republic Of China
3. The Kingdom of The Netherlands
4. The Kingdom of Denmark
5. The Republic of Germany
6. The Swiss Confederation
7. The Republic of Malaysia.

The countries with which agreements have been signed but awaiting ratification are:

1. The Republic of La Cote d’Ivoire
2. The Republic of Egypt
3. The United States of America
4. The Republic of France
5. The Republic of Zambia
6. The Republic of Cuba
7. The Republic of Yugoslavia
8. The Republic of Mauritania
9. The Republic of Guinea
10. The Republic of South Africa
11. The Republic of Benin
12. The Republic of India
13. The Republic of Burkina Faso
14. The Republic of Mauritius

The countries with agreements pending are:

15. The Republic of South Korea
16. Canada
17. The Republic of Pakistan
18. The Republic of Ethiopia
19. The Republic of Israel
20. The Republic of Turkey
21. The Republic of Jamaica
22. The Republic of Nigeria
23. Belgium
24. The Republic of Indonesia
25. The Republic of Philippines
26. The Republic of Mauritania
27. The Czech Republic
28. The Republic of Australia
29. The Republic Singapore
30. The Kingdom of Morocco
31. The Republic of Togo
32. The Republic of Finland
33. The Kingdom of Spain
5. Potential Sources of Funding

Ghana recently floated a US$750 million Eurobond, which was over-subscribed by US$3 billion on the London Stock Exchange. Ghana Telecom, a leading Ghanaian ICT company has also successfully refinanced its debt of US$200 million from off-shore sources.

In the last four years, many issues of shares on the Ghana Stock Exchange have been oversubscribed by about 100% to 300%. It is therefore evident that viable companies and projects can easily attract financing both on the local and international financial markets.

The main sources of financing for companies and projects include the following:

1. 26 banks
2. 38 non-bank financial institutions
3. 127 rural banks
4. The Ghana Stock Exchange
5. Ghana Venture Capital Fund, and
6. International Development Finance Institutions based in Ghana (e.g. International Finance Corporation (IFC), African Development Bank (AfDB), etc.)

These institutions offer a wide range of financial services and products, such as:

- Working capital
- Trade Finance
- Housing finance
- Project finance
- Long-term loans
- Venture capital
- Structured finance
- Factoring
- Warehouse finance
- Equity, and
- Guarantees
A number of foreign financial institutions also provide off-shore financing directly to companies in Ghana.
6. Market

6.1 Ghana Market

6.1.1 The Banking Sector

Developments in the banking system as of January 2008 show a continuous surge in asset growth resulting mainly from credit expansion. Banks’ deposits and borrowings were used to fund the growth in assets.

The period between January 2007 and January 2008 witnessed some changes in the structure of the banking sector. The level of concentration in the industry remained low with the market share of the 5 top banks (in terms of assets) also declining over the period. The ratios of assets to GDP, loans to GDP and deposits to GDP rose significantly, suggesting increased financial deepening.

Generally, the industry recorded improved profitability and asset quality and increased operational efficiency. All the banks maintained a Capital Adequacy ratio (CAR) above the statutory required minimum of 10.0 percent.

Credit continues to be concentrated in a few sectors, including the Commerce & Finance, Services and Manufacturing sectors, with a combined share of 66.5 per cent of total outstanding credit in January 2008, compared with 68.5 per cent for the corresponding period in 2007.

6.1.2 Developments in Banks’ Balance Sheet

Total assets of the banking industry grew on an annual basis by 46.2 per cent to GH¢7,807.0 million as of January 2008, compared with 38.1 per cent growth for same period in 2007. The significant growth of total assets was driven principally by credit. (See Tables 6.1 and 6.2).

As of January 2008 net loans and advances had reached GH¢3,868.7 million, recording an annual growth of 59.2 per cent compared with growth of 37.6 per cent a year earlier.

Banks’ investments reached GH¢1,363.1 million in January 2008 recording a year-on-year deceleration of 0.4 per cent compared with 37.5 per cent in the 12-month period to January 2007. The growth in banks’ foreign assets picked up in January 2008 reaching 54.7 per cent compared with the 20.7 per cent recorded during the same period in 2007.
Other assets also reached GH¢508.5 million, recording an annual growth of 95 per cent in January 2008 compared with a deceleration of 7 per cent during the same period in 2007.

The significant growth in the banking industry asset size was funded mainly by deposits, which amounted to GH¢5,043.1 million. This translates into an annual deposits growth rate of 41.4 per cent in January 2008 compared with 42.3 per cent annual growth for the same period in 2007 (GH¢3,566.8 million). Total borrowings at GH¢1,021.4 million registered annual growth of 62.0 per cent down from the annual growth of 85.0 per cent during the same period in 2007.

Shareholders’ funds at GH¢863.5 million recorded an annual growth of 39.1 per cent in January 2008 compared with 27.7 per cent during the corresponding period in 2007. Other liabilities at GH¢879.0 million registered significant growth of 67.7 per cent in January 2008 compared with a deceleration of 1.8 per cent in the 12-month to January 2007.

The share of loans in banks’ assets continues to increase as it rose to 49.6 per cent in January 2008 from 45.5 per cent in January 2007. Banks’ investment in government instrument however continues to decline as its share plunged by 10.2 percentage points to 17.5 per cent in January 2008 compared to January 2007. Cash and due from banks inched up to 23.2 per cent from 21.1 per cent over the same period. Other assets including fixed assets similarly inched up from 7.9 per cent to 9.7 per cent over the same period.

As of January 2008, the share of deposits in total liabilities of the banking sector declined by 2.2 percentage points to reach 64.6 compared to January 2007, whilst the share of other liabilities increased by 150 basis points to 11.3 per cent over the same period. Similarly, the share of total borrowings inched up by 130 basis points to 13.1 per cent during the same period. The share of shareholders’ funds however, dipped by 50 basis points to 11.1 per cent over the same period.

6.1.3 Deposits Allocation

Deposits remain the main source of bank funding. Credit-deposit ratio increased to 81.5 per cent as of January 2008 from 73.4 per cent in the same period in 2007. Similarly, the Credit to Deposit and Borrowing ratio increased from 62.3 per cent to 67.8 per cent over the same period. Investments-deposit ratio, however, declined to 27.0 per cent compared with 38.4 per cent over the same period.
6.1.4 Credit Portfolio Analysis

During the last quarter of 2007 the rate of increase of gross advances of the banking industry remained strong increasing by 39.2 per cent in real terms compared with 24.1 per cent same period in 2007.

The share of gross loans by categories of borrowers has not changed significantly over the last few years. Private sector credit remains the largest component of banks' credit portfolio though relative to December 2007 it dipped by 1 percentage point to 68.9 per cent in January 2008. However, year-on-year it increased by 2.3 percentage points. With the exception of consumer loans whose share increased by 3.3 percentage points and 10 basis point relative to the December 2007 and January 2007 positions respectively, the share of all borrower groups dipped marginally over the same period in 2007.

Though the level of concentration moderated in January 2008 relative to same period in 2007, three (3) main sectors continue to receive the largest share of credit. The combined share of these sectors was 68.2 per cent in January 2008 compared with 68.5 per cent during the same period in 2007.

The share of credit to the commerce and finance sector inched up by 1.2 percentage points to 33.3 per cent in January 2008 relative to same period in 2007, whilst the share of the manufacturing declined by 5.3 percentage points to 12.9 per cent in January 2008 over the same period. The share of credit to the services' sector increased by 4 percentage points to 22 per cent while the share of the agricultural sector declined by 1 percentage point to 4.3 per cent over the same period.

6.1.5 Asset Quality

The industry's NPL ratio dipped marginally to 6.8 per cent as of January 2008 relative the December 2007. Year on year the NPL ratio improved significantly declining by 70 basis points and remaining well below the threshold of 7.4 per cent.

The projection of the path of the smoothed NPL ratio shows a downward trend in the short to medium term. Developments in banks credit risk management would be key in sustaining this path. See chart 8. Relative to other selected countries, the NPL ratio of the Ghanaian banking industry remains quite high using the December 2007 position.

Loan loss provision to gross loans ratio also followed the same path as the NPL ratio, declining to 5.9 per cent in January 2007 from 7.2 per cent during the same period in 2007. It remains well below the industry’s threshold of 7.1 per cent and the path shown by the smoothed ratio is also downward.
The NPL net of provisions to capital ratio however showed an uptick as of January 2008 reaching 4.2 per cent from 1.3 per cent during the same period in 2007, however, relative to the industry’s benchmark of 5.1 per cent. The path of the ratio is up and may indicate the relatively slower growth of banks’ capital compared with NPL growth.

Current loans (problem-free loans) accounted for 91.0 per cent of the banks’ total loan portfolio in January 2008 compared with 89.0 per cent in January 2007. The share of substandard loans in total loans declined to 1.8 per cent in January 2008 compared with 1.5 per cent recorded for January 2007. The share of doubtful loans remained at the same level as the January 2007 position while the share of the loss category of loans declined by 1 percentage point to reach 3.0 per cent over the same period. Watch list loans also declined by 70 basis points to 2.3 per cent during the same period.

6.1.6 Liquidity Indicators of the banking sector

Generally, the banking system remains fairly liquid; however, all the liquidity ratios trended downwards within the last quarter of 2007 and remained at the same level, into the year 2008. The core liquid asset ratio (LAR) was 23.3 per cent in January 2008 compared with 21.1 per cent same period in 2007. The broad measure of the LAR, however, dipped by 5.7 percentage points to 40.1 per cent over the same period.

The ratio of the core LAR in short term liabilities was 31.0 per cent in January 2008 compared with 27.8 per cent for January 2007. The ratio of the broad LAR to short-term liabilities was down to 54.0 per cent in January 2008 from 60.9 per cent in January 2007.

6.1.7 Solvency

a. Minimum Capital Requirement

As of January 2008, the total banking industry paid-up capital was GH¢278.6 million, recording an annual growth of 32.5 per cent down from the 58.6 per cent growth recorded for the 12-month period to January 2007. Total equity (shareholders’ funds) of the banking system amounted to GH¢863.5 million in January 2008, registering an annual growth of 27.7 per cent compared with 39.1 per cent for the same period in 2007.
b. Capital Adequacy Ratio

The solvency ratios of the Ghanaian banking system allude to a well-capitalised system as the ratios remain significantly in excess of the required minimum of 10.0 per cent. The decline being witnessed has resulted from the expansion in risky assets of banks.

The industry's Capital Adequacy Ratio (CAR) as of January 2008 was 15.3 per cent and may be compared with the 16.9 per cent recorded in January 2007. See Chart 13. The average value of the CAR between 1998 and 2007 was 11.2 per cent. The average value of the Tier One capital to risk-weighted assets ratio was 13.0 per cent. The ratio as January 2008 was 14.0 per cent, higher than the average. All the banks remained well-capitalised.

The Ghanaian banking system is generally well-capitalised compared with some comparator countries. Zambia and Turkey have CARs of 18.5 per cent and 19.3 per cent respectively compared with Ghana's 15.7 per cent, while South Africa, Chile and Namibia have ratios of 12.2 per cent, 13.1 per cent and 14.8 per cent respectively all as of December 2003.

6.1.8 Profitability

a. Highlights from Banks' Consolidated Income Statement

Profitability of the banking sector improved in January 2008 relative to January 2007. The net profit of the sector grew by 66.2 per cent year-on-year to reach GH¢21.1 million, and may be compared with a growth of 27.8 per cent in the 12-months to January 2007.

The surge in profitability was mainly driven by the slower growth in operating expenses which registered annual growth of 13.6 per cent in January 2008 compared with growth of 62.6 per cent growth recorded a year earlier. This coupled with the much slower growth in interest expenses of 56.1 per cent relative to 76.4 per cent over the same period resulted in a much stronger growth in net operating income of 53.3 per cent in January 2008 relative to 19.7 per cent during the same period in 2007.

Profitability ratio, defined as the ratio of net income to gross income, surged as of January 2008 on account of the significant growth in net income. The ratio increased by 3.7 percentage points to 19.6 per cent in January 2008 from the January 2007 level. The ratio of gross income to total assets (i.e. assets utilisation) has also been trending downwards due mainly to declining net interest margin over the period; however, it inched up to 16.6 per cent in
January 2008 from 14.0 per cent recorded for December 2007, on account of an increase in net interest margin over the same period.

The future trend of net interest margins, however, is expected to be downwards as competition picks up and upward pressure is exerted on deposits rates. Developments in banks' operational efficiency would also be key in determining the path of net interest margins.

b. Composition of Banks' Income

The share of investment income (bills, securities and shares) in total income continues to trend downwards as a result of the banks’ reduction in the holdings of those instruments on account of its relatively unattractive rates of return. In January 2008 the share had declined further to 18.8 per cent compared to a share of 25.9 per cent during the same period in 2007. The share of income from loans and advances, however, continues to rise.

It increased to 52.8 per cent as of January 2008 from the 47.3 per cent share recorded for January 2007. There was a marginal decline in the share of income from fees and commission; it declined from 21.6 per cent in January 2007 to 20.8 per cent in January 2008.

c. Return on Assets and Return on Equity

The industry's return on assets (ROA) and return on equity (ROE) both surged as of January 2008 on account of an increase in net operating income. The ROA was 4.8 per cent, well-above the threshold of 4.4 per cent. Similarly, the ROE was 32.9 per cent in January 2008 up from the 28.1 per cent recorded during the same period in 2007 and significantly above the threshold of 24.6 per cent.

d. Operational Efficiency

Operational efficiency of the banking sector improved marginally relative to same period in 2007 on account of the slower growth in operating expenses. The cost to income ratio declined to 48.2 per cent in January 2008 from the 55.0 per cent recorded for same period in 2007 and remained below the threshold of 53.0 per cent. Year on year, the cost to total assets ratio also improved from 9.9 per cent in January 2007 to 8.0 per cent in January 2008.

Relative to December 2007, however, the cost to assets ratio inched up by 60 basis points in January 2008 reflecting the relatively stronger growth in cost compared with assets during the period. In terms of the industry thresholds all measures of efficiency improved.
6.1.9 Outlook

The overall outlook of the banking system is considered satisfactory in the short to medium term. Most of the financial soundness indicators of the banking industry show significant improvement over the industry threshold levels. The banking system continues to remain profitable and generally solid. The expansion in risky asset, however, is relatively rapid and banks’ risk management would be crucial in ensuring that this trend does not impair asset quality.

In addition, it is expected that the announcement of the new capital requirements for banks would result in several capital increase initiatives in the coming months that would underpin credit growth.

To sustain profitability and stability and to remain competitive, the banks’ will need to further improve upon efficiency by reducing cost and better manage operational risks.
Table 6.1: Key Developments in Deposit Money Banks' Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Jan-07 (GH¢ million)</th>
<th>Jan-08 (GH¢ million)</th>
<th>Year-on-year Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSETS</td>
<td>5,342</td>
<td>7,807</td>
<td>38.1</td>
</tr>
<tr>
<td>A. Foreign Assets</td>
<td>435</td>
<td>673</td>
<td>20.7</td>
</tr>
<tr>
<td>B. Domestic Assets</td>
<td>4,907</td>
<td>7,134</td>
<td>39.9</td>
</tr>
<tr>
<td>Investments</td>
<td>1,368</td>
<td>1,363</td>
<td>37.5</td>
</tr>
<tr>
<td>i. Bills</td>
<td>536</td>
<td>441</td>
<td>10.9</td>
</tr>
<tr>
<td>ii. Securities</td>
<td>804</td>
<td>903</td>
<td>63.5</td>
</tr>
<tr>
<td>Advances (Net)</td>
<td>2,430</td>
<td>3,869</td>
<td>43.3</td>
</tr>
<tr>
<td>Gross Advances</td>
<td>2,617</td>
<td>4,109</td>
<td>37.6</td>
</tr>
<tr>
<td>Other Assets</td>
<td>261</td>
<td>508</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>162</td>
<td>248</td>
<td>42.9</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>3,567</td>
<td>5,043</td>
<td>42.3</td>
</tr>
<tr>
<td>Foreign Liabilities</td>
<td>277</td>
<td>639</td>
<td>53.9</td>
</tr>
<tr>
<td>i. Short-term</td>
<td>46</td>
<td>253</td>
<td>103.6</td>
</tr>
<tr>
<td>ii. Long-term</td>
<td>151</td>
<td>261</td>
<td>80.4</td>
</tr>
<tr>
<td>iii. Deposits of non-</td>
<td>80</td>
<td>125</td>
<td>8.6</td>
</tr>
<tr>
<td>Domestic Liabilities</td>
<td>4,435</td>
<td>6,296</td>
<td>38.6</td>
</tr>
<tr>
<td>i. Short-term</td>
<td>326</td>
<td>377</td>
<td>97.0</td>
</tr>
<tr>
<td>ii. Long-term</td>
<td>107</td>
<td>130</td>
<td>55.5</td>
</tr>
<tr>
<td>iii. Domestic Deposits</td>
<td>3,487</td>
<td>4,918</td>
<td>43.3</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>524</td>
<td>879</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Paid-up capital</td>
<td>211</td>
<td>279</td>
<td>58.6</td>
</tr>
<tr>
<td>Shareholders' Funds</td>
<td>621</td>
<td>864</td>
<td>27.7</td>
</tr>
</tbody>
</table>

Table 6.2: Consolidated Assets and Liabilities of Rural/Community Banks (In Billions of Cedis)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(£ billion)</td>
<td>(GH¢ million)</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Holdings &amp; Balances with Banks</td>
<td>373.3</td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>Bills and Bonds</td>
<td>845.0</td>
<td>103.8</td>
<td></td>
</tr>
<tr>
<td>Loans and Advances</td>
<td>716.3</td>
<td>161.5</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>324.9</td>
<td>54.3</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,259.5</td>
<td>2,966.7</td>
<td>386.1</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Deposits</td>
<td>1,684.3</td>
<td>291.6</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ Funds</td>
<td>320.8</td>
<td>47.9</td>
<td></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>254.4</td>
<td>46.7</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>2,259.5</td>
<td>2,966.7</td>
<td>386.1</td>
</tr>
<tr>
<td>No. of Reporting Banks</td>
<td>120</td>
<td>121</td>
<td>124</td>
</tr>
</tbody>
</table>
6.2 The Insurance Sector

6.2.1 Insurance

The performance of the insurance industry within 2002 to 2006 was characterized by a general increase in premium income. Gross premium income for all businesses increased from €472 billion in 2002 to €1.64 trillion in 2006. This represents a yearly average growth rate of 36.7%. (See Table 6.3)

Gross premium income for non-life business continued to grow over the five-year period especially in motor, showing a yearly average growth rate of 31.9%. Premium income for non-life business increased from €382.1 billion in 2002 to €1.14 trillion 2006. (See Table 6.4)

The life sector experienced a steady rise in premium income, increasing from €89.9 billion in 2002 to €496 billion in 2006, a yearly average growth rate of 53.35%. (See Table 6.5)

The continuous increase in growth of the life sector is an indication of the increase in public awareness and confidence. The continuous decrease in interest rates and inflation has also contributed to this growth. Companies have developed varied universal life products, which come along with some form of investment. This takes care of inflation and ensures that the policyholders' contributions are not “eaten away”.

The most recent addition is funeral insurance, which has received a very favourable response due to the Ghanaian culture. The life business however, experienced a sharp decline in growth rate between 2004 and 2005. This could be attributed to a shift to other investment opportunities, which showed high levels of profitability in the investment market.

6.2.2 Reinsurance

Reinsurance non-life business produced premium income of €320.1 billion in 2006 as against the previous year’s figure of €240.3 billion in 2005, representing a growth of 33.2%. Whilst that for life business increased from 4.5 billion in 2005 to 8.2 billion in 2006, representing a growth rate of 78.9%.

Whereas gross premium for non-life business increased by 25.7% for direct insurers, it went up by 33.2% for reinsurers. This gives an indication that the reinsurance companies are doing a lot more business within as well as outside Ghana.
Table 6.3: Growth in Gross Premiums of Insurance Companies (Life and Non-Life), 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Income (¢)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>472,059,898,632</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>712,839,785,000</td>
<td>51.0</td>
</tr>
<tr>
<td>2004</td>
<td>925,242,179,000</td>
<td>29.7</td>
</tr>
<tr>
<td>2005</td>
<td>1,223,257,947,000</td>
<td>32.2</td>
</tr>
<tr>
<td>2006</td>
<td>1,640,701,213,000</td>
<td>34.1</td>
</tr>
</tbody>
</table>

Table 6.4 Growth in Gross Premiums of Insurance Companies (Non-Life), 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Income (¢ billion)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>382.2</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>571.1</td>
<td>49.4</td>
</tr>
<tr>
<td>2004</td>
<td>702.8</td>
<td>23.1</td>
</tr>
<tr>
<td>2005</td>
<td>910.7</td>
<td>29.6</td>
</tr>
<tr>
<td>2006</td>
<td>1,144.6</td>
<td>25.7</td>
</tr>
</tbody>
</table>

Table 6.5 Growth in Gross Premiums of Insurance Companies (Life), 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Income (¢ billion)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>89.9</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>141.7</td>
<td>57.7</td>
</tr>
<tr>
<td>2004</td>
<td>223.1</td>
<td>57.4</td>
</tr>
<tr>
<td>2005</td>
<td>312.5</td>
<td>40.1</td>
</tr>
<tr>
<td>2006</td>
<td>496.1</td>
<td>58.7</td>
</tr>
</tbody>
</table>

6.3 The Capital Market

The year 2007 was truly “golden” for Ghana's capital market including the Ghana Stock Exchange. It reflected in market performance, in primary market activities leading to listings, and in the promotion of the market to Ghanaians and investors beyond Ghana.
The culmination of many of these gives much optimism for the current year, 2008.

6.3.1 Market Performance

Secondary trading on the floor of the Exchange saw in 2007 a tremendous improvement over the recent past. While the volume of shares traded rose by 193% from 98 million in 2006 to 287 million in 2007, the value of total shares traded rose from GH¢47.60million to GH¢140.71million.

6.3.2 GSE All-Share Index

The GSE All-Share Index, in 2007 crossed the 6,000 mark and closed the year at 6,599 points, registering a gain of 31.84% compared to a marginal 4.28% gain in 2006. Of the thirty-two companies listed, four companies made gains in share prices ranging between 108% and 50%; six companies made gains ranging between 50% and 20%; two companies recorded gains between 20 and 10%, two companies also recorded marginal gains, thirteen maintained their share prices while seven recorded marginal loses on their share prices.

6.3.3 Market Capitalization

As a result of the impressive secondary trading activity and listings, the total value of the market or market capitalization increased by more than GH¢1 billion from GH¢11.25billion at December 2006 to GH¢12.37billion at the close of December 2007.

6.3.4 Underlying Factors for 2007 Performance

A number of factors contributed to the performance recorded for the year 2007. The key ones are as follows:-

1. The stable and improved macroeconomic environment (declining inflation, interest rates reduction albeit slowly, among others).
2. Efforts at tackling the infrastructural base including the resolution of the energy crisis.
3. Increased visibility of the market from promotional activities such as: public offers (GOIL, SIC, GSR); the hosting by Ghana of the African Securities Exchanges Association (ASEA) Conference in October 2007; the stepping up of harmonization talks with markets in West Africa as well as some high profile visits to the Exchange.
4. Ghana’s entry into the international bond market which also brought in its trail the attention of non-resident investors on Ghana.

6.3.5 Primary Market Activities & Listings

There were many primary market activities during the year with the last quarter of the year recording the most activities. Listings and the promotion of the Exchange so as to have companies operating in Ghana turn to list on the Exchange has always been the key goal and will remain so for the foreseeable future.

In 2007, the market saw, among others, the following public offers.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Company</th>
<th>Beneficiary of Proceeds</th>
<th>Amount Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Floating of Shares</td>
<td>GOIL</td>
<td>{Govt. of Ghana}</td>
<td>GH¢5.0m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>{GOIL}</td>
<td>GH¢15.5m</td>
</tr>
<tr>
<td>b) Floating of Shares</td>
<td>SIC</td>
<td>Govt. of Ghana</td>
<td>GH¢35.2m</td>
</tr>
<tr>
<td>c) Floating of Shares</td>
<td>Golden Star Resources</td>
<td>GSR</td>
<td>(on-going)</td>
</tr>
<tr>
<td>d) Rights issue</td>
<td>Ghana Commercial Bank</td>
<td>GCB</td>
<td>GH¢60.0m</td>
</tr>
<tr>
<td>e) Corporate Bond</td>
<td>HFC Bank (Series 'J')</td>
<td>HFC</td>
<td>GH¢3.6m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GH¢119.3m</td>
</tr>
</tbody>
</table>

f) Government of Ghana Bonds also issued on the primary market, 2, 3 & 5-year bonds numbering forty-eight and worth a little over GH¢1 billion. These were also listed on the Exchange.

Below are highlights of market statistics of the GSE.
### Table 6.6 Ghana Stock Exchange Market Indicators

<table>
<thead>
<tr>
<th>Equities</th>
<th>Year to Date</th>
<th>December 2005</th>
<th>December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSE All Share Index:</td>
<td>9,754.12</td>
<td>4,769.02</td>
<td>6,798.59</td>
</tr>
<tr>
<td>Year-to-date change:</td>
<td>47.79 %</td>
<td>-29.85%</td>
<td>91.33%</td>
</tr>
<tr>
<td>Market Capitalization:</td>
<td>15,153 Billion</td>
<td>91,857.28 Billion</td>
<td>97,614.82 Billion</td>
</tr>
<tr>
<td>Total Volume Traded:</td>
<td>786,600.00</td>
<td>81.40 Million</td>
<td>104.35 Million</td>
</tr>
</tbody>
</table>

#### Corporate Bonds Traded

<table>
<thead>
<tr>
<th>Bond ISIN</th>
<th>Value</th>
<th>Current Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHGGOG000524</td>
<td>303</td>
<td>100</td>
</tr>
<tr>
<td>GH00000000656</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>GH00000000657</td>
<td>39</td>
<td>100</td>
</tr>
<tr>
<td>GH00000000714</td>
<td>3500</td>
<td></td>
</tr>
</tbody>
</table>

### 6.4 World Market

The financial services industry constitutes the largest group of companies in the world in terms of earnings and equity market capitalization. However it is not the largest category in terms of revenue or number of employees.

It is also a slow growing and extremely fragmented industry, with the largest company (Citigroup), only having a 3% US market share. In contrast, the largest home improvement store in the US, Home Depot, has a 30% market share, and the largest coffee house Starbucks has a 32% market share.

Sovereign wealth funds have contributed about $41 billion of the $105 billion of capital injected into major financial institutions since November 2007. This compares with total reported losses among global banks of some $193 billion. Such injections are welcome and critical to restoring bank balance sheets.

However, despite these injections, market indicators suggest that many investors believe that some banks still need to raise additional capital.

Some banks have rapidly expanded their balance sheets in recent years, largely by increasing their holdings of highly rated securities that carry low risk weightings for regulatory capital purposes.
Part of the increase in assets reflects banks’ trading and investment activities. Investments grew as a share of total assets, and wholesale markets, including securitizations used to finance such assets, grew as a share of total funding.

Banks that adopted this strategy aggressively became more vulnerable to illiquidity in the wholesale money markets, earnings volatility from marked-to-market assets, and illiquidity in structured finance markets. Equity markets appear to be penalizing those banks that adopted this strategy most aggressively.

For the past decade, high levels of liquidity and low volatility supported significant asset growth among the largest banks, while asset growth that contributed to holdings of regulatory capital was more moderate. This trend is evident in the 10 largest publicly listed banks from Europe and the United States, which doubled in aggregate assets in the last five years to 15 trillion euros, while risk-weighted assets, which drive the capital requirement, grew more moderately to reach about 5 trillion Euros (see figure).

While considerable differences are present among individual institutions, the widening gap between risk-weighted assets and total assets reflects an expanding share of assets that for regulatory capital purposes carried a lower risk weighting. Two key factors are responsible for the difference.

- **The adoption of international financial reporting standards (IFRS) in Europe caused the re-recognition on the balance sheet of substantial activity associated with the originate-to-distribute business model.** Activities that were earlier transferred under national accounting standards to special purpose vehicles (SPV) were brought onto bank balance sheets. Under Basel I, which used a different measure for risk transfer, the banks were able to record a lower or no risk weight for the associated assets (and for backup credit lines extended to SPV).

- **The increase in trading and investment activities (e.g., asset-backed securities, and hedging).** The associated risk weights on these instruments were substantially less than loans because they were generally highly rated, showed relatively stable prices, or were used for hedging.

Regulatory capital requirements did not constrain asset growth. The banks continued to meet the Basel I capital requirement with relative ease. The banks showed on average a Tier 1 capital-to-risk-weighted-asset ratio of between 7 and 9 percent—well above the 4 percent minimum. With the high capital ratios, many of the large banks were able to engage in stock repurchases through the third quarter of 2007.

Outside the United States, the insurance industry is divided into life and nonlife or general insurance rather than life/health and property/casualty.
In 2006 world insurance premium volume, for both sectors combined, totaled $3.72 trillion, up 8.1 percent from $3.45 trillion in 2005, according to Swiss Re. On an inflation-adjusted basis, total insurance premiums grew fastest in Africa, up 17.6 percent, followed by Latin America and the Caribbean, up 11.6 percent, Europe, up 7.5 percent, Asia, up 3.8 percent, North America, up 2.2 percent and Oceania (Australia, New Zealand and other islands), also up 2.2 percent. Inflation-adjusted premiums grew 16.3 percent in emerging markets and 4.0 percent in industrialized countries.

In 2006 life and nonlife insurance premiums (excluding cross-border business) accounted for 16.5 percent of gross domestic product (GDP) in the United Kingdom, the highest share in the Swiss Re study, followed by 16.0 percent in South Africa. Premiums represented 8.8 percent of GDP in the United States.
7. Ghana’s Competitive Advantage

The industry’s competitive advantages include:

- Availability of skilled professionals in the financial sector
- Improving academic and training institutions e.g. University of Ghana Business School, Ghana Institute of Management and Public Administration (GIMPA), National Banking College, Chartered Institute of Bankers (Ghana), Institute of Chartered Accountants, Ghana Insurance College etc. Ghana Stock Exchange also provides training.
- Increasing deployment of ICT infrastructure to enhance competitiveness and efficiency of operations
- A relatively developed Legal and Regulatory Environment compared to neighbouring West African countries.
- Increased competition leading to a quest for innovation, application of efficient technologies and strive for excellence
- New financial instruments have been introduced, e.g. asset-backed securities, dollar-denominated bonds, inflation-indexed bonds, etc
- Improved regulation and supervision of financial institutions, e.g. revamping of the National Insurance Commission, establishment of Securities and Exchange Commission
- Introduction of off-shore banking, opening new channels in business and options in the sector

In addition, Ghana offers the following unique blend of advantages to potential investors:

- A stable, multi-party democratic system of government
- A demonstrated commitment to the philosophy and practice of market liberalization policies
- Investor confidence in the country’s economy as evidenced by major successful investments in most sectors of the economy
- Availability of low-cost labour and a good supply of trained and trainable labour
- Availability of a stock exchange and other emerging financial markets;
- Progressive institutional development as evidenced by the process of establishing export free zones and factory specific export processing
zones for existing firms, as well as emerging bank and non-bank financial institutions

- Ongoing donor and government support for infrastructure development electricity and water supplies, transport and communications
- Quota-free access to United States of America and European Union markets
- Strong private sector advocacy groups such as the Private Enterprise Foundation and the Private Sector Advisory Group
- A strategic location for communication facilities in terms of international commerce; and
- Warm and friendly people and a high degree of personal safety.
8. Key Players in the Industry

8.1 Supporting Institutions

1. Bank of Ghana
2. Securities and Exchange Commission
3. ARB Apex Rural Bank
4. National Insurance Commission
5. Association of Rural Banks
6. Ghana Co-operative Credit Unions Association
7. the Ghana Microfinance Institutions Network

8.2 Banks

1. Standard Chartered Bank Ghana Limited
2. Ghana Commercial Bank Limited
3. SG-SSB Limited
4. The Trust Bank Limited
5. BPI Bank Limited
6. International Commercial Bank Limited
7. UniBank Ghana Ltd
8. National Investment Bank Ltd
9. Agricultural Development Bank Limited
10. Prudential Bank Ltd
11. Merchant Bank (Ghana) Limited
12. CAL Bank Limited
13. HFC Bank Ltd
14. United Bank for Africa (Ghana) Ltd.
15. Stanbic Bank Ghana Ltd
16. Bank of Baroda (Ghana) Limited
17. Zenith Bank (Ghana) Limited
18. Guaranty Trust Bank (Ghana) Limited
19. Fidelity Bank
20. First Atlantic Merchant Bank Ltd
21. Amalgamated Bank Ltd
22. Intercontinental Bank Ghana Limited
23. Barclays Bank of Ghana Ltd.
24. ARB Apex Bank
26. Ghana International Bank plc
8.3 Rural and Community Banks

8.3.1 Ashanti Region Location

1. Atwima Rural Bank Ltd, Foase
2. Sekyedomase Rural Bank Ltd, Sekyedomase
3. Adansi Rural Bank Ltd, Fomena
4. Asokore Rural Bank Ltd, Asokore
5. Kwamaman Rural Bank Ltd, Kwaman
6. Asante Akyem Rural Bank Ltd, Juansa
7. Kumawuman Rural Bank Ltd, Kumawu
8. Akrofoum Area Rural Bank Ltd, Akrofuom
9. Ahafo Ano Premier Rural Bank Ltd, Wioso
10. Bosomtwe Rural Bank Ltd, Kuntanase
11. Okomfo Anokye Rural Bank Ltd, Wiamoase
12. Odobroibi Rural Bank Ltd, Jacobu
13. Atwima Kwanwoma Rural Bank Ltd, Pakyi No.2
14. Atobias Area Rural Bank Ltd, Atobias
15. Sekyere Rural Bank Ltd, Jamasi
16. Amanano Rural Bank Ltd, Nyinahin
17. Amansie West Rural Bank Ltd, Antoakrom
18. Juaben Rural Bank Ltd, Juaben
19. Atwima Mponua Rural Bank Ltd, Toase
20. Nwabiagya Rural Bank Ltd, Barrekese
21. Otuasekan Rural Bank Ltd, Kofiase
22. Nsutaman Rural Bank Ltd, Nsuta

8.3.2 Central Region Location

1. Nyakrom Rural Bank Ltd Agona Nyakrom
2. Mfantseman Community Bank Ltd Biriwa
3. Enyan Denkyira Rural Bank Ltd Enyan Denkyira
4. Gomoa Rural Bank Ltd Apam
5. Kakum Rural Bank Ltd Elmina
6. Nyankumase Ahenkro Rural Bank Ltd Fante-Nyankumase
7. Union Rural Bank Ltd Senya Bereku
8. Assinman Rural Bank Ltd Assin Manso
9. Brakwa Breman Rural Bank Ltd Brakwa
10. Denkyireman Rural Bank Ltd Ayanfuri
11. Eastern Gomoa Assin Rural Bank Ltd Gomoa-Dominase
12. Akatakyiman Rural Bank Ltd Komenda
13. Ekumfieman Rural Bank Ltd Essuehyia
14. 14 Gomoa Ajumako Rural Bank Ltd Afransi
15. Agona Rural Bank Ltd Kwannyaku
16. Akyempim Rural Bank Ltd Gomoa-Dawuranpong
17. Akoti Rural Bank Ltd Assin-Akropong
18. Twifu Rural Bank Ltd Twifo-Agona
19. Awutu Emasa Rural Bank Ltd Awutu Bereku
20. Awutu Bawjiase Rural Bank Ltd Bawjiase
21. Odupon Kpehe Rural Bank Ltd Kasoa

8.3.3 Eastern Region Location

1. Asuopra Rural Bank Ltd Afosu
2. Manya Krobo Rural Bank Ltd Odumase-Krobo
3. Akwapim Rural Bank Ltd Mamfe
4. Kwahu Rural Bank Ltd Pepease
5. Anum Rural Bank Ltd Anum
6. South Birim Rural Bank Ltd Achiase
7. Upper Manya Kro Rural Bank Ltd Asesewa
8. Kwahu Praso Rural Bank Ltd Kwahu Praso
9. Atiwa Rural Bank Ltd Kwabeng
10. Mumuadu Rural Bank Ltd Osino
11. Afram Rural Bank Ltd Tease
12. Mponua Rural Bank Ltd Amuana Praso
13. Akim Bosome Rural Bank Ltd Akim Swedru
14. Kwaebibirim Rural Bank Ltd Asuom
15. Akyem Mansa Rural Bank Ltd Ayirebi
16. South Akim Rural Bank Ltd Nankese
17. Odwen-Anoma Rural Bank Ltd Hweehwee
18. Dumpong Rural Bank Ltd Asakraka
19. Adonten Community Bank Ltd New Tafo
20. Asuogyaman Rural Bank Akosombo
21. Citizens Rural Bank Ltd Nsawam

8.3.4 Brong-Ahafo Region Location

1. Kintampo Rural Bank Ltd Kintampo
2. Wamfie Rural Bank Ltd Wamfie
3. Suma Rural Bank Ltd Suma Ahenkro
4. Baduman Rural Bank Ltd Badu
5. Asutifi Rural Bank Ltd Acherensua
6. Nkoranza Kwabre Rural Bank Ltd Akuma
7. Fiagya Rural Bank Ltd Busunya
8. Bomaa Rural Bank Ltd Bomaa
9. Tano Rural Bank Ltd Ntrotroso-Gyedu
10. Nsoatreman Rural Bank Ltd Nsoatre
11. Derma Area Rural Bank Ltd Derma
12. Yapra Rural Bank Ltd Prang
13. Tano Agya Rural Bank Ltd Dadeisoaba
14. Nkoranman Rural Bank Ltd Seikwa
15. Amantin & Kasei Rural Bank Ltd Amantin
16. Ahafo Community Bank Ltd Kukuom
17. Drobo Community BanK Ltd New Drobo
18. Nafana Rural Bank Ltd Sampa
19 Capital Rural bank Ltd Abesim
20. Tanoman Rural Bank Duayaw Nkwanta

8.3.5 Western Region Location

1. Esiama Rural Bank Ltd Esiama
2. Amenfiman Rural Bank Ltd Wassa-Akropong
3. Nzema Manle Rural Bank Ltd Awiebo
4. Jomoro Rural Bank Ltd Tikobo No.1
5. Asawinso Rural Bank Ltd Sefwi-Asawinso
6. Lower Pra Rural Bank Ltd Shama
7. Bogoso Rural Bank Ltd Bogoso
8. Mansoman Rural Bank Ltd Manso Amenfi
9. Ahantaman Rural Bank Ltd Agona-Nkwanta
10. Upper Amenfi Rural Bank Ltd Ankwanso
11. Kaaseman Rural Bank Ltd Kaase
12. Bia Torya Rural Bank Ltd. Bonsu Nkwanta
13. Western Rural Bank Ltd Sekondi
14. Sefwiman Rural Bank Ltd Bibiani

8.3.6 Volta Region Location

1. North Tongu Rural Bank Ltd Adidome
2. Asubonteng Rural Bank Ltd Worawora
3. Avenor Rural Bank Ltd Akatsi
4. Unity Rural Bank Ltd Ziope
5. Guaman Rural Bank Ltd Guaman
6. Weto Rural Bank Ltd Kpeve
7. Agave Rural Bank Ltd Dabala
8. Mepe Area Rural Bank Ltd Mepe
9. Anlo Rural Bank Ltd Anloga
10. Butawu Rurak Bank Ltd Tsito
11. Gbi Rural Bank Ltd Hohoe

8.3.7 Greater Accra Region Location

1. Shai Rural Bank Ltd Dodowa
2. Ada Rural Bank Ltd Kasseh
3. Dangbe Rural Bank Ltd Prampram
4. Ga Rural Bank Ltd Amasaman
5. Abokobi Rural Bank Ltd Abokobi
6. La Community Bank Ltd Labadi

8.3.8 Upper East Region Location
1. Bessfa Rural Bank Ltd Garu
2. Naara Rural Bank Ltd Paga
3. Builsa Community Bank Ltd Sandema
4. Toende Rural Bank Ltd. Zebilla

8.3.9 Upper West Region Location
1. Nandom Rural Bank Ltd Nandom
2. Sonzele Rural Bank Ltd Jirapa
3. Sissala Rural Bank Ltd Tumu
4. Lawra Area Rural Bank Ltd Lawra

8.3.10 Northern Region Location
1. Bonzali Rural Bank Ltd Kumbugu
2. West Mamprusi Rural Bank Ltd Walewale
3. East Mamprusi Rural Bank Ltd Gambaga
4. Borimanga Rural Bank Ltd. Savelugu
5. Buwulonso One Stop RB Ltd Damongo
6. Tizaa Rural Bank Ltd Gushegu

8.4 Non-Bank Financial Institutions
1. Securities Discount Co. Ltd.
2. City Investments Co. Ltd.
3. Ivory Finance Company Ltd.
4. N.D.K. Financial Services Ltd.
5. OAK Financial Services
6. Sterling Financial Services
7. Unique Trust Finance Company
8. Ghana Financial Services Ltd.
9. Eximguaranty Co. (Gh) Ltd.
10. 1st African Financial Services Ltd.
11. Golden Link Financial
12. Express Funds International Ltd.
13. Trans-Continental Financial
14. Mondex Ghana Ltd.
15. Export Finance Co. Ltd
16. JISLAH Financial Services
17. Horizon Leasing & Finance Co. Ltd.
18. Ghana Leasing Co. Ltd.
19. Leasafric Ghana Ltd.
20. Ecobank Leasing Co.,Ltd
21. Midland Savings & Loans Co. Ltd.
22. First Allied Savings and Loans Co. Ltd.
23. Garden City Savings & Loans Co. Ltd.
24. Ezi Savings Loans Ltd.
25. Unicredit Ghana Ltd.
26. Union Savings & Loan Ltd.
27. Women's World Banking-
28. ProCredit Savings & Loans Co.Ltd.
29. Pacific Savings & Loans Co. Ltd.
30. First Ghana Building Company
31. Opportunity International
32. Express Savings and Loans Co. Ltd
33. Adehyeman Savings and Loans Co. Ltd.
34. Dalex Finance and Leasing Company Ltd.
35. Ghana Home Loans Mortgage
36. Utrak Financial Services
37. First National Savings and Loans Co. Ltd.
38. Chrisline Financial Services Ltd.
39. IFS Finance & Leasing Company Limited
40. Crest Finance House Limited
41. F & D Finance and Leasing Company Limited
42. Bond Financial Services Limited

8.5 Insurance Companies

1. State Insurance Company
2. Enterprise Insurance Company
3. Ghana Union Assurance
4. Vanguard Assurance
5. Inter-Life & Ghana Insurance Company
6. Beacon Insurance Company
7. Star Assurance Company
8. Gamin Life Insurance Company
9. Continental Assurance Company
10. Reliance Insurance Company
11. Nationwide Insurance Company
12. Madison Insurance Company
13. Donewell Insurance Company
14. Quality Insurance Company
15. Great African Insurance Company
16. Mainstream Re-Insurance Company
17. New India Assurance Company
18. Trans-Universal Assurance
19. Crusader Insurance Company
20. Phoenix Insurance Company
21. Metropolitan Insurance Company

8.6 Stockbrokers

1. CAL Brokers Ltd
2. CDH Limited
3. Databank Brokerage Ltd
4. First Atlantic Brokers Ltd
5. EBG Stockbrokers Ltd
6. Gold Coast Securities Ltd
7. SDC Brokerage Ltd
8. Sterling Securities Ltd
9. National Trust Holding Co Ltd
10. New World Investment Ltd
11. Strategic African Securities Ltd
12. Merban Stockbrokers Ltd
13. United Securities Trust Ltd
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