



Bank of Ghana PRESS RELEASE

For Immediate Release

BANK OF GHANA APPOINTS OFFICIAL ADMINISTRATOR FOR UNIBANK GH LTD

Accra, Ghana, March 20, 2018- In exercise of its powers under Sections 107 and 108 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) the Bank of Ghana has, effective today 20th March 2018, appointed KPMG as Official Administrator for UniBank Ghana Limited (UniBank).

Section 107 of Act 930 empowers the Bank of Ghana to appoint an Official Administrator to take official control of a bank when its capital adequacy ratio (CAR) has fallen below 50% of the required minimum of 10% (i.e. below 5%). Under section 108 of Act 930, the Official Administrator is authorized to exercise a variety of powers to rehabilitate and return the bank to regulatory compliance within a period of six months, at the end of which the bank will be returned to private ownership and management.

The appointment by the Bank of Ghana of the official administrator is aimed at saving UniBank from imminent collapse. It will prevent potential losses to depositors and other creditors, and ensure that the financial condition of the bank does not create further risks for the entire financial system.

KPMG as Official Administrator will assume control of the bank and all its branches and carry out the responsibilities of the shareholders, directors, and key management personnel of UniBank with effect from today. In line with its powers under Act 930, KPMG will ascertain the state of the bank's assets and liabilities, and exercise a variety of powers under Act 930 to rehabilitate and return the bank to regulatory compliance and viability within a period of six months, at the end of which the bank will be returned to private ownership and management.

During the period of official administration of UniBank, the bank will remain open for business under the management and control of KPMG overseen by the Bank of Ghana, and is not being closed and liquidated.

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UniBank's problems are part of the legacy issues in the financial sector attributed to weak economic growth and poor corporate governance and risk management practices. It will be recalled that UniBank was one of nine banks identified after the asset quality review exercise undertaken in 2016, to be significantly undercapitalized with a CAR of 4.75%. As part of efforts to recapitalize the bank, it submitted capital restoration plans to the Bank of Ghana which it implemented to build up its capital to 7.7% in August 2017. Subsequent reviews of UniBank's books by Bank of Ghana's supervision teams showed that the bank had not reported the state of its loan book accurately. Consequently by October 2017, its CAR was estimated at negative 12.5 %, making it technically insolvent. By December 2017, its CAR had dropped further to negative 24%. The bank has failed to submit its monthly returns to the Bank of Ghana for January and February 2018, and as a result Bank of Ghana has no evidence to suggest that its CAR has been restored to the regulatory minimum of 10%.

Efforts made by Bank of Ghana's supervisory teams who have visited the bank's head office several times this month to obtain current information on the bank's financial health, proved futile as the bank's management failed to cooperate with the Bank of Ghana staff on site.

The appointment of the Official Administrator has therefore become necessary due to the fact that uniBank has, among other things:

- a) Persistently maintained a capital adequacy ratio (CAR) below zero (currently negative 24%), making it technically insolvent. This contravenes section 29 of Act 930 which requires a minimum CAR of 10% to be maintained at all times.
- b) Persistently suffered liquidity shortfalls and consistently breached its cash reserve requirement. As a result, UniBank has relied extensively on liquidity support (over GHS 2.2 billion) from the Bank of Ghana over the past two years to meet its recurring liabilities. Among other things, a key shareholder of the bank managed to obtain liquidity support from the Bank of Ghana using third party banks as its agents. The Bank of Ghana's exposure to the bank was therefore underestimated by nearly GHS 400 million, as this amount was not reflected in its books.
- c) Conducted its credit administration in a manner that has jeopardized the interests of depositors and the financial sector as a whole.
- d) Failed to comply with a directive of the Bank of Ghana dated 26th October, 2017 under section 105 of Act 930, prohibiting the bank from granting new loans and incurring new capital expenditures.
- e) Failed to comply with several other regulatory requirements, including:
 - Lending to a number of borrowers in excess of its regulatory lending limit (single obligor limit) under section 62 of the Banks and SDIs Act, 2016 (Act 930);
 - Borrowing from the inter-bank market without the written approval of the Bank of Ghana when its CAR was less than the prescribed ten percent (10%), in breach of section 66(1) of Act 930.

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- Outsourcing a number of services such as those of tellers, receptionists, and security, to affiliate companies without the prior approval by the Bank of Ghana, contrary to section 60 (12) of Act 930.
- Refusing to cooperate with the Bank of Ghana in the performance of its supervisory responsibilities, including deliberately concealing some liabilities from its balance sheet, and failing to submit documents and records for supervisory inspection.
- Poor corporate governance and risk management practices which rendered the bank vulnerable to macroeconomic shocks.
- Generally conducting its affairs in a manner detrimental to the interests of depositors and the financial system as a whole.

In spite of the Ministry of Finance recently agreeing to absorb a significant amount of the debts of Government contractors owed to the bank to the tune of Gh¢428,817,961 (backed by Interim Payment Certificates issued to contractors), the bank has not been able to address its capital deficiency, which has continued to deteriorate. Also, the bank engaged in significant transactions with its parent company and affiliate companies including connected lending and other related party transactions without sufficient controls as required by law.

Allowing the continuation of UniBank's activities in their current form would be detrimental to the interests of depositors and the banking system as a whole. Several attempts by the Bank of Ghana to work together with management and shareholders of the bank to address the capital deficiency and liquidity challenges have failed to achieve the desired outcome, making the continuous reliance on Bank of Ghana for liquidity support unsustainable.

More recently, the bank's announcement of a purported pledge of ADB Bank shares in its favour by its shareholders to secure commitments for recapitalization, were deemed by the Bank of Ghana to be null and void as no prior approval had been obtained from the Bank of Ghana as required by Act 930 for acquiring significant shares in a bank or exercising other forms of control by virtue of any transaction.

In any event, a request by the Bank of Ghana to the bank to submit copies of the Deed of Pledge and underlying transactional documents were not heeded by uniBank, its shareholders, directors, or management. Furthermore, there are additional regulatory hurdles outside the control of the Bank of Ghana required to be cleared by UniBank before potentially realizing any value, if at all, from the said transaction, making it incapable of addressing the immediate capital and liquidity needs of the bank.

The Bank of Ghana takes this opportunity to reassure customers of UniBank that all deposits they have with UniBank are, and will remain, safe and that they can continue to do business at any of its branches. **NO DEPOSITOR OF THE BANK WILL LOSE ANY MONEY.**

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Bank of Ghana remains committed to supporting the orderly development of Ghana's banking sector including indigenous Ghanaian banks, while promoting a strong and resilient sector to drive Ghana's economic growth.

Kindly direct any questions to Bank of Ghana. You may call telephone number 0302665034 or send email to bsd@bog.gov.gh.

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