

22nd May 2018.

The Governor
Bank of Ghana
Accra

Dear Sir,

BANK OF GHANA FUELING SYSTEMIC RISK AND CONFIDENCE ISSUES IN THE BANKING SECTOR

I wish to draw your attention to the fact that the conduct and inactions of the Bank of Ghana and your leadership of the regulatory body are fuelling heightened systemic risks and worsening confidence in the banking sector of Ghana and to seek your immediate steps to address these challenges. The following are a few that need urgent non-politically induced actions to address:

1. GCB Bank has not filed its audited financial statements with the Bank of Ghana in accordance with section 90(2) of the Banks and Special Deposit Institutions Act 2016, Act 930. It is strange that the BOG has remained loudly silent in the face of this breach and has not done anything to assure the market of steps taken to avert any negative consequences of this breach on the broader banking sector given the size and stature of GCB Bank in the financial markets of Ghana.

I am aware that GCB Bank and not the Securities and Exchange Commission and the BOG issued a statement somewhere in April 2018 claiming to have obtained approval from SEC to file its audited financial statements at the end of May. This is clearly unacceptable as the market expect the regulators to give such assurances and not the one in breach of the law. To date no statement has been made by the Bank of Ghana to clear the air and give confidence to the market. This singular silence on your part has led to the following;

- Heightened anxiety among industry players in the face of lack of information regarding the impact of the takeover of UT/Capital Bank on GCB Bank, especially its liquidity situation and quality of its assets
- after the takeover of the selected assets and liabilities of the resolved banks.
- Fears in the banking sector following requests by GCB to the Bank of Ghana for expensive liquidity support after taking over the resolved banks leading to significant outflows from its cheaper liquid assets to fund deposits of UT/Capital Banks.

- The heightened risk profile of GCB Bank in the financial sector resulting in challenges with trade related support from correspondent and partner banks.
- Investors in GCB Bank shares on the Ghana stock exchange are not being protected by an issuance of a clear comfort enhancing assurances from the Bank of Ghana and the Securities and Exchange Commission.

2. The Bank of Ghana has failed to approve the Board of Directors of Agricultural Development Bank Limited after receipt of the nomination of Board Members more than a year ago. This breach clearly weakens the corporate governance of the Bank. This conduct by BOG exposes depositors' funds to significant risks from the decisions of the Bank without an approved Board. Unfortunately, these breaches are supervised by the bank of Ghana resulting in further systemic risks and eroding confidence in the banking sector.

3. The continuous political presentations of MPC reports at press conferences are worsening confidence in the banking sector. Your hypothetical explanation for the rising NPLs in the sector and misreporting of total advances not supported by your own summary economic and financial data create serious credibility crisis for the Bank of Ghana. Your claims that the increasing NPLs 'might' be the result of sudden discovery of legacy debts that 'might' have come from energy sector and non-energy sector exposures has hurt the credibility of the BOG as industry players know that the rising NPLs are caused by declining growth in advances in the face of NPLs not being paid. Ironically, you sort to suddenly conjure growth in advances to be around 27% when your own published data suggest a worsening decline at about 2.2%. This decline in advances is consistent with industry players' explanation of Ghana's rising NPLs and not your 'might have been' hypothesis.

4. The continuous posturing of the BOG in respect of Unibank and others which have led to massive withdrawals of cheap deposits by customers in place of very expensive emergency liquidity support from the BOG is further worsening liquidity, profitability and the survival of these banks. Your conduct has denied these banks the opportunities to

access different layers of cheaper funds such as deposits and interbank liquidity. In place of these cheaper funds, you have continued to milk these banks by extending unsustainable expensive BOG emergency liquidity support. This singular conduct has transferred possible profitability of Unibank and others that could turn them around to BOG. BOG is now making huge revenues and improving its profitability by gradually collapsing these banks and heightening the systemic risks of the sector.

5. The summary economic and financial data you published for the MPC meetings clearly show a worsening banking sector.

As a representative of my constituents and a stakeholder of the banking sector, I require answers to the following:

1. How much has the BOG/Government paid to GCB Bank for the takeover of the selected assets and liabilities of UT/Capital Banks. Kindly provide full details and features of instruments that were used for the payment.
2. The total costs of the resolution of UT/Capital Bank.
3. How much liquidity support has been extended to GCB Bank since it took over UT/Capital Banks?

It is my expectation that you will provide a better focus and leadership to address the problems of the banking sector devoid of the politics that is creeping into our prestigious and expectedly autonomous Central Bank of Ghana.

I count on your urgent attention.

Yours faithfully,

Isaac Adongo.

Member of Parliament