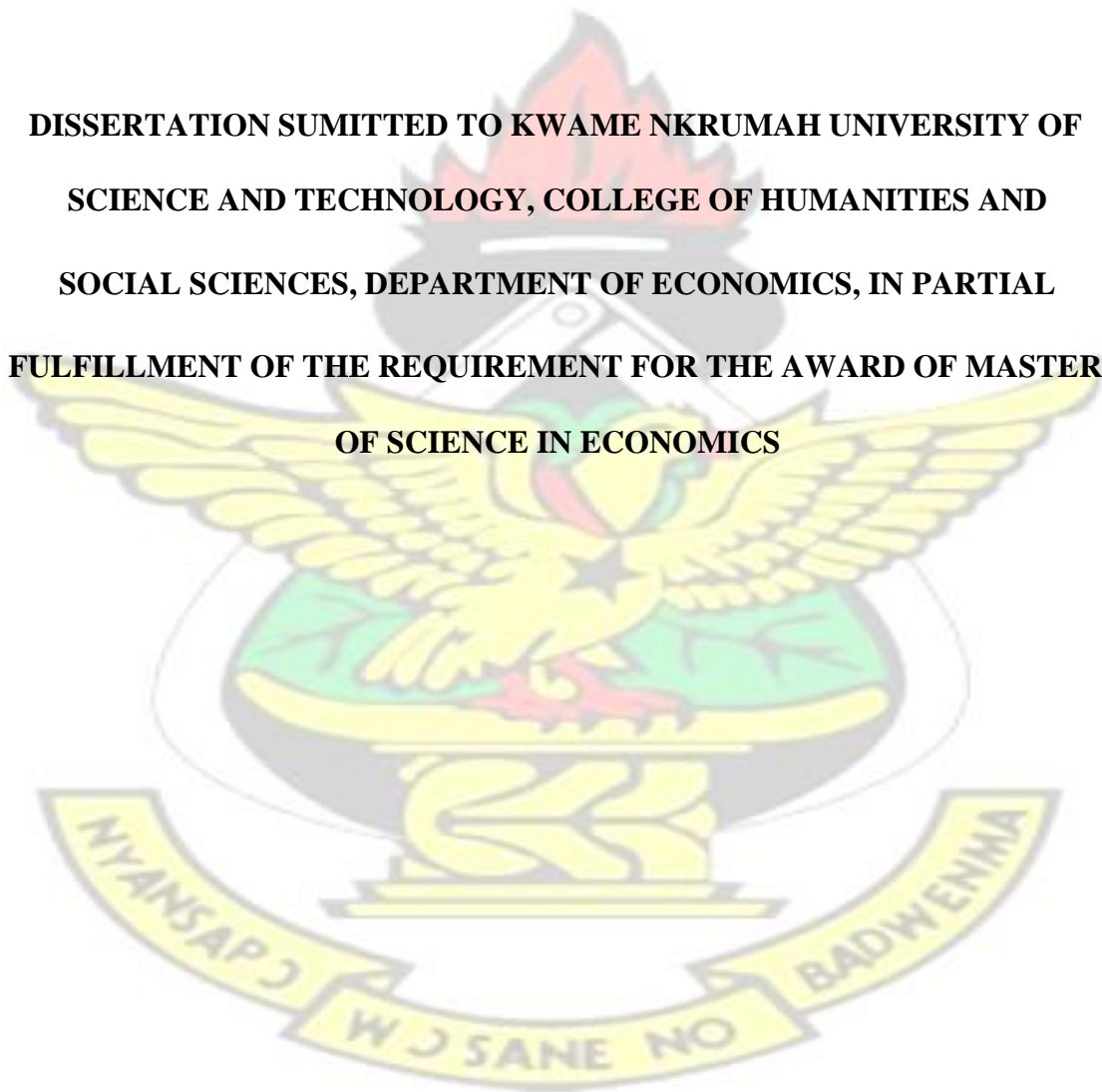


**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF THE  
THREE STATE OWNED BANKS IN GHANA**

**BY  
KWADWO ASIAMAH SIKA-DAPAAH**

**DISSERTATION SUMMITTED TO KWAME NKRUMAH UNIVERSITY OF  
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SOCIAL SCIENCES, DEPARTMENT OF ECONOMICS, IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER  
OF SCIENCE IN ECONOMICS**



**MAY 2016.**

## DECLARATION

### Candidate's Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

KNUST

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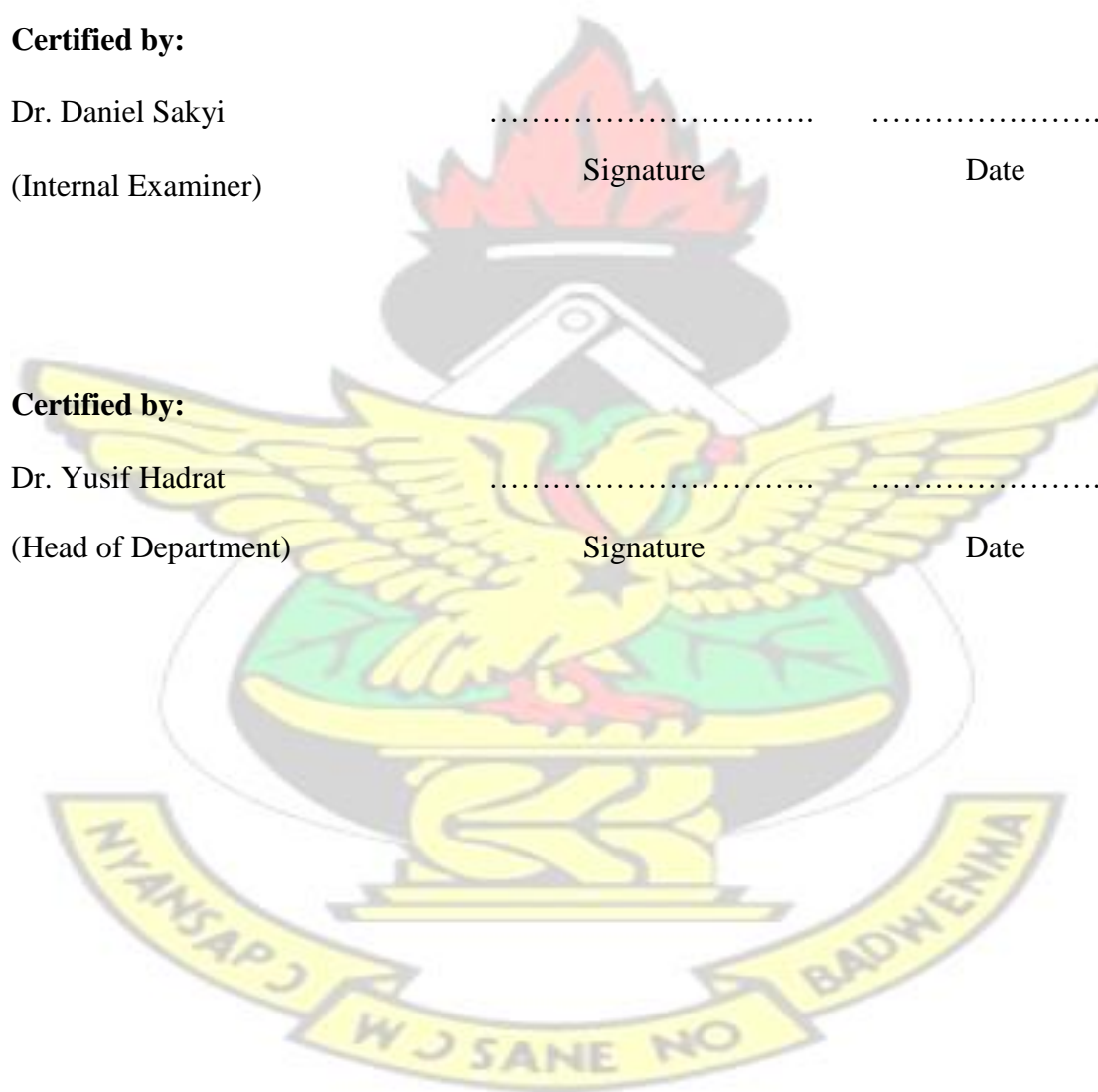
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Date



## ABSTRACT

The study examined the financial performance of GCB Bank Limited, National Investment Bank Limited (NIB LTD.), and Agricultural Development Bank Limited (ADB) from 2004 to 2014 using financial ratios and indicators. Annual data from financial reports and statements were employed to compute all performance indicators and ratios. The results showed that GCB Bank and ADB were more profitable compared with NIB. All the three banks were more effective and sound in their use of deposits. The results further showed that GCB maintained good books among all the three banks. All the banks were sufficient in terms of their minimum capital adequacy ratio of 10% except NIB which had 8.66% in 2008. Recommendations offered in the study were that the banks should be creative and innovative in asset and product creation to be able to increase their total income. They should also try and reduce their cost of operations while increasing their total income. Not all, these banks should have a strong and well-resourced credit risk department and a loan monitoring and rigorous loan recovery team. Finally, ADB and NIB should be listed on Ghana Stock Exchange to enable them raise enough capital and dilute the percentage of the government's shareholding.

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## DEDICATION

This dissertation is dedicated to my Dear wife Linda Sika-Dapaah and my late mother-in-law Mrs. Florence Ansah Amadi.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The Banking sector is supposed to play an active role in sustaining financial markets and economic growth and development of a country (Bank of Ghana Act 2002, Act

612). This is evidenced in the Bank of Ghana Act (2002), Act 612 Section 3 Subsection 1 and 2 which states the primary function of the Central Bank is maintaining a stable price level in the economy and also supporting the general economic policies of government, to promote growth in the economy and effectively and efficiently create a conducive atmosphere for the operations of the banking and credit system devoid of any intervention from government or any other authority. The sectors ability to positively impact on economic growth and development depends on an effective banking system. In view of this, the British Colonial administration and Government of Ghana established banks to aid in the economic development of the then Gold Coast and now Ghana.(Osakunor, 2009)

Standard Chartered bank, formally known as Bank of British West Africa started operation in Ghana in 1885 with its first branch in Accra. Its success story paved way for other banks to troop into the then Gold Coast; Colonial Bank in 1918, the National Bank of South Africa and Barclays Bank. ([www.bog.gov.gh](http://www.bog.gov.gh))

Until the establishment of Ghana Commercial Bank in 1953, the period between 1920 and 1950 had only Standard Chartered and Barclays Bank in operation and this first indigenous bank was to curtail the overly control of the two foreign banks. The establishment of the Bank of Ghana followed in 1957 to manage all banks and be in



charge of the currency. The banking sector expanded and in 1974, the country saw the establishment of Development Financial Institutions (DFI) to render financial services apart from commercial banking such as development/ investment, agriculture and merchant. These banks were National Investment Bank, Agricultural Development Bank, Merchant Bank, Social Security Bank, Bank for Housing and Construction, Cooperative Bank Ghana and National Savings and Credit Bank. The operations of these banks were through mobilization of deposit, support from government and foreign banks through loans in commercial and development banking services to facilitate economic growth and development. (Brownbridge et al, 2014)

With the passage of time, most of these banks have been privatized and others have gone into bankruptcy. Among the reasons alluded for the collapse and privatization of some of these banks were poor profitability performance, poor liquidity performance and poor credit quality/ performance (Prof. Omane-Antwi, 2013). In Ghana currently, only GCB Bank Limited, National Investment Bank Limited (NIB) and Agricultural Development Bank Limited (ADB) are owned by the state.

With the introduction of financial sector adjustment programme in 1988 (FINSAP 1988-1991), GCB Bank, NIB and ADB have experienced various changes in terms of regulations and technology from the central bank, influx of foreign and local banks, technological advancement, high cost of funds and the depreciation of the cedi.

Notwithstanding, there have been an increase in cost and a growing competition for these banks and this has affected their financial performances. According to Bragg (2012), financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time.



Evaluating the financial performance of a business helps directors, managers, owners, prospective investors and the public at large to access the outcomes of the strategies employed by the business in terms of their monetary value. Financial analysis is a way of presenting the overall financial performance of a financial institution in a structured and a logical way. Conclusions about the health and performance of a company in terms of finances can only be reached after careful and critical analyses of the data, explanatory notes and supporting reports presented in annual accounts or financial statements together with and in the light of other relevant environmental factors. The results of such in-depth analyses reveal the performance of the companies in question over given time spans and within their industry of operation as well as in the general economy. (Bragg, 2012)

In Ghana, a section of Act 179, mandates directors of companies (private or public) to circulate to all members “financial statements not later than eighteen months after incorporation and subsequently once at least in every calendar year at intervals of not more than fifteen months”.( Ghana Company Code 1963, Act 179). The sections specifically requires income statement, report by directors and a report by auditors in accordance with specific sections of the Act to be included in the annual report.

## **1.2 Statement of the Problem**

A bank operating soundly financially is a sign of good standings not only to depositors but also to shareholders, employees and the whole economy. In line with this efforts have been put in place to efficiently and effectively measure the financial position of the bank. (Din Sangmi, 2010). The stability of banks as a whole in the economy depends on better financial performance. Better financial performance level has tendency to absorb risks and shocks that banks can face. Better financial performance depends on the

liquidity position, profitability performance, quality of credit and capital adequacy of the bank. The study is inspired by the fact that measuring financial performance is an important tool for financial institutions wishing to carry out their business successfully in the face of increasing competition in the financial markets. In his work on contemporary studies on corporate governance in 2013, Prof. Omane-Antwi pointed out that most of the state owned banks in Ghana that went into bankruptcy and privation had problems with poor profitability, poor liquidity positions and poor credit quality/performance. In this time of competitiveness in the Ghanaian banking industry, how are the remaining state owned banks in Ghana performing in terms of profitability, liquidity, credit quality and capital adequacy. It is against this background that the following objectives have been formulated.

### **1.3 Objectives of the Study**

The general objective of the study was to analyze and compare financial performance of state established banks in Ghana.

Specifically, the study was intended to:

1. Evaluate and compare the profitability performance of GCB Bank, National Investment Bank Limited and Agricultural Development Bank Limited from 2004 to 2014.
2. Analyze liquidity performance of these Banks between 2004 and 2014.
3. Assess credit quality of the Banks from 2004 to 2014.
4. Evaluate if the banks meet the regulated minimum capital adequacy ratio.

#### **1.4 Research Questions**

The following research questions guided the study;

1. What are the profitability performance of GCB, NIB and ADB between 2004 and 2014?
2. How are the liquidity positions of the banks from 2004 to 2014?
3. What are credit quality of GCB, NIB and ADB?
4. Do the banks meet the regulated minimum capital adequacy ratio?

#### **1.5 Scope of the Study**

The study covers all the state owned banks currently operating in Ghana. There are three state owned banks in Ghana and these are GCB Bank, National Investment Bank Limited and Agricultural Development Bank Limited.

#### **1.6 Significance of the Study**

The successful completion of the study will help determine the effective and efficient way banks do transform their expensive inputs into various financial products and services. Moreover, findings will help determine the capabilities, survival and prosperity of these Banks from other competitors in the country. Additionally, findings will help in the identification of the unique strengths and weaknesses of these Banks which plays a key role in their profitability, liquidity, credit quality and capital adequacy.

#### **1.7 Organization of the Thesis**

The thesis was organized in five main chapters. Chapter one focused on the background of the study, statement of the problem and objectives of the study. It also looked at the research questions and significance of the study.

The second chapter was review of the necessary related literature on the concept and subject matter of the topic. These included the concept of Financial Performance, Financial Ratios etc. Chapter three was centered on the methodology, this was made up of research design, study area, study population, sample size, sources of data, data collection techniques, data processing and analysis. Discussions, analysis and interpretations of the findings of the study were the fourth chapter. The fifth chapter was devoted to the summary, conclusions and recommendations of the study as well as areas for further research.





## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The first part of this chapter looks at available literature on the main subject areas of the study i.e. financial statements and their analysis and the second part centered on financial performance measurement tools (ratios and trend analysis). They covered theories, definitions and analysis of the advantages and disadvantages of the various techniques.

#### **2.2 Financial Statement Analysis - Definition**

According to Williams et al (2006) financial statement analysis involves the assessment of a company's accounting information to forecast risk and determine potential returns on the basis for economic decision making.

Larson et al (1999) defined financial statement analysis as "the application of analytical tools to general financial statements and related data for making business decisions" (p. 774). Their explanation was that it leads to a higher degree of certainty since it reduces or minimizes reliance on guesses and intuition. They further referred to them as reports on the conditions in an organization and their performances financially.

According to Pinches (1994), the balance sheet of a firm reports not only its assets but also, liabilities and stockholders' equity whereas the income statement of the firm presents operations in a given period of time usually within a year. These reports usually give information about the future cash flows and this analysis is pointed at



understanding the trends that explain the risk, timing and magnitude of the future cash flows of the firm.

Records that give indication of an individual organization's or businesses' financial status according to [www.wisegeek.com](http://www.wisegeek.com) is known as financial statement. A famous quote by Abraham Briloff in June 1999 that **“Financial statements are like fine perfume: to be sniffed but not swallowed.”**<http://www.investorhome.com/company>, is one of the many calls for critical analysis of financial statements. This call has been vindicated by a number of corporate collapses of giant multinationals whose financial statements painted bright pictures until their unexpected demise. Enron and Worldcom are two classic cases of companies whose financial reports were significantly at variance with operational realities on the ground.

### 2.3 Components of Financial Statements

Many authors have defined components of financial statements to encompass the financial statement of a firm, retained earnings and cash flow as well as income statement and a statement that gives the financial position of a firm. Investorwords list and defines four financial statements as follows:

- Income statement- An accounting of sales, expenses and net profit for a given period
- Statement of retained earnings- A document that reflects the amount of income received for the fiscal year.
- Statement of financial position- It includes assets, liabilities and net worth of company in a given period of time written in the form of a quantitative summary.

A quantitative summary of a company's financial condition at a point in time,

including assets, liabilities and net worth. The assets are displayed in the first of the balance sheet whereas the liabilities and shareholder's equity are presented in the second part.

- Cash flow statement- A summary of a company's cash receipts and payments over a given period.

Wild (2005) in his work explains income statement as descriptions of a company's revenue and expenses and explains statement of retained earnings as changes in the retained earnings from net income and dividends within a time frame. He also explains statement of a financial position as a description of the financial position in terms of assets and liabilities in a given period and finally defines cash flow statement as receipts and cash outflows over a period of time. (p.17)

A more general definition covers the entire published accounts i.e. directors' and auditors' reports, audit committee reports, income statement, statement of financial position, statement of retained earnings, cash flow statements and notes to the accounts. Brigham et al (1999) submit that there are two types of information given in annual reports – verbal statements, describing the results from the firm's operation over the past year and focuses on developing future operations.

The other type is a written report presented in four basic financial statements namely the income statement, statement of financial position, retained earnings statement and the statement of changes in financial position. Taken together, the financial statements report actual happenings in terms of earnings and dividends the verbal information explain why things turned out the way they did. Brigham et al (1999), further contended

that the real value of financial statements lies in the fact that they are most useful in predicting future earnings of the firm, dividends and riskiness of cash inflows.

Williams et al (2006) draw a distinction between classified financial statements in which items with certain characteristics are placed together in a group and comparative financial statements which show amounts for several periods side by side in a vertical column. Similarly Larson et al (1999) give two types of financial statements: a) general purpose financial statements, and b) comparative financial statements. They explain general purpose financial statements to include income statement, statement of financial position, and statement of changes in shareholders' funds, cash flow statement and notes related to the statements. According to them, comparative financial statements place amounts for two or more successive periods alongside each other for easy comparison.

In this study, „financial statements“ refer to statement of financial position, income statement and retained earnings statements and cash flow statement. Analysis of financial statements involves a careful and critical investigation of the aforementioned reports to establish the financial health, comparable risks and returns of the selected banks.

#### **2.4 Users and uses of Financial Statements**

According to Larson et al (1999), financial statements are useful in revealing a snapshot of an organisation's financial health and performance to decision makers, such as lenders, investors, managers, suppliers and customers. Dransfield (2002) outlines the following users and uses of financial statements:

Investors – individuals or institutions that buy shares in companies and become part owners. These people use financial statement to ascertain the commercial viability of the company they wants to invest in.

Employees – individuals or groups of individuals such as trade unions use financial statements to determine their job security as well as the prospects for improvement in their employment terms.

Lenders – banks, finance houses and other credit agencies study financial reports of companies in determining their credit worthiness as well as growth potentials.

Suppliers and other Creditors – ability of clients to pay for supplies in good time is a major determinant in the granting of credit. Suppliers are therefore very mindful of this in setting their supply and credit policies for their clients.

Customers – continuity of customers’ business is largely dependent on the existence and continuity of their suppliers’ business. For this reason customers will study critically, available financial reports of suppliers to ascertain the sustainability of their businesses.

Government – besides the tax assessment needs, governments and their agencies study critically financial statements especially of key companies which help drive and accelerate economic developments.

Public – the wider public use financial statements for research, assessment of a company’s contribution to both the immediate and larger community



Journalists – financial and business journalists use such reports to ascertain the health of specific sectors in an economy and the economy as a whole. Through publication of their findings, company promoters and investors at large obtain an indication of viable business avenues.

In spite of the usefulness of financial statements, they do not always provide answers to the many questions of stakeholders. In some cases answers provided may not reflect the reality for a number of reasons.

The desire of directors to present favourable picture of their companies and by inference their stewardship may lead to disregard for the principles/ concepts of accrual, prudence and conservatism. In extreme cases this may lead to deliberate misinformation. Secondly, financial statements may just turn to be only an approximation of reality since it reports are mostly selective of economic events. It also employs the use of non-comparable accounting methods and estimates and as such may tend to lag reality.

## **2.5 Performance Measurement and Analysis**

According to investorwords.com, performance measurements quantitatively give important indications of a company's products, services, the processes that produce them and the results from these processes. Performance measurements show;

How well a company is doing

- If a company is meeting its goals
- If customers are satisfied
- If processes are in statistical control
- If and where improvements are necessary
- What the future holds for the company



They are mostly tools that aim in understanding, managing and improving what organizations do, providing information essential in making intelligent decisions about a company. Two key financial performance measurement tools – ratio analysis and trend analysis will be discussed in this section.

## **2.6 Ratio Analysis**

Wild (2005) defines ratio analysis as an expression of a mathematical relationship between quantities expressed as percent (e.g. 25%) (2.5 times) or proportion (e.g. 2.5 to 1). He further contends that the significance of ratios can only be appreciated when referred to on occasionally as unequal relations. According to investorwords.com, ratio analysis is the study and interpretation of the relationship between various financial variables by investors and lenders (www.inverstorwords.com). Answers.com defined ratio analysis as the quantitative relation between two different amounts showing the number of times one value is contained within the other (www.answers.com).

Financial ratio analysis is the calculation and comparison of ratios which are derived from the information in a company's financial statements. The level and historical trends of these ratios give indications of a company's financial condition, its operations, management efficiencies, prospects and attractiveness on an investment avenue.

Financial ratio is calculated from one or more pieces of information from a company's financial statements. For example, the "gross margin" is the gross profit from operations divided by the total sales or revenues of a company, expressed in percentage terms. In isolation, a financial ratio is a useless piece of information. In context, however, a financial ratio can give a financial analysis an excellent picture of a company's situation and trends that are developing.

A ratio gains utility by comparison to other data and standards. For example, a gross margin, which is the gross profit from operations divided by the total sales or revenues of a company of 15%. However, if it is known that the company's competitors have profit margins of 10%, the company will be viewed more favourably within its given industry. Similarly, a consistent upward historical trend over a considerable period will be an indication of the effectiveness of management's business policies and strategies.

## **2.7 Categories of Ratios**

Financial ratio analysis groups the ratios into categories which differentiate elements of a company's finances and operations. Like the ratios themselves, groupings or categories tend to vary widely depending on who is analysing and what the objective of the analysis is.

As explained by Wild (2005), financial statement analysis focuses on one or more elements of a company's financial condition or performance and describes liquidity and efficiency, solvency, profitability and market as the four building blocks of financial statement. Brigham et al (1999) categorised financial ratios into liquidity, asset management, debt management, profitability and market value ratios.

In this study, four main groups or categories of ratios were reviewed. They are profitability, liquidity, credit quality and capital adequacy ratios. These ratios are examined in details one after the other in chapter three.

## **2.8 Key uses of Financial Ratios**

Brown et al (2000) stated that financial ratios help to:

- Structure analysis

- Show the connection between activities and performance
- Compare past performance with the current and project the future
- Benchmark with industry
- Adjust for size differences

## **2.9 Limitations of Financial Ratios**

The following limitations were submitted by Brown et al (2000):

- Published industry averages are only guidelines
- Accounting practices differ across firms
- Industry ratios may not be desirable targets
- Seasonality affect ratios

## **2.10 Empirical Review**

A work done by Kumbirai et al on “A Financial Ratio Analysis of Commercial Bank Performance in South Africa” has been reviewed to provide an insight into the financial performance of banks. Using descriptive financial ratios as a measure of bank profitability, liquidity and credit quality of five commercial banks in South Africa from 2005 to 2009. The study revealed that the overall performance of banks in South Africa improved in terms of its profitability and liquidity in the period under review and this was partly responsible for the nation’s preparations for the World Cup. An increase in the operating cost of banks and the global financial crisis explained the deterioration in in profitability in the period 2008 to 2009.

This research also uses financial ratio analysis but the period of study between 2004 and 2014 is more widely and revealing as compared to the research conducted by Kumbarai et al used five year period.

Overview of the Outreach and Financial Performance of Microfinance Institutions (MFI) in Africa by Brown et al, April 2005 Employing 127 Microfinance Institutions in Africa on how does performance vary among African MFIs and the study revealed that the overall financial performance of MFIs in Africa lags behind other global regions. In measuring the financial performance, the study used Return on Asset (ROA) as a measure but this research not only uses ROA but also uses other financial ratios to measure the financial performance of state owned banks in Ghana.

A research done by Kiyota Hiroyuki (2011), on Efficiency of Commercial Banks in Sub-Saharan Africa: A Comparative Analysis of Domestic and Foreign Banks. The study did a comparative analysis of profit efficiency and cost inefficiency of commercial banks in 29 sub-Saharan African countries. The study revealed that the foreign banks in terms of profit efficiency outperform domestic banks. In terms of banks size, the smaller banks tend to be more efficient compared to the medium or relatively large banks. Credence could be given to the researcher for the use of Tobit regression to assess the impact of environmental factors on the efficiency of commercial banks.

This research continues to add to knowledge by conducting a comparative analysis of the profitability of the three state owned banks in Ghana to show happenings in the banking sector in the country.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter dilated on the study design, study area, population and sample size used and sampling procedure, sources of data, data collection and techniques, data processing and analysis.

#### **3.1 Research Design**

This research adopted descriptive financial ratio analysis in describing, measuring and analyzing the financial performance of GCB Bank, NIB and ADB between 2004 and 2014. Qualitative and Quantitative research techniques were used to conduct the study. The research relied solely on secondary data as described in detail under the “sources of data” section.

#### **3.2 Total Population and Sample Size**

Total population of the study was GCB Bank, NIB and ADB. The study evaluated financial performance of these banks between 2004 and 2014.

#### **3.3 Study Institutions**

##### **3.3.1 GCB Bank Limited**

GCB bank originally known as the Bank of the Gold Coast was established in 1953 to render banking services in Ghana for socio-economic development. Primarily, the institution was targeted at traders, farmers and business people who could not receive financial support from the foreign banks in operation that time.



GCB Bank started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. The mandate of the bank was directed at commercial banking after the nation attained independence and the Central Banks establishment. From Ghana Commercial Bank Limited to GCB Bank now has

branches across all the regions of the country. With over 150 branches in the country and 11 agencies, the bank after 1996 is 21.36% owned by government and 78.64% owned by individual holdings and institutions.

Beginning with a staff of 27, the bank as at December 2014 could boast of 2,101 staff which is so remarkable with professionals of various disciplines involved. From a customer base in the early years of operation of mainly small Ghanaian traders, the bank now has a broader customer base with salaried workers through small and medium scale entrepreneurs to government institutions and corporate bodies.

#### ***3.3.1.1 Products and Brands***

GCB Bank offers a variety of banking products. Current/Savings Account, Link2Home for Ghanaians abroad, loans and overdraft and a lot of investment packages as fixed deposit and Treasury bill for the specific need of the customers. The bank is not left out in the financial innovations and so it operates internet banking,

SmartPay, GCB Inland Express Money Transfer, International Money Remittance, GCB Kidistar Account and MasterCard. These innovations have impacted on profits and increasing the value of shareholdings which makes the bank the widest networked in the

country. All these have been done to increase profits and enhance shareholder value. Today the bank can boast of being the widest networked Bank in Ghana.

([www.gcbbank.com.gh](http://www.gcbbank.com.gh))

### **3.3.2 National Investment Bank Limited**

National Investment Bank Limited (NIB LTD.) was established by an Act of Parliament (Act 163) and was incorporated on March 22, 1963. The bank which traces its history from the Gold Coast Industrial Development Corporation (GCIDC) became the first development bank in the country. The bank was enabled to set up joint ventures and it has up to date over hundreds of such joint enterprises.

Most of the major existing industries including Nestle Ghana Limited, Novotel Hotel, Kabel Metal Company Limited, Aluworks, Total Ghana Limited, CDH Company Limited, Metro Mass Transit Company Limited, Benso Oil Palm Plantation benefited from NIB's equity participation or funding.

NIB has given rise to Agricultural Development Bank from the agricultural department of the bank, Merchant Bank to concentrate on trade finance. Originally not a deposit taking bank, NIB in 1980 offered commercial banking in order to complement its development banking.

The bank which is 87% owned by the government of Ghana and 13% by individual holdings and institutions currently has forty branches and two agencies in the country and operates as a universal bank but focuses on development and commercial banking activities with 70% of the Bank's portfolio made up of loans to the Ghanaian private sector. They are also one of the designated financial institutions which sources funds

from Export Trade, Agriculture and Industrial Development Fund (EDAIF) for on lending to exporters as Term and Working capital loans.

### 3.3.2.1 Products and Brands

NIB offers a wide range of products and services to its customers and the general public. Table 1 shows products and services of NIB:

**Table 3.3.1: NIB Products and Brands**

Retail Banking	Remittances	E-Banking Products
<ul style="list-style-type: none"> <li>• Current Account (C/A)</li> <li>• Savings Account (SA)</li> <li>• Call Deposits</li> <li>• Churchlink Account</li> <li>• Excel Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Vigo Money Transfer</li> <li>• Western Union Transfer</li> <li>• MoneyGram Transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Cashlink ATM Service</li> <li>• E-Zwich Service</li> <li>• GH-Link</li> <li>• SMS Alerts</li> <li>• Online Banking</li> </ul>
International Banking	Trade Finance	Treasury Services
<ul style="list-style-type: none"> <li>• Foreign Currency Accounts (FCA)</li> <li>• Foreign Exchange Account (FX)</li> <li>• Home Bound Account</li> <li>• Foreign Loans/Overdraft</li> <li>• Outward Transfers</li> <li>• Inward Transfers</li> <li>• Foreign Cheque clearing</li> </ul>	<ul style="list-style-type: none"> <li>• Documentary Credits (Letters Of Credit)</li> <li>• Documentary Collections <ul style="list-style-type: none"> <li>✓ Sight Collections</li> <li>✓ Documents Under Acceptance</li> <li>✓ Clean Collections</li> <li>✓ Validation Bills</li> <li>✓ Advance Payments</li> <li>✓ Open Account Payments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Demand Deposits</li> <li>• Call Deposits</li> </ul>
Investment Products	Loan Products	SME Products

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<ul style="list-style-type: none"> <li>• FLIC</li> <li>• Fixed Deposit</li> </ul>	<ul style="list-style-type: none"> <li>• Personal Loan</li> <li>• Kwik Loan</li> <li>• Auto Loan</li> <li>• Exeloan</li> <li>• Consumer Finance</li> <li>• Salary Advance</li> <li>• Scheme Loan</li> <li>• Overdraft Facility</li> </ul>	<ul style="list-style-type: none"> <li>• Boafu Loan</li> <li>• Adwadifo Loan</li> <li>• Micro Save</li> <li>• BoafuYena</li> <li>• DaakyeNkosuo</li> </ul>
Dev't Finance Products	Third Party Products	Other Services
<ul style="list-style-type: none"> <li>• Bid Bond/Tender Security</li> <li>• Performance Bond</li> <li>• Advance Payment Guarantee</li> <li>• CEPS Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Bancassurance (Life &amp; General)</li> <li>• Ghana Water Bill Payments</li> <li>• Student Loan Repayments</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile Cash Management Services</li> <li>• Domestic Money Transfer</li> </ul>
<ul style="list-style-type: none"> <li>• GHACEM Guarantee</li> <li>• Trade/Supplies Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• National Lotteries (Redemption of winning coupons)</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent Liabilities</li> <li>• Fund Management</li> </ul>

Source: [www.nibghana.net](http://www.nibghana.net)



### **3.3.3 Agricultural Development Bank (ADB) Limited**

Agricultural Development Bank which was formally known as Agricultural Credit and Co-operative Bank, it was established by an Act of Parliament in 1965 to meet the banking needs of the Ghanaian agricultural sector in a profitable manner. ADB which is 51.83% owned by government of Ghana and 48.17% owned by the Bank of Ghana is a leading financial institution in agricultural financing. Currently it has fifty branches, ten agencies and four farm loan offices across the country and it operates a variety of services.

#### **3.3.3.1 Products and Brands**

The bank engages in other types of banking in addition to making agricultural loans. The range of services offered include: Development Banking, Corporate Banking, Personal Banking, International Banking, Diaspora Banking Services, Treasury Management Services and Money Transfer Services, in partnership with western union.

### **3.4 Sources of Data**

Data were collected mainly from secondary sources including but not limited to:

- Company profile or historical background
- Annual reports or financial statements of the banks

### **3.5 Analytical Approach and Tools**

The following tools were used for analysis in this study:

#### **3.5.1 Ratio Analysis**

1. Profitability ratios (return on equity, profit after tax margin, return on assets, and total operating income to total assets, cost income ratio, non-interest income to operating income and non-interest income to earning asset).



2. Liquidity ratios (liquid assets to total deposits, liquid assets to total assets, liquid assets to earning assets, net loans to total deposits and net loans to total assets).
3. Credit/portfolio quality ratios (NPL's to total loans, impairment charges to gross loans and loan portfolio profitability).
4. Capital structure (capital adequacy ratio)

### 3.5.2 Profitability Ratios

Profitability is the mostly used measure of a bank's performance. These ratios are used to determine the firm's ability in generating earnings while comparing it to its relevant expenses incurred within a particular time frame. These ratios show the firm's profitability after taking deducting all expenses and income taxes, the efficiency of operations, firm pricing policies, profitability on assets and to shareholders of the firm (Van Horne 2005).

According to Larson, et al (1999), "profitability refers to a company's ability to generate an adequate return on capital invested" (p. 795).

In finding out how well a bank is performing in terms of profits, the profitability ratios are mostly considered as the basic bank financial ratio. The higher the profitability ratio, the better in terms of performance of the bank.

Ratios that were considered for measuring profit adequacy or otherwise of the Banks include Return on equity, Profit after tax margin, return on assets, total operating income to total assets, cost income ratio, non-interest income to operating income and non-interesting to earning assets.

### **3.5.2.1 Return on Equity (ROE)**

This is the yield on shareholders' investment after all obligations such as fixed interests have been taken. It is a measure of how well a company has used its reinvested earnings to generate additional earnings. It is generally used as a measure of a company's efficiency, in other words, how much profit a firm is able to generate given the resources provided by its shareholders. Investors usually look for companies with higher returns on equity.

$$\frac{\text{Net profit or profit after tax}}{\text{Shareholders' fund or equity}} \times 100$$

### **3.5.2.2 Profit after Tax Margin**

Represents that portion of total sales that is available to shareholders. This shows the percentage of income that a company actually earns per unit of amount of its sales.

The higher the value of profit after tax margin, the better for the bank.

$$\frac{\text{Net profit or profit after tax}}{\text{Total income}} \times 100$$

### **3.5.2.3 Return on Assets (ROA)**

Return on Assets is the yield or return on total assets invested in the operations of an organisation. It measures a company's profitability, equal to a fiscal year's earnings divided by its total assets expressed as a percentage. Investors usually look for banks with higher return on assets.

$$\frac{\text{Net profit or profit after tax}}{\text{Total assets}} \times 100$$

#### **3.5.2.4 Cost to Income Ratio**

The cost income ratio is a key financial measure, particularly important in valuing banks. It shows a company's cost in relation to its income. The ratio gives investors a clear view of how efficiently the company is being run. The lower it is, the more profitable the bank will be. Changes in the ratio can also highlight potential problems. If the ratio rises from one period to the next, it means that costs are rising at a higher rate than income.

$$\frac{\text{Non-interest expenses}}{\text{Operating income}} \times 100$$

#### **3.5.2.5 Non-Interest Income to Operating Income**

Non-interest income is an income derived primarily from commissions and fees. Transaction fees, service fees, and monthly account service charges are examples of non-interest income. This ratio seeks to know the proportion of non-interest income to the total operating income of the banks. Banks charge fees that provide non-interest income as a way of generating revenue and ensure liquidity in the event of increased default rates.

$$\frac{\text{Non-interest income}}{\text{Operating income}} \times 100$$

#### **3.5.2.6 Non-Interest Income to Earning Assets**

1. Earning assets are assets that generate income (interest, dividend, rent etc) for the bank.

$$\frac{\text{Non-interest income}}{\text{Earning assets}} \times 100$$

### 3.5.3 Liquidity Ratios

Liquidity indicates the ability of the bank to meet its financial obligations in a timely and effective manner. Samad (2004:36) states that “*liquidity is the life and blood of a commercial bank*”. Liquidity ratios give a picture of a company’s short-term financial situation or solvency, that is, they seek to assess the ease of raising cash or cash equivalents for the payment of immediate or short-term liabilities. The ratios which were be used are discussed in details.

#### 3.5.3.1 Liquid Assets to Total Deposits

These are assets that are easily convertible to cash if there is the need to meet urgent financial obligations. It indicates that the bank is liquid enough to pay off its depositors in times of emergency such as sudden withdrawals. A higher ratio shows a better liquidity position of the bank as well as enhanced trust and confidence reposed by depositors.

$$\frac{\text{Liquid assets}}{\text{Total deposits}} \times 100$$

#### 3.5.3.2 Liquid Assets to Total Assets

This ratio gives a picture of how liquid the total asset of the bank is. It normally does not show a picture of more than half of the total assets being liquid because most of the assets are loans and advances, other assets and fixed assets which are mostly huge.

$$\frac{\text{Liquid assets}}{\text{Total assets}} \times 100$$



### ***3.5.3.3 Liquid Asset to Earning Assets***

This ratio analysis shows how much of the earning assets are liquid that are easily convertible to cash to meet debt obligations. It must be noted that not all the liquid assets are earning assets.

$$\frac{\text{Liquid Assets}}{\text{Earning Assets}} \times 100$$

### ***3.5.3.4 Net loans to Total Deposit Ratio***

This measures total advances or loans granted by the bank in relation to its total deposits. A lower LDR means there is excess liquidity and hence less risky the bank is. Banks are primarily in business to mobilize deposits and grant loans. Out of the total deposit mobilized, banks are supposed to keep 10 percent as primary reserve with the Central Bank. The remaining 90 percent is available for assets creation and other things. This ratio assesses how much of the total deposits mobilized have been converted to loans.

$$\frac{\text{Net Loans}}{\text{Total deposits}} \times 100$$

### ***3.5.3.5 Net Loans to Total Assets***

This is a measure of the percentage of the bank's assets that are tied up in loans. It is a measure of the liquidity of the bank in terms of its total assets. A lower ratio means the more liquid the bank is.

$$\frac{\text{Net loans}}{\text{Total assets}} \times 100$$



### 3.5.4 Portfolio/Credit Quality Ratio

This ratio measures the risk that is associated with the bank's asset portfolio which is the quality of loans issued by the bank. These include Nonperforming loans to total loans, impairment charges to gross loans and loan portfolio profitability.

#### 3.5.4.1 Non-Performing Loans to Total Loans

A non-performing loan is the sum of loans which customers have not made their scheduled payment. This ratio is the percentage of total loans that have been either in default or close to being in default. The higher the nonperforming loan the poorer the credit quality of the bank.

$$\frac{\text{Nonperforming loans}}{\text{Gross loans}} \times 100$$

#### 3.5.4.2 Impairment Charges to Gross Loans

Impairment charge is the allowance for bad debt, it is a measure of the portion of a bank's loan portfolio that is likely to go bad. When a loan becomes uncollectible, it is taken off the books and the impairment is charged for the book value of the loan. The lower the impairment charge to gross loans the better.

$$\frac{\text{Impairment charges}}{\text{Gross loans}} \times 100$$

#### **3.5.4.3 Loan Portfolio Profitability**

This ratio measures the profitability of a bank's loan portfolio and its contribution to the total profitability of the bank. Negative percentage indicates that the loan portfolio at that point in time was not profitable.

$$\frac{\text{Int. income (Loans \& adv.)} - \text{prov. bad \& doubtful loans}}{\text{Net loans}} \times 100$$

#### **3.5.5 Capital Structure**

This looks at the capital structure and capital adequacy of banks. The ratio that was used is capital adequacy ratio.

##### **3.5.5.1 Capital Adequacy Ratio (CAR)**

This is the ratio of the bank's capital to risk. Regulators track a bank's CAR to ensure that it can absorb a reasonable amount of loss and compliance with statutory requirement. The regulated minimum CAR is 10%.

$$\frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk weighted assets}} \times 100$$

#### **3.6 Tools**

Data were analyzed and graphed using Microsoft Excel spreadsheet and Stata. The Hotelling t-test is used to compare the differences in means of the calculated ratios and comparisons made with the aid of tables. In conclusion, the methods, processes, materials and tools that were employed for the execution of this study is so chosen to facilitate the most effective and efficient delivery of the study objectives.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.0 Introduction

In this chapter, the following issues are discussed; key financial ratios, hotelling T-test and interpretation thereof and comparison among the three banks used for the study.

#### 4.1 Profitability and Efficiency Ratios

##### 4.1.1 Return on Equity

During the period under review GCB did not record a negative percentage meaning the Bank did not make a loss. The lowest rate of 9.11% was in the year 2009. The highest ratio of 49.07% was recorded in 2012. This was mainly because the bank made a huge profit of GH¢201 million.

From table 4.1 below, NIB recorded negative ROEs the years 2010 and 2005. It recorded negative 0.83% and negative 1.83% in 2010 and 2008 respectively. The reason for the negative percentages were as a result of the losses of GH¢548 and GH¢418.50 the bank made in the years 2010 and 2005 respectively. In the year 2008 NIB recorded the highest ratio of 83.32%. The main reasons for the highest ratio were the 260% increment in net profit from 2007 to 2008. Again the stated capital of the bank was increased from GH¢7.0 million in 2007 to GH¢20.0 million 2008.

ADB didn't record a negative ratio. This indicates that the bank didn't make any loss during the period under review. It recorded its lowest ratio of 0.42% in 2006. It was this year that the bank made its lowest profit and hence the lowest ratio. It has its highest ratio of 28.69 percent in 2013. The bank recorded its highest net profit after tax of

GH¢80.63 million in 2013. It could be observed from the balance sheet that the stated capital of the bank has increased from GH¢2.0 million in 2006 through to GH¢75.0million in 2013.

The implication is that among the banks, GCB did well in terms of profitability during the period under review. Also, it was observed that increase in stated capital by NIB and ADB helped them to sustain and increase profitability over the period

**Table 4.1: Return on Equity**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	25.89	44.99	49.07	9.84	27.65	9.11	18.15	15.08	28.69	18.06	28.43
NIB	16.13	13.50	11.61	9.03	-0.83	31.39	83.32	12.59	5.06	-1.83	30.30
ADB	13.92	28.69	13.54	24.75	10.96	10.42	13.74	12.25	0.42	12.05	19.75

Source: Computed from data presented in Annual Reports

**Table 4.2: Hotelling Mean Test Results for ROE**

Ho: Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
<u>GCB</u>	<u>11</u>	<u>24.99636</u>	<u>12.99219</u>	<u>9.11</u>	<u>49.07</u>
<u>ADB</u>	<u>11</u>	<u>14.59</u>	<u>7.577711</u>	<u>.42</u>	<u>28.69</u>
<u>NIB</u>	<u>11</u>	<u>19.11545</u>	<u>23.81837</u>	<u>-1.83</u>	<u>83.32</u>
Hotelling's T-squared = 81.749693				Prob > F(3,8) = 0.0003	

$$F(3,8) = 21.7999$$

Source: Computed from data presented in Annual Reports



From Table 4.2, the average return on equity (ROE) for GCB, ADB and NIB are 24.99636, 14.59, and 19.11545 respectively. The probability value of 0.0003 however rejects the null hypothesis that the vector of means is equal to a vector of zeros. The mean return on equity for the three banks is therefore statistically significant different from each other at 5% significant level. Thus statistically, the return on equity for GCB is highest followed by NIB and ADB. According to audited annual financial report of GCB between 2012 and 2014, the bank recorded huge profit in the period especially in 2012 when it recorded a profit of GH¢201m and also it made high income to cater for the operational expenses incurred during these period and that accounted for its highest return on equity.

#### **4.1.2 Profit after Tax Margin**

During the period under review, GCB recorded its lowest margin of 5.77% in 2011. This is because the bank recorded a low income which could not significantly absorb the expenses. The bank had a margin of 35.23% in 2013 being the highest percentage during the period under review. Aside the bank recording its highest net profit after tax in 2013, it made high income to cater for the operational expenses incurred during the year.

From table 4.3 below, NIB recorded negative percentages of 0.52% and 1.40% in the years 2010 and 2005 respectively. This was as a result of the bank making losses in these two years. The bank recorded its highest percentage of 38.56% in 2008. This is because the operational expenses incurred in the year compared to the interest income and other incomes were lower than the other years.

ADB recorded profit after tax margin of 4.52% in 2006 as the lowest margin for the period. This is because the bank recorded its lowest profit after tax that year during the



period under review. The highest margin of 23.35% was recorded in 2013. The reason for the high margin is not different from that of NIB. Again, ADB recorded its highest net profit after tax during the period under review in the year 2013.

**Table 4.3: Profit after Tax Margin**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	20.47	35.23	32.99	5.77	14.49	9.01	19.94	16.95	20.94	12.29	19.56
NIB	25.23	21.42	8.25	6.36	-0.52	20.40	38.56	13.52	5.39	-1.40	18.92
<u>ADB</u>	<u>10.56</u>	<u>23.35</u>	<u>9.28</u>	<u>20.05</u>	<u>6.52</u>	<u>9.56</u>	<u>14.64</u>	<u>16.24</u>	<u>4.52</u>	<u>14.68</u>	<u>19.89</u>

Source: Computed from data presented in Annual Reports

**Table 4.4: Hotelling Mean Test Results for Profit after Tax Margin**

Ho: Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	18.87636	9.00270	5.77	35.23
ADB	11	13.57182	6.01860	4.52	23.35
NIB	11	14.19364	12.0950	-1.4	38.56
Hotelling's T-squared = 94.9 5032			Prob > F(3,8) = 0.0002		
F(3,8) = 25.3201					

The average profit after tax margin for GCB, ADB, and NIB are 18.87636, 13.57182, and 14.19364 respectively. The probability value of 0.0002 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the average profit after tax margins for the three banks are statistically different from each other at 5% level of significance. Thus statistically, the profit after tax margin for GCB is highest

followed by NIB and ADB. According to audited annual financial report of GCB between 2012 and 2014, the bank recorded high net profit after tax especially 2013 and also it made high income to cater for the operational expenses incurred during these period and that accounted for the highest profit after tax margin.

### 4.1.3 Return on Assets

GCB had 0.68% as it's lowest which occurred in 2011. A percentage of 5.93 was recorded in 2013. This happens to be highest ratio for the period under consideration. From table 4.5 below, NIB recorded negative percentages of 0.08 and 0.22 in 2010 and 2005 respectively. This was that the bank was not profitable in these two years. The highest ratio of 6.81% was recorded in 2008.

ADB had the lowest percentage of 0.71 in 2006. 4.97% was made in 2013 and it happens to be the highest percentage in the period under review.

**Table 4.5: Return on Assets**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	4.04	5.93	4.66	0.68	2.31	0.95	2.25	2.18	3.29	2.16	2.93
NIB	3.42	3.24	1.33	0.86	-0.08	3.50	6.81	2.13	0.71	-0.22	3.49
<u>ADB</u>	<u>2.22</u>	<u>4.97</u>	<u>1.85</u>	<u>3.62</u>	<u>1.21</u>	<u>1.72</u>	<u>2.39</u>	<u>2.46</u>	<u>0.71</u>	<u>2.18</u>	<u>3.57</u>

Source: Computed from data presented in Annual Reports

**Table 4.6: Hotelling Mean Test Results for Return on Assets (ROA)**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max

GCB	11	2.852727	1.558012	0.68	5.93
ADB	11	2.445455	1.206693	0.71	4.97
NIB	11	2.29	2.0717	-0.22	6.81
Hotelling's T-squared = 66.48604			Prob > F(3,8) = 0.00 07		
F(3,8) = 17.7296					
Source: Computed from data presented in Annual Reports					

From Table 4.6, the average return on assets (ROA) for GCB, ADB, and NIB are 2.852727, 2.445455, and 2.29 respectively. The Hotelling test for statistical significance of the means rejects the null hypothesis that, the vector of means is equal to zero since it reports a probability value of 0.0007. Therefore, the individual means are statistically different from each other at 5% significance level. Thus statistically, return on assets for GCB was the highest followed by ADB and NIB respectively. Inferring from the audited annual financial report of GCB from 2012 to 2014, the bank made huge profits and that accounted for the highest level. According to audited annual financial report of NIB in 2005 and 2010, the bank made losses and that accounted for its lowest level of return on assets.

#### 4.1.4 Cost Income Ratio

From table 4.7 below, cost income ratio of GCB between 2014 and 2004 recorded its lowest figure of 23.31% in 2008 while the highest was in 2011 with a rate of 86.06%. This indicates that the bank was efficient in its operations in 2008 as compared with other years during the period. With reference to the highest rate, the banks cost went up but they could not generate enough profit or revenue to cover the cost.

NIB recorded the lowest of 42.69% in the year 2013. It shows that the bank was very efficient in its operations in 2013 than any other year in the period under consideration. 82.54% which was recorded in 2006 was the highest in the period under review. It was high because aside the increase in costs the bank could not make enough income to cover the cost.

During the period under review, ADB's lowest cost income ratio of 13.95% was in

2013. A critical analysis of the bank's income statement shows that the activities of the bank were efficiently managed. Income went up significantly from the previous years with a minimal cost. The highest ratio of 77.78% was in 2011, this shows the opposite of what happened in 2013. The operating expenses that were recorded in 2011 gives an indication.

**Table 4.7: Cost Income Ratio**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	51.31	47.35	52.65	86.06	57.88	23.58	23.31	67.83	66.92	70.62	60.44
NIB	46.32	45.69	48.40	51.13	65.99	76.74	76.71	68.01	82.54	75.67	50.10
<u>ADB</u>	<u>27.42</u>	<u>13.95</u>	<u>29.72</u>	<u>77.78</u>	<u>86.38</u>	<u>66.72</u>	<u>70.24</u>	<u>71.33</u>	<u>58.41</u>	<u>62.51</u>	<u>45.66</u>

Source: Computed from data presented in Annual Reports

**Table 4.8: Hotelling Mean Test Results for Cost Income Ratio (CIR)**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	55.26818	19.03059	23.31	86.06
ADB	11	55.46545	23.18973	13.95	86.38
NIB	11	62.48182	14.3126	45.69	82.54
Hotelling's T-squared = 431.044			Prob > F( 3 ,8) = 0.000 0		
F(3,8) = 114.044					



Source: Computed from data presented in Annual Reports

From Table 4.8, the average cost income ratio (CIR) for GCB, ADB, and NIB are 55.26818, 55.46545, and 62.48182 respectively. The Hotelling test for statistical significance of the means rejects the null hypothesis that, the vector of means is equal to zero since it reports a probability value of 0.0000. Therefore, the individual means are statistically different from each other at 5% significance level. Thus statistically, cost income ratio for NIB was the highest followed by ADB and GCB respectively.

The reason for NIB's highest level of cost income ratio according to the audited annual financial report from 2004 to 2011 was that the bank's cost of operation increased but could not generate enough profit or revenue to cover the cost.

#### **4.1.5 Non-Interest Income to Operating Income**

From table 4.9, GCB had its lowest ratio of 15.45 percent in 2010. The highest ratio was 2007 when it recorded 38.73%. GCB's ratios show that most of the banks income was coming from interest income from loans and investment. During the period under review, non-interest income to operating income of NIB was 35.26% in 2005. This was lowest percentage in the period under review. The highest percentage was recorded in 2013 and it was 58.76 percent. It could be seen from the statement of comprehensive income in this year and other operating income increased

significantly. This shows that in times of defaults the bank can comfortably continue to have liquidity and can make decent profit.

ADB recoded it lowest ratio of 38.17 percent in 2013 and its highest point of noninterest income to operating income for the period under research was 54.96 percent in 2009.

**Table 4.9: Non-Interest Income to Operating Income**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	28.37	19.47	22.64	28.51	15.45	34.48	28.84	38.73	28.31	31.96	28.33
NIB	42.96	58.76	43.28	46.04	55.00	37.41	50.20	42.17	39.76	35.26	38.39
<u>ADB</u>	<u>39.40</u>	<u>38.17</u>	<u>34.49</u>	<u>53.91</u>	<u>35.68</u>	<u>54.96</u>	<u>51.93</u>	<u>48.39</u>	<u>41.86</u>	<u>44.16</u>	<u>54.31</u>

Source: Computed from data presented in Annual Reports

**Table 4.10: Hotelling Mean Test Results for Non-Interest Income/Operating Income**

Ho: Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	27.73545	6.575224	15.45	38.73
ADB	11	45.20545	7.811626	34.49	54.96
NIB	11	44.47545	7.437654	35.26	58.76
Hotelling's T-squared = 2113.8688			Prob > F(3 ,8) = 0.0000		
F(3,8) = 563.6983					

Source: Computed from data presented in Annual Reports

From Table 4.10, the average non-interest income to operating income for GCB, ADB, and NIB are 27.73545, 45.20545, and 44.47545 respectively. The Hotelling test for statistical significance of the means rejects the null hypothesis that, the vector of means is equal to zero since it reports a probability value of 0.0000. Therefore, the individual means are statistically different from each other at 5% significance level. Thus statistically, the non-interest income to operating income for ADB is the highest followed by NIB and GCB respectively. According to the audited annual financial report from 2004 to 2014 of ADB, it had most of its income from non-interest activities of the

bank such as fees, commissions and returns/dividends from other investments and that accounted for highest level.

#### 4.1.6 Non-Interest Income to Earning Assets

The highest non-interest income to earning assets of GCB was 7.30% in 2014 and the lowest was 3.13% in 2010. NIB followed similar trend with its highest non-interest income to earning assets being 7.76% in 2014 and its lowest rate was 3.23%. The highest rate of non-interest income to earning assets of ADB for the period under review was 13.12 in 2004 and the lowest rate was 6.40%.

**Table 4.11: Non-Interest Income to Earning Assets**

Bank	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GCB	7.30	3.86	3.92	4.32	3.13	4.14	3.86	5.84	5.16	6.90	5.04
NIB	7.76	6.95	4.24	4.01	5.07	2.84	5.10	4.23	3.35	3.23	4.78
ADB	8.55	8.71	7.08	10.00	6.40	9.99	9.10	9.14	8.53	8.16	13.12

Source: Computed from data presented in Annual Reports

**Table 4.12: Hotelling Mean Test Results for Non-Interest Income to Earning Assets**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	4.860909	1.337329	3.13	7.3
ADB	11	8.98	1.750406	6.4	13.12
NIB	11	4.687273	1.519185	2.84	7.76
Hotelling's T-squared = 499.29608			Prob > F(3,8) = 0.0000		
F(3,8) = 133.1456					

Source: Computed from data presented in Annual Reports

The average non-interest income to earning assets for GCB, ADB, and NIB reported in Table 4.12 are 4.860909, 8.98, and 4.687273 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the average non-interest income to earnings assets for the three banks is statistically different from each other at 5% level of significance. Statistically, non-interest income to earning assets for ADB was the highest followed by GCB and NIB respectively. According to the audited annual financial report from

2004 to 2014 of ADB, it had most of its income from non-interest activities of the bank such as fees, commissions and returns/dividends from other investments and that accounted for the highest level.

## **4.2 Liquidity Ratios**

### **4.2.1 Liquid Asset to Total Deposit**

GCB recorded significance figures with regards to liquid assets to total deposits. Its highest ratio was in 2014 when it recorded 85.19% and the lowest was 28.82% in

2009. The highest ratio was as a result of huge deposits the bank had with Bank of Ghana and other investments that the bank has made. The reason for the low figure in 2009 was as a result of increasing deposits from customers due to an attractive investment rates offered by the bank for its fixed deposits.

From table 4.13 below NIB recorded the highest ratio of 111.19% in 2004. This was because the bank went for borrowings and managed funds during the year. The total borrowed and managed funds were more than the total deposit. It converted these funds into liquid assets to generate income. It recorded the lowest rate of 37.69% in 2008, meaning more of the customer's deposits were not in liquid assets but rather fixed and other assets and it would have been difficult to meet huge withdrawals from depositors.



In 2004, ADB recorded an astronomical figure of 95.78% as its highest liquid assets to total deposits and this was because they had more managed funds from the government and borrowed funds from Bank of Ghana, the majority shareholder of the Bank. These resources were more than the total deposits. The lowest was 8.23% and that was in 2006. This means that more of the customer's deposits were not in liquid assets but rather fixed and other assets.

**Table 4.13: Liquid Asset to Total Deposit**

Bank	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GCB	85.19	78.15	80.26	79.19	50.68	28.82	41.66	37.92	45.40	53.87	62.70
NIB	69.74	57.89	52.15	50.73	58.11	50.74	37.36	47.89	48.73	53.39	111.19
ADB	<u>57.98</u>	<u>51.57</u>	<u>53.71</u>	<u>46.08</u>	<u>54.06</u>	<u>58.91</u>	<u>47.35</u>	<u>58.22</u>	<u>8.23</u>	<u>73.33</u>	<u>95.78</u>

Source: Computed from data presented in Annual Reports

**Table 4.14: Hotelling Mean Test Results for Liquid Asset to Total Deposit**

<u>H<sub>0</sub>: Vector of means is equal to a vector of zeros</u>					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	58.53091	19.64664	28.82	85.19
ADB	11	55.02	20.91259	8.23	95.78
NIB	11	57.99273	19.34481	37.36	111.19
Hotelling's T-squared = 164.49222			Prob > F(3,8) = 0.0001		
F(3,8) = 43.8646					

Source: Computed from data presented in Annual Reports

The mean liquid asset to total deposit for GCB, ADB and NIB reported in Table 4.14 are 58.53091, 55.02, and 57.99273 respectively. The probability value of 0.0001

however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean liquid asset to total deposit for the three banks is statistically different from each other at 5% level of significance. Comparing the mean liquid asset to total deposit shows that GCB recorded the highest average in terms of the liquid asset to total deposit followed by NIB and ADB. According to the audited annual financial reports of GCB and ADB from 2010 to 2014, GCB had huge deposits at Bank of Ghana and other investments that the bank has made and with that of NIB, more of the customer's deposits were not in liquid assets but rather fixed and other assets and that accounted for the highest and lowest level of liquid asset to total deposit of the two banks respectively.

#### **4.2.2 Liquid Asset to Total Asset**

This ratio gives a picture of how liquid the total asset of the bank is. It normally does not show a picture of more than half of the total assets being liquid because most of the assets are loans and advances, other assets and fixed assets which are mostly huge.

Analyses of the table shows that GCB recorded more than 60% in 2014, 2013, 2012, and 2011. The reason was that the bank invested more in government securities than loans and advances granted to customers in the same period. It has its lowest ratio of 18.93% in 2009. From the table below NIB recorded 41.73% as its highest ratio in 2011 and the lowest was in 2008 which was 23.13%.

ADB had the highest ratio of 49.64% in 2004 and the lowest of 24.23% in 2008. The reason for the high liquid asset to total asset of NIB and ADB was that they invested

more in government securities than loans and advances granted to customers for the periods 2014, 2013, 2012 and 2011.

**Table 4.15: Liquid Asset to Total Asset**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	61.95	60.62	63.04	66.50	38.66	18.93	26.08	27.87	37.13	43.45	47.49
NIB	40.40	36.94	41.66	41.73	41.19	31.43	23.13	32.19	29.56	35.24	36.14
<u>ADB</u>	<u>39.31</u>	<u>33.74</u>	<u>35.89</u>	<u>31.64</u>	<u>30.04</u>	<u>34.09</u>	<u>24.23</u>	<u>33.48</u>	<u>47.88</u>	<u>38.77</u>	<u>49.64</u>

Source: Computed from data presented in Annual Reports

**Table 4.16: Hotelling Mean Test Results for Liquid Asset to Total Assets**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	44.70182	16.6126	18.93	66.5
ADB	11	36.24636	7.4386	24.23	49.64
NIB	11	35.41909	5.928279	23.13	41.73
Hotelling's T-squared = 732.49158			Prob > F(3, 8) = 0.0000		
F(3,8) = 195.3311					

Source: Computed from data presented in Annual Reports

The average of liquid asset to total assets for GCB, ADB, and NIB reported in Table 4.16 are 44.70182, 36.24636, and 35.41909 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean liquid asset to total assets for the three banks is statistically different from each other at 5% level of significance. Statistically, liquid

asset to total assets for GCB was the highest followed by ADB and NIB. Inferring from the audited annual financial report of GCB between 2010 and 2014, GCB invested more in government securities than loans and advances granted to customers while NIB invested more in loans and advances.

#### 4.2.3 Liquid Asset to Earning Asset

GCB had a higher percentage of 80.87% in 2014. This happened as a result of the bank keeping an amount of GH¢462 million in cash and balance with Bank of Ghana. It was 216% in excess of the 10 percent of primary reserve to be kept at the Bank of Ghana. The lowest ratio of 21.66% was recorded in 2009. It was mainly due to more loan creation in the year.

From the table 4.17 below, NIB recorded the highest ratio of 48.93% in 2014. It was as a result of the bank investing more in government securities, and investment in other banks and financial institutions. The lowest ratio of 28.34% was in 2008. This was because most of its earning assets were in loan and advances.

ADB recorded 91.93% in 2004 being its highest ratio. The bank concentrated in investing in government securities and other banks and financial institutions at the expense of loans. A 32.51% was recorded in 2008 and it was as a result of the bank granting more loans that year from the funds they had from increment in stated capital and borrowed from the Central Bank.

**Table 4.17: Liquid Asset to Earning Asset**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	80.87	71.42	77.11	85.53	49.08	21.66	30.96	32.74	43.03	53.39	56.46



NIB 48.93 38.28 43.66 47.78 46.88 37.52 28.34 37.66 37.52 42.62 40.59  
ADB 53.67 44.12 44.05 40.61 37.37 49.02 32.51 49.55 75.15 61.02 81.93  
 Source: Computed from data presented in Annual Reports

**Table 4.18: Hotelling Mean Test Results for Liquid Asset to Earning Asset**

H <sub>O</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	54.75	21.74202	21.66	85.53
ADB	11	51.72727	15.42358	32.51	81.93
NIB	11	40.88909	5.968341	28.34	48.93
Hotelling's T-squared = 723.73882			Prob > F(3,8) = 0.00 00		
F(3,8) = 192.9970					
Source: Computed from data presented in Annual Reports					

The average of liquid asset to earning assets for GCB, ADB, and NIB reported in Table 4.18 are 54.75, 51.72727, and 40.88909 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean liquid asset to earning assets for the three banks is statistically different from each other at 5% level of significance. Comparing the mean liquid asset to total assets shows that GCB recorded the highest average in terms of the liquid asset to earning assets followed by ADB and NIB respectively. According to the audited financial report of GCB, its highest level of liquid asset to earning asset was as a result of bank keeping most of its monies in cash and balance with Bank of Ghana especially from 2010 to 2014. NIB recorded the lowest because most of their earning assets were in loans and advances.

#### 4.2.4 Net Loans to Total Deposit

From table 4.19, GCB always recorded a more than 100 percent in some years. It recorded 115.27% in 2009 and 111.08% in 2008. The bank borrowed hugely in both years to the tune of GH¢452 million and GH¢309 million in 2009 and 2008 respectively. These were the reason for the more than 100% ratios. It recorded the lowest ratio of 37.94% in 2012. The reason for this low percentage was that the bank did not concentrate in loan creation in that year but rather concentrated in investing in the risk free government securities

From the table below, NIB was able to convert more than 50% of its total deposit into loans throughout the period under consideration. It recorded the highest rate of 174.46% in 2004. This was because the bank borrowed funds and had managed funds from the Government of Ghana, these funds were also converted into loans. It recorded lowest ratio of 55.23% in 2011.

ADB recorded a ratio of 116% and 107.63% in 2008 and 2010 respectively. The ratio in 2008 was a result of a GH¢30 million increase in stated capital and GH¢108 million from the Bank of Ghana. Most of these funds were used for loan creations.

The lowest percentage was recorded in 2006.

**Table 4.19: Net Loans to Total Deposit**

Bank	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GCB	43.79	43.00	37.94	33.64	74.18	115.27	111.08	91.06	70.74	61.93	63.04
NIB	57.27	67.91	64.19	55.23	65.55	84.49	94.47	79.27	81.14	71.87	174.46
ADB	<u>76.88</u>	<u>86.17</u>	<u>80.17</u>	<u>82.00</u>	<u>107.63</u>	<u>87.70</u>	<u>116.00</u>	<u>84.49</u>	<u>6.44</u>	<u>69.58</u>	<u>52.71</u>

Source: Computed from data presented in Annual Reports

**Table 4.20: Hotelling Mean Test Results for Net Loans to Total Deposit**Ho: Vector of means is equal to a vector of zeros

Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	67.78818	28.32683	33.64	115.27
ADB	11	77.25182	28.93444	6.44	116
NIB	11	81.44091	33.06427	55.23	174.46
Hotelling's T-squared = 199.84217				Pr ob > F(3,8) =	0.0000
F(3,8) = 53.2912					

Source: Computed from data presented in Annual Reports

The average of net loans to total deposit for GCB, ADB, and NIB reported in Table 4.20 are 67.78818, 77.25182, and 81.44091 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean net loan to total deposit for the three banks is statistically different from each other at 5% level of significance. Inferring from Table 4.20, NIB recorded the highest average in terms of net loans to total deposits followed by ADB and GCB respectively. From the audited annual financial report between 2004 and 2014, NIB had more deposits from clients, borrowed and managed funds from the Government of Ghana was able to convert more than 50% into loans throughout the period.

### 4.3 Portfolio/Credit Quality Ratios

#### 4.3.1 Non-Performing Loans to Total Loans

Figures from table 4.21 below indicate that GCB recorded impressive ratios. It recorded its highest ratio of 26.00% in 2011. It could be seen that GCB maintained good books

in terms of loans and advances between the years 2008 and 2006. It recorded the lowest ratio of 2.00% in the years 2008 and 2007 and a rate of 3.00% in 2006.

For the period under consideration NIB recorded the highest ratio of 47.00% in the year 2009. This indicates that 47.00% of the total loan portfolio was not performing and the interest income from loans and advances was from only 53.00% of the total loans. The lowest ratio of 14.00% was recorded in 2012. The reason for the significant reduction from 34.00% in 2011 was as result of NIB setting up a subsidiary asset recovery company. All the non-performing loans as at the end of year 2011 were transferred to the subsidiary company to recover.

From table 4.21 it can be seen that ADB had difficulties with non-performing loans between 2007 and 2009. It recorded 63.43% in 2007, 47.95% in 2009 and the highest of 88.93% for the 11 years period in 2008. As a means to curtail the increase of bad loans ADB in the years between 2010 and 2012 suspended giving loans to some sectors of the economy like the construction sector and embarked on rigorous loan recoveries. These exercise reduced the non-performing loans to total loans ratio to the lowest of 6.68% in 2011.

**Table 4.21: Non-Performing Loans to Total Loans**

Bank		2012	2011	2010	2009	2008	2007	2006	2005	2004	
2014	2013										
GCB	13.50	12.42	17.00	26.00	15.00	19.00	2.00	2.00	3.00	15.00	17.00
NIB	27.50	24.00	14.00	34.00	38.82	47.00	45.00	23.00	28.00	29.00	18.00
ADB	23.29	12.42	10.53	6.68	11.82	47.95	88.93	63.43	23.63	22.96	30.99

Source: Computed from data presented in Annual Reports



**Table 4.22: Hotelling Mean Test Results for Non-Performing Loans to Total Loans**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	12.90182	7.664727	2	26
ADB	11	31.14818	25.6839	6.68	88.93
NIB	11	29.84727	10.50612	14	47
Hotelling's T-squared = 153.22081			Prob > F(3,8) = 0.0000		
F(3,8) = 40.8589					

Source: Computed from data presented in Annual Reports

The average of non-performing loans to total loans for GCB, ADB, and NIB reported in Table 4.22 are 12.90182, 31.14818, and 29.84727 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean non-performing loans to total loans for the three banks are statistically different each other at 5% level of significance. Statistically, ADB recorded the highest average in terms of non-performing loans to total loans followed by NIB and GCB respectively. From the audited report between

2007 and 2009, majority of ADB's loan portfolio were granted to the construction sector of the economy and the delayed payment by the government to contractors made the loans slipped into non-performing.

#### **4.3.2 Impairment Charge to Gross Loans**

GCB recorded low ratios. The ratios for the period under consideration were higher than that of ADB but lower than the ratios NIB recorded. The highest ratio was recorded in 2010 and it was 6.33%. A significant portion of the loans slipped from performing to non-performing and as result an impairment charge of GH¢ 70,931,000 was made in the year 2010. The lowest ratio of 0.24% was recorded in the year 2005.

From the Table 4.23 below NIB recorded the highest ratio of 75.79% in the year 2012. The bank wrote off its non-performing loans as at the end of 2011 to a subsidiary asset recovery company it established to recover those bad loans. It recorded the lowest ratio of 0.70% in 2006. This was basically as a result of 36% increase in gross loans from 2005 to 2006.

From table 4.23 below, ADB recorded ratios of less than 1%. The highest was 0.23% in 2005 and the lowest being 0.01% and it was recorded in the years 2007, 2010 and 2011. This is an indication that most of the loans and advances were under the unclassified loans and advances. The unclassified loans and advances are those loans classified as current and other loan especially mentioned (OLEM). Provisions rate for these loans and advances are lower hence lower impairment charged.

**Table 4.23: Impairment Charge to Gross Loans**

Bank	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GCB	1.75	0.96	1.07	1.74	6.33	2.78	0.80	1.09	0.44	0.24	0.40
NIB	2.26	5.36	75.79	4.45	4.39	7.91	12.54	3.23	0.70	6.21	3.68
ADB	0.05	0.04	0.03	0.01	0.01	0.04	0.02	0.01	0.04	0.23	0.44

Source: Computed from data presented in Annual Reports

**Table 4.24: Hotelling Mean Test Results for Impairment Charge to Gross Loans**

$H_0$ : Vector of means is equal to a vector of zeros

Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	1.6	1.733009	0.24	6.33
ADB	11	0.083636	0.133586	0.01	0.44
NIB	11	11.50182	21.55151	0.7	75.79
Hotelling's T-squared = 29.166203			Prob > F(3,8) =		0.0093
F(3,8) = 7.7777					

Source: Computed from data presented in Annual Reports

The average of impairment charge to gross loans for GCB, ADB, and NIB reported in Table 4.24 are 1.6, 0.083636, and 11.50182 respectively. The probability value of 0.0093 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean impairment charges to gross loans for the three banks are statistically different from each other at 5% level of significance. Inferring from Table 4.24, ADB recorded the lowest average in terms of impairment charge to gross loans followed by GCB and NIB statistically. From the audited annual financial report of ADB and NIB, ADB recorded the lowest level of impairment charge to gross loans because most of its loans were classified as current and OLEM while NIB recorded the highest level because most of its loans were in the sub-standard and loss category of loan classification.

#### 4.3.3 Loan Portfolio Profitability

Similar to NIB, GCB's loan portfolio was not profitable in the years 2012, 2011, 2005 and 2004. The levels of losses were however lower compared to the percentages NIB recorded. The highest loss recorded was 16.79% and that was in 2005. The lowest profitability was recorded in 2014 with a percentage of 12.16.

From table 4.25 below, NIB recorded negative ratios in the 8 different years. This is an indication that NIB's loan portfolio was not profitable during these years. The highest loan portfolio profitability was recorded in 2014. It was 5.56%. It was mainly due to granting of new loans and advances of over GH¢257,000,000 in the year 2014 alone. All these loans were classified as current loans. The highest negative ratio of 36.55% was recorded in 2011. NIB noticed the non-performing nature of their loan portfolio and as a result set up a subsidiary company in 2012 to recover the nonperforming loans. It recorded a positive loan portfolio profitability of 1.15% the same year. This again indicates that the bank's profitability for the years the ratios were negative were coming from non-core banking operations. Examples of items that pushed profitability during these periods were interest from investment, dividend etc.

ADB's loan portfolio was not profitable in years 2009 and 2007 where it recorded 0.19% and -3.54% respectively. The bank recorded profit during these periods but loan portfolio was not major contributing factor. From table 16 below, the loan portfolio has been profitable continuously from 2010 to 2014 which is a good sign.

The highest portfolio profitability was recorded in 2004 where a percentage of 16.84 was recorded.

**Table 4.25: Loan Portfolio Profitability**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	12.16	7.90	-0.98	-1.11	17.50	12.11	11.21	7.51	11.33	-16.79	-2.34
NIB	5.56	-4.20	1.15	-36.55	-	-	-	2.42	-1.76	-13.45	-9.35
					19.27	18.70	13.87				
ADB	9.93	11.80	14.41	11.45	12.60	-0.19	0.79	-	13.22	13.18	16.84
								3.54			

Source: Computed from data presented in Annual Reports



**Table 4.26: Hotelling Mean Test Results for Loan Portfolio Profitability**

H <sub>0</sub> : Vector of means is equal to a vector of zeros					
Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	5.318182	9.757404	-16.79	17.5
ADB	11	9.135455	6.801411	-3.54	16.84
NIB	11	-9.82	12.31138	-36.55	5.56
Hotelling's T-squared = 44.174173			Prob > F( 3 ,8) = 0.0026		
F(3,8) = 11.7798					
Source: Computed from data presented in Annual Reports					

The average of loan portfolio profitability for GCB, ADB, and NIB reported in Table 4.26 are 5.318182, 9.135455, and -9.82 respectively. The probability value of 0.0026 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean loan portfolio profitability for the three banks is statistically different from each other at 5% level of significance. Thus statistically, loan portfolio profitability for ADB is the highest followed by GCB and NIB respectively.

According to the audited annual financial report of ADB, most of its loans were classified under current and OLEM categories and that were the reasons for its highest level of loan portfolio profitability. The negative NIB mean portfolio profitability was as a result of most of its loans being classified as sub-standard and loss category as was captured in the audited annual financial report of the bank between 2004 and 2014.

#### **4.4 Capital Structure**

##### **4.4.1 Capital Adequacy Ratio**

The capital adequacy ratio (CAR) is the ratio of the Bank's capital to risk. Regulators track a Bank's CAR to ensure that it can absorb a reasonable amount of loss and compliance with statutory requirement. The regulated required minimum CAR is 10%.

GCB recorded the lowest ratio in 2010 though it was not below the regulated required minimum percentage. It recorded the highest ratio of 32.56% in 2014. The major contributing factor of highest ratio was the 92.18% increase in the retained earnings from GH¢197,280,000 in 2013 to GH¢379,141,000 in 2014.

As shown in table 4.27 below NIB met the regulated required minimum percentage throughout the period under consideration with the exception of 2008 that it recorded 8.66%. It did not have enough capital to absorb the reasonable amount of loss. As a result of this NIB increased its capital from GH¢20,000,000 in 2008 to GH¢70,000,000 in 2009. The highest CAR that NIB recorded was 22.51% and that was in 2013. The other reserves that increased by 273.26% from 2012 to 2013 was the major contributing factor.

Throughout the period under consideration ADB has never fallen short of the regulated required minimum percentage. The lowest that it has recorded was 10.08% in 2004 and the highest was 16.00% and it was recorded in 2008. The highest CAR recorded in 2008 was mainly due to an increased in stated capital from GH¢20,000,000 in 2007 to GH¢50,000,000 in 2008.

**Table 4.27: Capital Adequacy Ratio**

<u>Bank</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
GCB	32.56	18.17	14.90	11.00	10.00	12.86	15.85	16.00	14.80	12.00	13.58
NIB	21.68	22.51	17.90	11.36	10.53	14.37	8.66	14.00	21.42	23.42	21.05
ADB	10.48	13.02	10.15	10.76	12.86	15.85	16.00	14.82	13.20	11.58	10.08

Source: Computed from data presented in Annual Reports

**Table 4.28: Hotelling Mean Test Results for Capital Adequacy Ratio**

$H_0$ : Vector of means is equal to a vector of zeros

Variable	Obs	Mean	Std. Dev.	Min	Max
GCB	11	15.61091	6.104635	10	32.56
ADB	11	12.61818	2.21189	10.08	16
NIB	11	16.99091	5.379311	8.66	23.42
Hotelling's T-squared = 901.17561			Prob > F(3,8) =		0.0000
F(3,8) = 240.3135					

Source: Computed from data presented in Annual Reports

The average of capital adequacy ratio for GCB, ADB, and NIB reported in Table 4.28 are 15.61091, 12.61818, and 16.99091 respectively. The probability value of 0.0000 however rejects the null hypothesis that vector of means are all zeros. The conclusion therefore is that the mean capital adequacy ratio for the three banks is statistically different from each other at 5% level of significance. Inferring from Table 4.28, NIB recorded the highest mean in term its capital adequacy ratio. Thus statistically, the capital adequacy ratio for NIB is highest followed by GCB and ADB respectively.

According to audited reports of NIB from the year 2004 to 2014, NIB had a lot of deposits from its clients and more borrowed and managed funds and this accounted for the highest level of capital adequacy ratio it recorded.

## **CHAPTER FIVE**

### **SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATION**

#### **5.0 Introduction**

The previous chapters dealt with the background of the study, statement of the problem, objectives of the study, research questions and significance of the study. Related relevant literature on financial statement analysis and performance measurement analysis were also reviewed. Similarly, the methodology of the study, discussions, analysis and interpretation of the findings were also presented. In this chapter, a brief summary of the findings of the study, followed by conclusions and recommendations are presented.

#### **5.1 Summary of Findings**

The general objective of the study was to analyze and compare financial performance of state established banks in Ghana. Specifically, the study was intended to:

1. Evaluate and compare the profitability performance of GCB Bank, National Investment Bank Limited and Agricultural Development Bank Limited from 2004 to 2014.
2. Analyze liquidity performance of these Banks between 2004 and 2014.
3. Assess Portfolio/credit quality of the Banks from 2004 to 2014.
4. Evaluate if the banks meet the regulated minimum capital adequacy ratio.

The study population was all state owned banks in Ghana and these included GCB Bank, National Investment Bank (NIB) Limited and Agricultural Development Bank (ADB) Limited. The research adopted descriptive financial ratio analysis to measure,



describe and analyse the financial performance of GCB Bank, NIB and ADB between the period 2004 and 2014. Qualitative and Quantitative research techniques were used to conduct the study. The research relied solely on secondary data as described in detail under the “sources of data” section.

The following findings were made:

Firstly, GCB consistently made profit during the period. ADB did same. NIB made some losses in the years 2010 and 2005 which resulted in negative percentages in ratios like the return on equity, profit after tax margin and return on assets. During these two years NIB could not make enough income to match the expenses.

Secondly, none of the three banks recorded a consistent cost income ratio. They kept swinging significantly. GCB’s highest recording was as a result of an increase in operating expenses. NIB also could not make enough income to cover up the operating cost in 2006 and hence recorded its highest ratio. ADB did impressively well in the years 2012 to 2014. This was as a result of total income going up significantly from the previous years with a minimal cost.

Furthermore, it came out that GCB’s non-interest income to operating income was not the best as compared with NIB and ADB during the period under review. This shows that most of the total income of GCB was from loans and advances and as such if customers fail to pay their loans, it will affect their liquidity and hence their operations. However, NIB and ADB did very well in terms of non-interest income to operating income. This shows that in times of default by customers, the banks can comfortably continue to have liquidity and make profit.

Also, all the three banks did well in terms of liquidity. They maintained a good level of liquidity which came as a result of the banks going for borrowed and managed funds. Most of these liquid funds were converted into liquid earning assets like government securities and overnight money market borrowings. This put the banks in a position to pay off their financial obligations when they are due and again make returns from those invested in earning assets.

Banks are primarily in business to mobilize deposits and grant loans. Out of the total deposit mobilized banks are supposed to keep 10% as primary reserve with the Central Bank. They invest between 15% to 25% in government securities and other liquid assets to serve as the secondary reserve. The remaining 75% to 65% are left for loan creation and other things. During the period under review all the three banks showed a positive signs. However, all the three banks at some point in time recorded a ratio of more than 100%. They were as a result of borrowing by the banks during those years.

In assessing portfolio/credit quality of the three banks between 2004 and 2014, the results showed that GCB maintained good books among all the three banks. This was due to effective and efficient monitoring and recovery of facilities granted by the bank. Analysis of the financial statements pointed out that NIB wrote off significant amount of their non-performing loans off from 47% in 2009 to 14% in 2012. As a means of curtailing the increase of bad loans, ADB suspended giving loans to some sectors of the economy like construction and strengthened the portfolio management and recovery department of the bank to embark on rigorous loan recoveries. This reduced non-performing loans from 88.93% in 2008 to 6.68% in 2011.

The data also pointed out that among the three banks, ADB had the best impairment charges to gross loans and advances over the 11 year period recording less than 1%. This means that most of their loans were classified as current and OLEM (Other Loans Exceptionally Mentioned). GCB ratios for the period under consideration were lower than NIB which had most of its loans slipping from performing to non-performing.

The results indicated that out of the three banks, ADB's loan portfolio profitability was better than GCB and NIB. For eight continuous years, NIB recorded negative ratios. The fact that these banks made negative portfolio profitability does not mean they did not make profit, they made profit but these profits were not coming from loans but other non-core banking operations such as interest from investments, dividends etc.

Furthermore, the study sought to determine whether all the banks meet the regulated minimum capital adequacy ratio by the Bank of Ghana. Analysis of the data shows that all the banks met the regulated required minimum capital adequacy ratio of 10% over the period under review except NIB which had 8.66% in 2008. As a result of that, it increased its capital from GH¢20,000,000.00 in 2008 to GH¢70,000,000.00 in 2009. This shows that the banks had adequate capital to operate as required by the regulators.

## **5.2 Recommendations**

In view of the findings of the study, the following recommendations are made: Firstly, the banks should be creative and innovative in asset and product creation to be able to increase their total income. The banks should use technology to improve their works and services efficiently.

Not all, they should try to reduce the cost of operations while increase their total income to be able to meet their cost income ratio.

Furthermore, the banks should ensure that they are able to meet the Bank of Ghana 10% of total deposits as primary reserve, make self-imposed secondary reserve of between 15-25% of total deposits. The remaining should be used for loan creation. The banks should have the self-imposed secondary reserve to create enough liquid earning assets that they can easily convert to cash in terms of liquidity challenges.

In addition, the banks should have a strong and well-resourced credit risk department that will review credit papers to eliminate all the credit risks before the credit papers are approved and disbursed. There should also be constant loan monitoring and rigorous loan recovery.

To be able to consistently meet the regulated minimum capital adequacy ratio, the shareholders (Government) should be investing capital into these banks.

ADB and NIB should be listed on the Ghana Stock Exchange to enable them raise enough capital and dilute the percentage of government's shareholding. This will enable them raise capital as and when required without much difficulties.

Finally, Bank of Ghana should strictly audit and monitor all banks.



### 5.3 Conclusions

The findings clearly revealed similarities and differences at both company and industry levels. While some strengths and weaknesses were industry specific, others related specifically to the banks.

Management of costs and resources played a vital role in the financial performance of the banks. For instance during the period under review all the banks did a better job at maximizing returns on equity and assets though NIB showed negative signs in some years.

The study also confirmed the importance of liquidity management. The trend showed that all the banks were in an impressive liquidity position to meet their financial obligations when they are due. A good percentage of deposits were used in loan creation.

The study also concluded that good credit portfolio has a good impact on banks financial performance. GCB and ADB showed good credit quality portfolio in the study. NIB stood out clearly as the weakest bank in this study in terms of loan portfolio quality.

Lastly, it was noted that all the Banks met the regulated required minimum capital adequacy ratio of 10%. NIB missed it narrowly in 2008, equity capital of GH¢ 50 million was injected the following year which turned things round for the bank.

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# APPENDICES APPENDIX

## A

GCB BANK LIMITED												
STATEMENT OF COMPREHENSIVE INCOME												
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Interest Income		690,708,000.00	552,063,000.00	376,092,000.00	256,619,000.00	389,096,000.00	266,018,982.00	181,663,097.00	112,169,289.00	102,405,400.00	84,102.60	76,751.20
Interest Expense		92,982,000.00	92,204,000.00	50,981,000.00	49,807,000.00	102,812,000.00	134,311,684.00	49,610,404.00	22,347,443.00	14,986,300.00	14,015.70	16,909.60
<b>Net Interest Income</b>		<b>597,726,000.00</b>	<b>459,859,000.00</b>	<b>325,111,000.00</b>	<b>206,812,000.00</b>	<b>286,284,000.00</b>	<b>131,707,298.00</b>	<b>132,052,693.00</b>	<b>89,821,846.00</b>	<b>87,419,100.00</b>	<b>70,086.90</b>	<b>59,841.60</b>
Fee and Commission income		114,392,000.00	88,566,000.00	76,535,000.00	67,258,000.00	48,561,000.00	56,636,297.00	48,215,588.00	36,585,899.00	31,370,600.00	23,442.20	17,954.00
Fee and Commission Expense		22,422,000.00	11,419,000.00	7,347,000.00	2,730,000.00	2,680,000.00	813,269.00	484,437.00	-	-	-	-
<b>Net Fee and Commission Income</b>		<b>91,970,000.00</b>	<b>77,147,000.00</b>	<b>69,188,000.00</b>	<b>64,528,000.00</b>	<b>45,881,000.00</b>	<b>55,823,028.00</b>	<b>47,731,151.00</b>	<b>36,585,899.00</b>	<b>31,370,600.00</b>	<b>23,442.20</b>	<b>17,954.00</b>
Net Trading Income		37,758,000.00	26,842,000.00	16,580,000.00	13,485,000.00	3,091,000.00	10,500,824.00	3,750,900.00	-	-	-	-
Other Revenue		7,792,000.00	5,989,000.00	9,360,000.00	4,447,000.00	2,208,000.00	2,712,082.00	1,784,968.00	2,868,593.00	1,863,100.00	648.30	1,186.50
<b>Revenue</b>		<b>735,246,000.00</b>	<b>569,837,000.00</b>	<b>420,239,000.00</b>	<b>289,272,000.00</b>	<b>331,282,000.00</b>	<b>200,743,232.00</b>	<b>185,319,712.00</b>	<b>129,276,338.00</b>	<b>120,652,800.00</b>	<b>94,177.40</b>	<b>78,982.10</b>
Other Income		99,210,000.00	1,181,000.00	-	-	-	-	-	-	-	-	-
Impairment (Charge)/release on loans & advances		23,832,000.00	10,569,000.00	10,585,000.00	10,650,000.00	70,931,000.00	36,675,111.00	8,784,170.00	8,300,067.00	1,659,000.00	7,359.10	9,848.90
Staff Cost		-	-	-	-	-	84,988,696.00	67,714,010.00	-	-	-	-
Depreciation		-	-	-	-	-	7,797,596.00	7,514,042.00	-	-	-	-
Operating Expenses		428,188,000.00	270,364,000.00	221,255,000.00	248,941,000.00	191,740,000.00	47,407,838.00	43,254,635.00	99,427,392.00	81,602,600.00	72,747.50	50,465.40
<b>Operating Profit</b>		<b>283,226,000.00</b>	<b>288,904,000.00</b>	<b>188,399,000.00</b>	<b>29,681,000.00</b>	<b>68,611,000.00</b>	<b>23,873,991.00</b>	<b>58,052,855.00</b>	<b>21,548,879.00</b>	<b>37,391,200.00</b>	<b>14,070.80</b>	<b>18,667.80</b>



Other Income		-	-	-	-	-	270,833.00	257,891.00	17,313,561.00	1,289,200.00	8,832.90	4,512.60
Share of Profit of Associates, net of tax		-	-	-	-	-						
<b>Profit before tax</b>		<b>283,226,000.00</b>	<b>288,904,000.00</b>	<b>188,399,000.00</b>	<b>29,681,000.00</b>	<b>68,611,000.00</b>	<b>24,144,824.00</b>	<b>58,310,746.00</b>	<b>38,862,440.00</b>	<b>38,680,400.00</b>	<b>22,903.70</b>	<b>23,180.40</b>
Income tax expense		112,379,000.00	87,715,000.00	49,754,000.00	12,998,000.00	20,609,000.00	1,505,965.00	11,923,655.00	14,012,918.00	11,879,100.00	8,524.10	4,531.50
Exceptional Item		-	-	-	-	-	4,521,708.00	9,382,240.00	-	1,260,700.00	-	-
National Reconstruction Levy		-	-	-	-	-	-	-	-	-	1,717.80	2,318.00
<b>Profit for the year</b>		<b>170,847,000.00</b>	<b>201,189,000.00</b>	<b>138,645,000.00</b>	<b>16,683,000.00</b>	<b>48,002,000.00</b>	<b>18,117,151.00</b>	<b>37,004,851.00</b>	<b>24,849,522.00</b>	<b>25,540,600.00</b>	<b>12,661.80</b>	<b>16,330.90</b>
Interest Income (Loans and Advances)		282,287,000.00	224,339,000.00	136,881,000.00	127,278,000.00	329,977,000.00	229,161,877.00	144,965,249.00	75,262,723.00	62,490,200.00	407,518.00	373,149.00



GCB BANK LIMITED												
STATEMENT OF FINANCIAL POSITION												
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Assets</b>												
Cash and Cash Equivalents		758,081,000.00	338,797,000.00	360,023,000.00	433,430,000.00	346,212,000.00	147,103,052.00	202,811,774.00	115,338,071.00	72,520,336.00	73,666.10	67,889.60
Short Term Investments		-	-	-	-	-	105,857,373.00	116,371,223.00	-	-	-	-
Medium Term Investments		-	-	-	-	-	110,000,000.00	110,000,000.00	-	-	-	-
Government Securities		1,857,337,000.00	1,711,948,000.00	1,510,373,000.00	1,195,981,000.00	452,461,000.00	-	-	202,996,512.00	215,595,428.00	181,151.80	196,879.00
Advances to Bank		107,407,000.00	170,321,000.00	37,978,000.00	217,179,000.00	179,706,000.00	186,307,292.00	57,166,284.00	21,681,861.00	84,374,500.00	36,756.60	59,410.60
Loans and Advances to customers		1,240,577,000.00	960,707,000.00	847,872,000.00	476,211,000.00	995,356,000.00	1,265,516,727.00	1,087,118,928.00	742,696,325.00	364,538,500.00	256,157.40	209,506.10
Investment Securities:Available for-sale		6,811,000.00	4,900,000.00	3,282,000.00	2,969,000.00	4,113,000.00	-	-	-	-	-	-
Investment in subsidiary		-	-	-	-	-	20.00	20.00	20.00	20.00	0.10	0.10
Investment in associates		30,126,000.00	30,126,000.00	30,126,000.00	16,126,000.00	3,876,000.00						
Investment in other equity securities		113,000.00	113,000.00	113,000.00	64,000.00	64,000.00	8,287,004.00	15,453,659.00	4,973,757.00	5,020,800.00	3,181.10	3,113.60
Deferred tax asset		26,890,000.00	15,495,000.00	11,704,000.00	11,379,000.00	4,745,000.00	8,527,324.00	2,312,309.00	-	-	-	-
Property and equipment		123,936,000.00	81,399,000.00	73,404,000.00	53,955,000.00	54,684,000.00	49,654,822.00	41,085,138.00	29,948,050.00	23,182,200.00	16,155.30	11,875.80
Intangible Assets		12,162,000.00	3,954,000.00	4,062,000.00	1,841,000.00	789,000.00	-	-	-	-		
Other Assets		63,601,000.00	73,340,000.00	93,131,000.00	39,072,000.00	34,355,000.00	35,829,587.00	13,477,660.00	24,481,971.00	10,760,531.00	16,103.60	8,899.40
Income Tax asset		5,778,000.00	-	-	6,357,000.00	-	-	-	-	-	3,299.30	-
<b>Total Assets</b>		<b>4,232,819,000.00</b>	<b>3,391,100,000.00</b>	<b>2,972,068,000.00</b>	<b>2,454,564,000.00</b>	<b>2,076,361,000.00</b>	<b>1,917,083,201.00</b>	<b>1,645,796,995.00</b>	<b>1,142,116,567.00</b>	<b>775,992,315.00</b>	<b>586,471.30</b>	<b>557,574.20</b>
<b>Liabilities</b>												
Deposits from Customers		3,078,071,000.00	2,630,283,000.00	2,334,608,000.00	2,061,390,000.00	1,584,055,000.00	1,259,470,137.00	1,030,106,198.00	839,382,573.00	634,572,700.00	472,994.00	426,573.30
Due to Banks and Financial Institutions		-	-	-	-	-	-	91,337,682.00	58,044,439.00	640,495.00	845.20	1,043.30

Other Liabilities		263,747,000.00	132,674,000.00	117,491,000.00	108,379,000.00	188,772,000.00	120,948,413.00	192,381,784.00	56,896,239.00	49,164,455.00	40,537.90	65,922.70
Borrowings		163,028,000.00	108,149,000.00	174,125,000.00	79,000,000.00	73,125,000.00	331,800,000.00	117,300,000.00	14,000,000.00	-	2,000.00	4,500.00
Income Tax Liabilities		-	11,161,000.00	17,147,000.00	-	23,450,000.00	6,033,925.00	10,807,666.00	8,983,718.00	2,579,800.00	-	2,102.50
Employee benefit obligations		68,077,000.00	61,677,000.00	46,150,000.00	36,322,000.00	33,336,000.00	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>3,572,923,000.00</b>	<b>2,943,944,000.00</b>	<b>2,689,521,000.00</b>	<b>2,285,091,000.00</b>	<b>1,902,738,000.00</b>	<b>1,718,252,475.00</b>	<b>1,441,933,330.00</b>	<b>977,306,969.00</b>	<b>686,957,450.00</b>	<b>516,377.10</b>	<b>500,141.80</b>
<b>Equity</b>												
Stated Capital		100,000,000.00	100,000,000.00	72,000,000.00	72,000,000.00	72,000,000.00	72,000,000.00	72,000,000.00	<b>72,000,000.00</b>	12,000,000.00	2,000.00	2,000.00
Retained Earnings		379,141,000.00	197,280,000.00	101,602,000.00	18,806,000.00	7,328,000.00	46,489,073.00	87,288,658.00	<b>69,889,732.00</b>	57,221,400.00	51,473.40	40,394.30
Fair Value reserve		2,550,000.00	1,117,000.00	<b>97,000.00</b>	<b>332,000.00</b>	812,000.00	492,444.00	7,742,534.00	<b>507,776.00</b>	407,565.00	407.50	407.50
Statutory reserve		179,505,000.00	145,748,000.00	89,871,000.00	55,210,000.00	51,039,000.00	36,096,272.00	27,037,696.00	<b>22,412,090.00</b>	19,305,900.00	16,113.30	14,530.60
Credit risk reserve		21,173,000.00	22,384,000.00	27,269,000.00	24,631,000.00	42,147,000.00	43,752,937.00	9,794,777.00	-	-	-	-
Other reserves		<b>22,473,000.00</b>	<b>19,373,000.00</b>	<b>8,098,000.00</b>	<b>842,000.00</b>	297,000.00	-	-	-	-	-	-
Share Deals		-	-	-	-	-	-	-	-	100,000.00	100.00	100.00
<b>Total equity</b>		<b>659,896,000.00</b>	<b>447,156,000.00</b>	<b>282,547,000.00</b>	<b>169,473,000.00</b>	<b>173,623,000.00</b>	<b>198,830,726.00</b>	<b>203,863,665.00</b>	<b>164,809,598.00</b>	<b>89,034,865.00</b>	<b>70,094.20</b>	<b>57,432.40</b>
<b>Total Liabilities and equity</b>		<b>4,232,819,000.00</b>	<b>3,391,100,000.00</b>	<b>2,972,068,000.00</b>	<b>2,454,564,000.00</b>	<b>2,076,361,000.00</b>	<b>1,917,083,201.00</b>	<b>1,645,796,995.00</b>	<b>1,142,116,567.00</b>	<b>775,992,315.00</b>	<b>586,471.30</b>	<b>557,574.20</b>
	CHECK	-	-	-	-	-	-	-	-	-	-	-
Gross Loans		1,358,947,000.00	1,095,702,000.00	993,436,000.00	611,190,000.00	1,119,685,000.00	1,318,914,043.00	1,103,841,133.00	760,567,095.00	376,185,600.00	3,018,285.00	2,474,505.00
Provisions for Impairment and Allowance		118,370,000.00	134,995,000.00	145,564,000.00	134,979,000.00	124,329,000.00	53,397,316.00	16,722,205.00	17,870,767.00	11,647,100.00	456,711.00	379,444.00
Non Performing Loans		-										
NPA		13.5	12.42	17.00	26.00	15.00	19.00	2.00	2.00	3.00	15.00	17.00

## APPENDIX B

GCB BANK's RATIOS												
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Profitability &amp; Efficiency Ratios</b>	<b>Profitability &amp; Efficiency Ratios</b>											
Return on equity(ROE)	Profit After Tax/Equity	25.89%	44.99%	49.07%	9.84%	27.65%	9.11%	18.15%	15.08%	28.69%	18.06%	28.43%
Profit after tax margin	Profit After Tax/Total Income	20.47%	35.23%	32.99%	5.77%	14.49%	9.01%	19.94%	16.95%	20.94%	12.29%	19.56%
Return on assets(ROA)	Profit After Tax/Total Asset	4.04%	5.93%	4.66%	0.68%	2.31%	0.95%	2.25%	2.18%	3.29%	2.16%	2.93%
Total operating income/total assets	Total Operating Income/Total Asset	19.71%	16.84%	14.14%	11.79%	15.95%	10.49%	11.28%	12.83%	15.71%	17.56%	14.97%
Cost Income Ratio	Non Interest Expenses/Operating Income	51.31%	47.35%	52.65%	86.06%	57.88%	23.58%	23.31%	67.83%	66.92%	70.62%	60.44%
Non-interest income to operating income	Non-Interest Income/Operating Income	28.37%	19.47%	22.64%	28.51%	15.45%	34.48%	28.84%	38.73%	28.31%	31.96%	28.33%
Non-interest income to earning asset	Non-Interest Income/Earning Asset	7.30%	3.86%	3.92%	4.32%	3.13%	4.14%	3.86%	5.84%	5.16%	6.90%	5.04%
<b>Portfolio Quality Ratios</b>	<b>Portfolio Quality Ratios</b>											
Non performing loans to total loans	Non Performing Loans/Gross Loans	13.50	12.42	17.00	26.00	15.00	19.00	2.00	2.00	3.00	15.00	17.00
Impairment charges to gross loans	Impairment Charge/Gross Loans	1.75%	0.96%	1.07%	1.74%	6.33%	2.78%	0.80%	1.09%	0.44%	0.24%	0.40%
Loan portfolio profitability	Int.Inc (Loans & Adv) - Prov. Bad&Doubtful/Net Loans	12.16%	7.90%	-0.98%	-1.11%	17.50%	12.11%	11.21%	7.51%	11.33%	16.79%	-2.34%
<b>Liquidity Ratios</b>	<b>Liquidity Ratios</b>											
Liquid asset to total deposits	Liquid Asset /Total Deposits	85.19%	78.15%	80.26%	79.19%	50.68%	28.82%	41.66%	37.92%	45.40%	53.87%	62.07%
Liquid asset to total asset	Liquid Asset /Total Asset	61.95%	60.62%	63.04%	66.50%	38.66%	18.93%	26.08%	27.87%	37.13%	43.45%	47.49%
Liquid assets to earning asset	Liquid Asset/Earning Asset	80.87%	71.42%	77.11%	85.53%	49.08%	21.66%	30.96%	32.74%	43.03%	53.39%	56.46%
Net Loans to total deposit	Net Loans/Total Deposit	43.79%	43.00%	37.94%	33.64%	74.18%	115.27%	111.08%	91.06%	70.74%	61.93%	63.04%
Net Loans to total asset	Net Loans/Total Asset	31.85%	33.35%	29.81%	28.25%	56.59%	75.73%	69.53%	66.93%	57.85%	49.95%	48.23%
<b>Capital Structure &amp; Financial Ratios</b>	<b>Capital Structure</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Capital adequacy ratio	(Tier 1 Capital + Tier 2 Capital)/Risk Weighted Assets	32.56	18.17	14.90	11.00	10.00	12.86	15.85	16.00	14.90	11.00	10.00

## APPENDIX C

**NATIONAL INVESTMENT BANK LIMITED**



		<b>S TATEMENT OF C OMPREHENSIVE INCOME</b>										
		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Interest Income		214,346.00	101,150.00	99,611.00	84,775.00	72,685.00	75,580.00	47,948.00	39,406.00	26,705.20	22,128.40	18,980.20
Interest expense		<b>81,077.00</b>	<b>45,888.00</b>	<b>45,288.00</b>	<b>44,374.00</b>	<b>45,457.00</b>	<b>46,090.00</b>	<b>23,605.00</b>	14,808.00	11,119.00	7,706.70	5,789.80
<b>Net Interest Income</b>		<b>133,269.00</b>	<b>55,262.00</b>	<b>54,323.00</b>	<b>40,401.00</b>	<b>27,228.00</b>	<b>29,490.00</b>	<b>24,343.00</b>	<b>24,598.00</b>	<b>15,586.20</b>	<b>14,421.70</b>	<b>13,190.40</b>
Commissions and Fees Income		12,472.00	16,260.00	14,926.00	11,565.00	10,276.00	7,735.00	9,973.00	7,659.00	5,051.20	3,966.40	3,389.30
Other Operating Income		83,963.00	59,896.00	25,788.00	21,457.00	8,682.00	9,221.00	13,815.00	6,644.00	4,548.80	3,780.40	4,749.40
Operating Income		229,704.00	131,418.00	95,037.00	73,423.00	46,186.00	46,446.00	48,131.00	38,901.00	25,186.20	22,168.50	21,329.10
Operating Expenses		<b>108,223.00</b>	<b>61,236.00</b>	<b>46,354.00</b>	<b>38,281.00</b>	<b>39,930.00</b>	<b>36,158.00</b>	<b>37,496.00</b>	<b>28,928.00</b>	21,354.80	16,856.20	10,726.80
Operating Profit before Provision for		121,481.00	70,182.00	48,683.00	35,142.00	6,256.00	10,288.00	10,635.00	9,973.00	3,831.40	5,312.30	10,602.30
Provision no longer required		1,693.00	2,544.00	175,791.00	-					1,137.00	7,418.70	<b>3,601.00</b>
Bad debts written Off		<b>718.00</b>	<b>3,854.00</b>	<b>176,127.00</b>	-							
Credit Losses		<b>16,992.00</b>	<b>26,074.00</b>	<b>37,308.00</b>	<b>27,110.00</b>	<b>19,644.00</b>	<b>32,022.00</b>	<b>39,649.00</b>	<b>7,197.00</b>	-	-	
Operating Profit		<b>105,464.00</b>	<b>42,798.00</b>	<b>11,039.00</b>	<b>8,032.00</b>	<b>(13,388.00)</b>	<b>(21,734.00)</b>	<b>(29,014.00)</b>	<b>2,776.00</b>	<b>2,694.40</b>	(2,106.40)	7,001.30
Share of profit/(Loss) of associate		607.00	<b>192.00</b>	-								
Other income		3,318.00	2,406.00	743.00	1,447.00	14,326.00	672.00	750.00	3,637.00	685.60	108.90	81.60
Profit before Taxation		109,389.00	45,012.00	11,782.00	9,479.00	938.00	<b>21,062.00</b>	<b>28,264.00</b>	6,413.00	3,380.00	(1,997.50)	7,082.90
Taxation		<b>18,701.00</b>	<b>1,321.00</b>	-	1,892.00	1,486.00	<b>2,051.00</b>	<b>195.00</b>	(1,339.00)	1,216.40	(1,017.00)	1,227.20
National fiscal stabilization levy		<b>5,470.00</b>	<b>1,125.00</b>	-	-	-		<b>115.00</b>	-	169.00	(562.00)	708.20
Deferred Tax		<b>5,823.00</b>	<b>4,038.00</b>	<b>145.00</b>	-	-		-				
Exceptional Item												

											9,491.10	
<b>Profit for the year</b>		<b>79,395.00</b>	<b>38,528.00</b>	<b>11,637.00</b>	<b>7,587.00</b>	<b>(548.00)</b>	<b>19,011.00</b>	<b>27,954.00</b>	<b>7,752.00</b>	<b>1,994.60</b>	<b>(418.50)</b>	<b>5,147.50</b>
<b>Other Comprehensive Income</b>												
<b>Items that will not be reclassified subsequently to profit or loss</b>												
Gains on property revaluation, net of tax		115,877.00	-	4,508.00	-	555.00	-					
<b>Items that may be reclassified subsequently to profit or loss</b>												
Available for sale Financial Assets, net of tax		6,155.00	166,321.00	-	10,969.00	3,838.00	276.00					
Fair value adjustment on disposal			20,935.00	-	-	169.00	643.00					
Share of associate gain on available for-sale financial assets			1,274.00	-	-							
<b>Total Other Comprehensive Income</b>		<b>122,032.00</b>	<b>146,660.00</b>	<b>4,508.00</b>	<b>10,969.00</b>	<b>3,114.00</b>	<b>919.00</b>					
<b>Total Comprehensive Income for the year</b>		<b>201,427.00</b>	<b>185,188.00</b>	<b>16,145.00</b>	<b>18,556.00</b>	<b>2,566.00</b>	<b>19,930.00</b>					
Interest Income (Loans and Advances)		133,047.00	65,484.00	69,048.00	63,605.00	57,613.00	67,060.00	42,688.00	33,944.00	22,610.00	17,237.00	12,769.00

<b>NATIONAL INVESTMENT BANK LIMITED</b>												
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>Assets</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Cash and Balances with Bank of Ghana		113,701.00	165,841.00	111,643.00	41,435.00	52,792.00	51,233.00	11,655.00	31,260.00	29,803.10	12,059.20	2,514.10
Government Securities				123,078.00	123,315.00	90,169.00	39,106.00	21,032.00	27,109.00	17,802.50	29,413.00	22,245.30
Due from other Banks & Financial Institutions		676,404.00	86,012.00	99,002.00	154,597.00	112,115.00	56,231.00	37,760.00	36,874.00	34,391.70	24,693.60	27,665.90

Financial Investment		147,027.00	187,688.00	31,597.00	47,409.00	34,764.00	24,273.00	24,553.00	21,897.00	721.40	816.40	816.40
Investment in associates		190,485.00	189,878.00	18,667.00	-	-	-					
Investment in subsidiaries		18,154.00	3,154.00	3,154.00	1,500.00	1,500.00	-					
Loans and Advances to customers		769,594.00	515,624.00	449,657.00	399,258.00	326,977.00	284,488.00	240,232.00	193,871.00	137,736.60	90,163.30	77,929.70
Other Asset		218,232.00	13,020.00	10,959.00	82,650.00	70,394.00	54,634.00	49,031.00	27,487.00	35,276.70	24,688.00	9,535.90
Property, Plant and Equipment		185,976.00	28,734.00	27,006.00	28,035.00	30,308.00	31,569.00	26,495.00	25,358.00	24,066.00	8,266.90	6,599.70
Goodwill		-	-	-	-	-						
Current Tax Asset		-	-	2,176.00	674.00	2,118.00	2,118.00					
<b>Total Assets</b>		<b>2,319,573.00</b>	<b>1,189,951.00</b>	<b>876,939.00</b>	<b>878,873.00</b>	<b>721,137.00</b>	<b>543,652.00</b>	<b>410,758.00</b>	<b>363,856.00</b>	<b>279,798.00</b>	<b>190,100.40</b>	<b>147,307.00</b>
<b>Liabilities</b>												
Customer Deposits		1,343,814.00	759,234.00	700,529.00	722,890.00	498,803.00	336,718.00	254,283.00	244,583.00	169,753.90	125,452.70	44,670.30
Borrowings		136,978.00	59,231.00	51,190.00	11,842.00	77,074.00	74,721.00	52,589.00	11,516.00	64,243.40	22,306.50	16,448.90
Liability in Managed Funds		2,250.00	1,002.00	538.00	1,192.00	937.00	742.00	1,439.00	2,226.00	1,742.20	920.40	656.30
Interest payable & other Liabilities		266,285.00	27,461.00	20,246.00	22,007.00	29,607.00	21,499.00	19,221.00	12,467.00	6,763.40	17,167.50	67,640.90
Due to other Banks & Finanacial Institutions		-	23,572.00	-	34,239.00	46,649.00	45,882.00	50,920.00	33,112.00			
Capital Gain Tax		-	-	384.00	-							
Deferred Tax Liabilities												
		59,976.00	32,340.00	2,783.00	2,638.00	1,974.00	3,535.00	873.00	457.00			
National Fiscal Stabilization Levy		6,595.00	1,125.00	474.00	-	-	-		881.00	880.60	856.00	318.50
Dividend Tax		1,315.00	-	586.00	-	-	-					
Taxation		15,537.00	589.00	-	-	-	-	2,118.00	2,975.00	2,825.50	496.60	586.30
<b>Total Liabilities</b>		<b>1,832,750.00</b>	<b>904,554.00</b>	<b>776,730.00</b>	<b>794,808.00</b>	<b>655,044.00</b>	<b>483,097.00</b>	<b>377,207.00</b>	<b>302,267.00</b>	<b>240,558.00</b>	<b>167,199.70</b>	<b>130,321.20</b>
<b>Equity</b>												

Stated Capital		70,000.00	70,000.00	70,000.00	70,000.00	70,000.00	70,000.00	20,000.00	7,000.00	7,000.00	7,000.00	326.00
Statutory reserve funds		56,292.00	36,443.00	17,179.00	11,361.00	7,568.00	6,356.00	6,356.00	6,356.00	4,884.60	3,777.80	3,038.50
Regulatory Credit Risk Reserve		13,368.00	4,241.00	3,442.00	2,764.00	490.00	249.00	-				
Other Reserves		322,362.00	200,330.00	53,670.00	-	-	-	35,998.00	33,471.00			
Income Surplus		24,803.00	25,617.00	44,082.00	49,222.00	50,158.00	51,129.00	28,803.00	14,762.00	13,540.00	11,950.10	13,448.50
Non-controlling interest		-	-	-					-			
Capital Surplus					49,162.00	38,193.00	35,079.00	-	-	13,815.40	172.80	172.80
<b>Total Equity</b>		<b>486,825.00</b>	<b>285,397.00</b>	<b>100,209.00</b>	<b>84,065.00</b>	<b>66,093.00</b>	<b>60,555.00</b>	<b>33,551.00</b>	<b>61,589.00</b>	<b>39,240.00</b>	<b>22,900.70</b>	<b>16,985.80</b>
<b>Total Liabilities and Equity</b>		<b>2,319,575.00</b>	<b>1,189,951.00</b>	<b>876,939.00</b>	<b>878,873.00</b>	<b>721,137.00</b>	<b>543,652.00</b>	<b>410,758.00</b>	<b>363,856.00</b>	<b>279,798.00</b>	<b>190,100.40</b>	<b>147,307.00</b>
		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Gross Loans		859,839.00	602,753.00	513,526.00	608,788.00	447,593.00	404,741.00	316,233.00	223,127.00	162,777.00	119,529.00	97,983.00
Provisions for Impairment and Allowance		90,245.00	87,129.00	63,869.00	209,530.00	120,616.00	120,253.00	76,001.00	29,256.00	25,041.00	29,366.00	20,053.00
Non Performing Loans												
NPA		27.50	24.00	14	34.00	38.82	47	45	23	28	29	18

## APPENDIX D

NIB'S RATIOS												
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Profitability & Efficiency Ratios												
Return on equity(ROE)	Profit After Tax/Equity	16.31%	13.50%	11.61%	9.03%	-0.83%	31.39%	83.32%	12.59%	5.08%	-1.83%	30.30%
Profit after tax margin	Profit After Tax/Total Income	25.23%	21.42%	8.25%	6.36%	-0.52%	20.40%	38.56%	13.52%	5.39%	-1.40%	18.92%
Return on assets(ROA)	Profit After Tax/Total Asset	3.42%	3.24%	1.33%	0.86%	-0.08%	3.50%	6.81%	2.13%	0.71%	-0.22%	3.49%
Total operating income/total assets	Total Operating Income/Total Asset	10.07%	11.26%	10.92%	8.52%	8.39%	8.67%	11.90%	11.69%	9.25%	11.72%	14.53%



Cost Income Ratio	Non Interest Expenses/Operating Income	46.32%	45.69%	48.40%	51.13%	65.99%	76.74%	76.71%	68.01%	82.54%	75.67%	50.10%
Non-interest income to operating income	Non-Interest Income/Operating Income	42.96%	58.76%	43.28%	46.04%	55.00%	37.41%	50.20%	42.17%	39.76%	35.26%	38.39%
Non-interest income to earning asset	Non-Interest Income/Earning Asset	7.76%	6.95%	4.24%	4.01%	5.07%	2.84%	5.10%	4.23%	3.35%	3.23%	4.78%
<b>Portfolio Quality Ratios</b>												
Non performing loans to total loans	Non Performing Loans/Gross Loans	27.50	24.00	14.00	34.00	38.82	47.00	45.00	23.00	28.00	29.00	18.00
Impairment charges to gross loans	Impairment Charge/Gross Loans	2.26%	5.39%	75.79%	4.45%	4.39%	7.91%	12.54%	3.23%	0.70%	6.21%	3.68%
Loan portfolio profitability	Int.Inc (Loans & Adv) - Prov. Bad&Doubtful/Net Loans	5.56%	-4.20%	1.15%	-36.55%	-19.27%	-18.70%	-13.87%	2.42%	-1.76%	-13.45%	-9.35%
<b>Liquidity Ratios</b>												
Liquid asset to total deposits	Liquid Asset /Total Deposits	69.74%	57.89%	52.15%	50.73%	58.11%	50.74%	37.36%	47.89%	48.73%	53.39%	119.19%
Liquid asset to total asset	Liquid Asset /Total Asset	40.40%	36.94%	41.66%	41.73%	40.19%	31.43%	23.13%	32.19%	29.56%	35.24%	36.14%
Liquid asset to earning asset	Liquid Asset/Earning Asset	48.93%	38.28%	43.66%	47.78%	46.88%	37.52%	28.34%	37.66%	37.52%	42.62%	40.59%
Net Loans to total deposit	Net Loans/Total Deposit	57.27%	67.91%	64.19%	55.23%	65.55%	84.49%	94.47%	79.27%	81.14%	71.87%	174.46%
Net Loans to total asset	Net Loans/Total Asset	33.18%	43.33%	51.28%	45.43%	45.34%	52.33%	58.49%	53.28%	49.23%	47.43%	52.90%
<b>Capital Structure</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Capital adequacy ratio	(Tier 1 Capital + Tier 2 Capital)/Risk Weighted Assets	21.68	22.51	17.90	11.36	10.53	14.37	8.66	14.00	21.42	23.42	21.05

## APPENDIX E

AGRICULTURAL DEVELOPMENT BANK															
STATEMENT OF COMPREHENSIVE INCOME															
Profit and Loss Account															
For the year ended 31 December															
			2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004		75,432,316.00
		Note									€'m	€'m	€'m		
Interest income		2	308,137,000.00	230,648,000.00	199,456,000.00	119,189,000.00	126,915,000.00	81,415,938.00	59,688,900.00	42,327,367.00	42,055.00	33,056.00	30,987.00		
Interest expense		3	100,405,000.00	55,687,000.00	41,166,000.00	38,891,000.00	37,411,000.00	39,603,155.00	20,474,861.00	11,298,781.00	11,066.60	10,550.00	10,290.40		
												-	-		
<b>Net interest income</b>			207,732,000.00	174,961,000.00	158,290,000.00	80,298,000.00	89,504,000.00	41,812,783.00	39,214,039.00	31,028,586.00	30,988.40	22,506.00	20,696.60		
Fee and commission expense			5,118,000.00	3,320,000.00	2,373,000.00	2,211,000.00	1,095,000.00								
Fee and commission income			43,323,000.00	47,240,000.00	43,958,000.00	39,665,000.00	22,130,000.00	28,627,193.00	26,065,292.00	17,420,758.00	14,264.90	14,439.50	12,801.90		
Other operating income		4	14,689,000.00	36,618,000.00	9,179,000.00	17,854,000.00	14,493,000.00	6,548,424.00	10,152,985.00	6,395,295.00	6,405.00	2,656.50	9,753.90		55,308,000
Net Trading Income			67,221,000.00	24,534,000.00	32,511,000.00	27,995,000.00	12,544,000.00								
Net Non-Interest Revenue			<b>120,115,000.00</b>	<b>105,072,000.00</b>	<b>83,275,000.00</b>	<b>83,303,000.00</b>	<b>48,072,000.00</b>	<b>35,175,617.00</b>	<b>36,218,277.00</b>	<b>23,816,053.00</b>	<b>20,669.90</b>	<b>17,096.00</b>	<b>22,555.80</b>		76,988,400
<b>Operating income</b>			<b>327,847,000.00</b>	<b>280,033,000.00</b>	<b>241,565,000.00</b>	<b>163,601,000.00</b>	<b>137,576,000.00</b>	<b>76,988,400.00</b>	<b>75,432,316.00</b>	<b>54,844,639.00</b>	<b>51,658.30</b>	<b>39,602.00</b>	<b>43,252.40</b>		
														48,072,000	
Operating expenses		5	94,006,000.00	39,476,000.00	71,806,000.00	135,508,000.00	120,201,000.00	61,947,745.00	57,292,114.00	42,889,565.00	31,129.20	<b>25,194.60</b>	20,683.80		
Charge for bad and doubtful debts		14	59,080,000.00	34,353,000.00	26,087,000.00	7,610,000.00	6,686,000.00	15,896,510.00	6,923,146.00	3,831,236.00	7,965.60	<b>6,272.80</b>	10,314.50		
												-	-	605.4	137,576,000
<b>Operating profit</b>			174,761,000.00	206,204,000.00	143,672,000.00	35,703,000.00	10,689,000.00	(855,855.00)	<b>11,217,056.00</b>	8,123,838.00	12,563.50	<b>8,134.60</b>	12,254.10	1228.6	
Other income		7	14,929,000.00	2,926,000.00	79,000.00	10,611,000.00	1,576,000.00	15,852,975.00	6,137,686.00	5,280,368.00	1,639.30	<b>702.60</b>	2,043.90		83,303,000
Other expenses			139,990,000.00	125,202,000.00	117,055,000.00	411,000.00		1,663,051.00	2,419,852.00	1,806,307.00	2,565.00	<b>(764.80)</b>	(2,012.70)		
												-	-		163,601,000
<b>Profit before Reconstruction</b>															

Levy			49,700,000.00	83,928,000.00	26,696,000.00	45,903,000.00	12,265,000.00	13,334,069.00	14,934,890.00	11,597,899.00	11,637.80	8,072.40	12,285.30			
National Reconstruction Levy			1,835,000.00	3,299,000.00	-	2,295,000.00	613,000.00	666,703.00	-	-	8,728.00	(605.40)	(1,228.60)			
												-	-			
Profit after levy transferred to Income Surplus			47,865,000.00	80,629,000.00	26,696,000.00	43,608,000.00	11,652,000.00	12,667,366.00	14,934,890.00	11,597,899.00	2,909.80	7,467.00	11,056.70			
												=	=			
Balance Sheet																
As at 31 December																
			2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004			
Assets		Note										¢'m	¢'m			
Cash and Balances with Bank of Ghana		8	462,089,000.00	275,354,000.00	175,509,000.00	81,660,000.00	89,010,000.00	75,890,943.00	41,887,152.00	51,047,582.00	40,140.60	32,293	32,458.20			
Government Securities		9	370,458,000.00	271,857,000.00	342,808,000.00	209,543,000.00	165,924,000.00	125,593,869.00	87,323,906.00	81,972,356.00	104,937.10	77,130.00	86,699.90			
Due from other banks and financial institutions		10	15,214,000.00	-	-	90,248,000.00	34,848,000.00	48,952,351.00	22,077,304.00	24,757,394.00	51,382.00	23,638.50	34,449.50			
Other Investment securities		11	78,636,000.00	53,368,000.00	45,018,000.00	35,158,000.00	11,188,000.00	7,257,819.00	6,171,070.00	6,171,070.00	4,300.20	3,700.20	3,300.00			
Loans and Advances to Customers		12	1,124,139,000.00	914,350,000.00	773,694,000.00	678,747,000.00	576,987,000.00	372,864,956.00	370,606,658.00	228,983,092.00	150,923.30	126,262.20	84,536.50			
Other assets			57,884,000.00	68,212,000.00	66,506,000.00	64,870,000.00	54,913,000.00	73,745,535.00	72,599,471.00	55,548,640.00	50,263.20	63,977.50	50,252.80			
Long-term Investment in Subsidiaries			6,255,000.00	640,000.00	15,133,000.00	15,970,000.00	21,418,000.00	5,200,877.00	1,276,100.00	1,276,100.00	1,276.10	10,973.00	12,955.40			
Property and Equipment		15	34,862,000.00	29,769,000.00	17,074,000.00	17,587,000.00	9,651,000.00	25,058,866.00	22,328,817.00	21,484,240.00	7,096.50	5,194.50	4,806.60			
Intangible Assets			7,203,000.00	8,211,000.00	8,481,000.00	11,974,000.00	564,000.00					-	-			
Total assets			2,156,740,000.00	1,621,761,000.00	1,444,223,000.00	1,205,757,000.00	964,503,000.00	734,565,216.00	624,270,478.00	471,240,474.00	410,319.00	343,168.70	309,458.90			
												=	=			
Liabilities																
Customer deposits		16	1,462,139,000.00	1,061,102,000.00	965,018,000.00	827,718,000.00	536,079,000.00	425,144,815.00	319,499,930.00	271,024,641.00	2,344,143.00	181,456.10	160,370.50			
Due to Bank of Ghana		17	279,355,000.00	208,914,000.00	214,154,000.00	161,387,000.00	221,400,000.00	88,201,147.00	108,372,163.00		285,690.00	30,863.30	30,115.70			
Due to banks and other financial institutions		18	3,888,000.00							33,899,620.00	231,961.00	6,885.00	23,258.40			
Interest payable and other liabilities		19	67,543,000.00	70,750,000.00	67,852,000.00	40,488,000.00	100,745,000.00	99,602,073.00	87,717,161.00	71,606,522.00	546,384.00	61,255.90	39,722.30			
												-	-			



Total liabilities			1,812,925,000.00	1,340,766,000.00	1,247,024,000.00	1,029,593,000.00	858,224,000.00	612,948,035.00	515,589,254.00	376,530,783.00	3,408,178.00	280,460.30	253,466.90			
												-	-			
Shareholders' Funds																
Revaluation Surplus			1,748,000.00	1,748,000.00	1,748,000.00	1,748,000.00	1,979,000.00	15,371,581.00	13,102,990.00	12,066,347.00						
Stated Capital		20	75,000,000.00	75,000,000.00	75,000,000.00	75,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	20,000,000.00	200,000.00	20,000.00	20,000.00			
Income Surplus																
			54,292,000.00	44,962,000.00	17,534,000.00	3,986,000.00	3,611,000.00	6,949,811.00	13,952,384.00	40,912,769.00	327,257.00	27,881.50	23,774.70			
Statutory Reserve Fund		21	84,891,000.00	78,907,000.00	58,750,000.00	52,076,000.00	30,272,000.00	27,359,441.00	25,692,682.00	18,225,237.00	167,755.00	14,084.20	12,217.40			
Credit Risk Reserve			92,533,000.00	59,982,000.00	30,752,000.00	25,773,000.00	17,474,000.00	21,936,348.00	5,933,168.00	3,505,338.00		-	-			
Available for sale reserve			35,351,000.00	20,396,000.00	13,415,000.00	17,581,000.00	2,943,000.00									
Shareholders' Funds			343,815,000.00	280,995,000.00	197,199,000.00	176,164,000.00	106,279,000.00	121,617,181.00	108,681,224.00	94,709,691.00	695,012.00	61,965.70	55,992.10			
												-	-			
Total Liabilities and Shareholders' Funds			2,156,740,000.00	1,621,761,000.00	1,444,223,000.00	1,205,757,000.00	964,503,000.00	734,565,216.00	624,270,478.00	471,240,474.00	4,103,190.00	342,426.00	309,459.00			
												=	=			
		CHECK	-	-	-	-	-	-	-	-	(3,692,871.00)	742.70	(0.10)			
			2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004			
Gross Loans			1,217,686,000.00	971,506,000.00	812,651,000.00	695,601,000.00	601,452,000.00	437,116,273.00	416,727,493.00	265,253,769.00	186,004.10	153,952.00	108,151.70			
Provisions for Impairment and Allowance			112,413,900.00	57,156,000.00	38,957,000.00	16,854,000.00	24,465,000.00	64,251,317.00	46,120,835.00	36,270,677.00	35,080.80	27,685.80	23,615.20			
Non Performing Loans			-					209,605,161.00	370,606,658.00							
NPA			23.29	12.42	10.53	6.68	11.82	47.95	88.93	-	23.63	22.96	30.99			
Interest Income (Loans and Advances)			224,031,000.00	165,086,000.00	150,471,000.00	94,552,000.00	97,175,000.00	63,550,062.00	49,060,634.00	28,156,101.00	234,636.00	194,204.00	166,031.00			

### APPENDIX F

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Profitability & Efficiency Ratios	Profitability & Efficiency Ratios												



Return on equity(ROE)	Profit After Tax/Equity	13.92 %	28.69 %	13.54 %	24.75 %	10.96%	10.42 %	13.74%	12.25 %	0.42%	12.05%	19.75%	
Profit after tax margin	Profit After Tax/Total Income	10.56 %	23.35 %	9.28%	20.05 %	6.52%	9.56%	14.64%	16.24 %	4.52%	14.68%	19.89%	
Return on assets(ROA)	Profit After Tax/Total Asset	2.22%	4.97%	1.85%	3.62%	1.21%	1.72%	2.39%	2.46%	0.71%	2.18%	3.57%	
Total operating income/total assets	Total Operating Income/Total Asset	15.89 %	17.45 %	16.73 %	14.45 %	14.43%	12.64 %	13.07%	12.76 %	12.99%	11.74%	14.64%	
Cost Income Ratio	Non Interest Expenses/Operating Income	27.42 %	13.95 %	29.72 %	77.78 %	86.38%	66.72 %	70.24%	71.33 %	58.41%	62.51%	45.66%	
Non-interest income to operating income	Non-Interest Income/Operating Income	39.40 %	38.17 %	34.49 %	53.91 %	35.68%	54.96 %	51.93%	48.39 %	41.86%	44.16%	54.31%	
Non-interest income to earning asset	Non-Interest Income/Earning Asset	8.55%	8.71%	7.08%	10.00 %	6.40%	9.99%	9.10%	9.14%	8.53%	8.16%	13.12%	
<b>Portfolio Quality Ratios</b>	<b>Portfolio Quality Ratios</b>												
Non performing loans to total loans	Non Performing Loans/Gross Loans	23.29	12.42	10.53	6.68	11.82	47.95	88.93	0.00	23.63	22.96	30.99	
Impairment charges to gross loans	Impairment Charge/Gross Loans	0.05	0.04	0.03	0.01	0.01	0.04	0.02	0.01	0.04	0.23	0.44	
Loan portfolio profitability	Int.Inc (Loans & Adv) - Prov. Bad&Doubtful/Net Loans	9.93%	11.80 %	14.41 %	11.45 %	12.60%	-0.19%	0.79%	-3.54%	132.22 %	131.88 %	168.47 %	
<b>Liquidity Ratios</b>	<b>Liquidity Ratios</b>												
Liquid asset to total deposits	Liquid Asset /Total Deposits	57.98 %	51.57 %	53.71 %	46.08 %	54.06%	58.91 %	47.35%	58.22 %	8.38%	73.33%	95.78%	
Liquid asset to total asset	Liquid Asset /Total Asset	39.31 %	33.74 %	35.89 %	31.64 %	30.04%	34.09 %	24.23%	33.48 %	47.88%	38.77%	49.64%	
Liquid assets to earning asset	Liquid Asset/Earning Asset	53.67 %	44.12 %	44.05 %	40.61 %	37.37%	49.02 %	32.51%	49.55 %	75.15%	61.02%	81.93%	
Net Loans to total deposit	Net Loans/Total Deposit	76.88 %	86.17 %	80.17 %	82.00 %	107.63 %	87.70 %	116.00 %	84.49 %	6.44%	69.58%	52.71%	
Net Loans to total asset	Net Loans/Total Asset	52.12 %	56.38 %	53.57 %	56.29 %	59.82%	50.76 %	59.37%	48.59 %	36.78%	36.79%	27.32%	
<b>Capital Structure &amp; Financial Ratios</b>	<b>Capital Structure</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	
Capital adequacy ratio	(Tier 1 Capital + Tier 2 Capital)/Risk Weighted Assets	10.48	13.02	10.15	10.76	12.86	15.85	16.00	14.82	13.20	11.58	10.08	