



Guaranty Trust Bank (Ghana) Ltd  
CS406022014

**GUARANTY TRUST BANK (GHANA) LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**GUARANTY TRUST BANK (GHANA) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**CORPORATE INFORMATION**

Board of Directors	Joseph K. Amoa-Awuah (Chairman) Thomas Attah John (Managing Director) Rasheed Ibrahim Maidie Elizabeth Arkutu Irene Baaba Hagan Adebanji Adeniyi
Secretary	Iris Richter-Addo 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Auditor	KPMG Chartered Accountants 13 Yiyiwe Drive, Abelenkpe P. O. Box GP 242 Accra, Ghana
Registered Office	Guaranty Trust Bank (Ghana) Ltd 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Correspondent banks	CitiBank London CitiBank New York Ghana International Bank Plc J.P. Morgan Chase Bank Guaranty Trust Bank London Bank of Beirut (UK) Ltd Rand Merchant Bank Investment and Corporate Banking Standard Chartered Bank UK Guaranty Trust Bank (Nigeria) Limited
Solicitors	Lithur Brew and Company No. 110B, 1st Kade Close, Kanda Estates P. O. Box CT 3865, Cantonments Accra, Ghana  Adu-Kusi PRUC Third Floor, Teachers Hall Complex Educational Loop, Off Barnes Road Adabraka-Accra

## **REPORT OF THE DIRECTORS**

The Directors present their report together with the audited financial statements for the year ended 31 December 2023.

### **Directors' responsibility statement**

The Directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Guaranty Trust Bank (Ghana) Ltd, comprising the statement of financial position as at 31 December 2023 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of material accounting policies and other explanatory notes. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and applied the requirements of IFRS Accounting Standards including the Hyperinflation Directive issued by the Institute of Chartered Accountants, Ghana and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the report of the directors.

The Directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank. The Directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as a going concern having regard of the business impact of the Government of Ghana's Domestic Debt Exchange programme (GDDE) and other government exposures and have no reason to believe that the business will not be a going concern over the next twelve (12) months. The Capital Adequacy ratio of the Bank in spite of the domestic debt exchange programme remains strong and well above the minimum capital adequacy ratio of 10%.

Directors have no plans or intentions, for example to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

### **Objectives of the Bank and Nature of business**

The Bank is licensed by the Bank of Ghana under the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) to carry out universal banking business in Ghana and there was no change in the nature of the Bank's business during the period.

### **Holding company**

The Bank is a subsidiary of Guaranty Trust Bank (Nigeria) Limited, a company incorporated in the Federal Republic of Nigeria and licensed to carry out universal banking business. The company holds 98.32% of the registered shares of Guaranty Trust Bank (Ghana) Ltd.

**REPORT OF THE DIRECTORS (CONTINUED)**

**Distributable profits**

	<b>GH¢</b>
Profit for the year ended 31 December 2023 before tax is	1,118,498,441
from which is deducted taxation	(392,711,992)
giving a profit for the year after tax of	725,786,449
less transfer to statutory and other reserves of	(181,446,612)
less transfer to credit risk reserve of	(20,453,783)
less payment of prior year dividends declared	-
leaving a balance of	523,886,054
when added to the balance brought forward on income surplus of	473,113,363
leaving a balance of	<b>996,999,417</b>

At the next shareholders meeting on the financial performance for the year ended 31 December 2023, dividend of GH¢ 312,811,280 (2022: nil) will be tabled for shareholders' consideration and approval subject to the regulator's approval.

**Financial results at a glance (current year)**

The state of affairs of the Bank is as follows:

	<b>GH¢</b>
Profit before tax	1,118,498,441
Profit after tax	725,786,449
Total assets	11,224,352,894
Total liabilities	9,161,717,746
Total equity	2,062,635,147

The Directors consider the state of the company's affairs to be satisfactory.

**Particulars of entries in the Interests Register during the financial year**

The entity maintains an Interests Register. There was however no director interest in any contract within the year under review. No entry was therefore made in the Register as required by sections 194(6), 195(1)(a) and 196 of the Companies Act 2019, (Act 992).

**Corporate social responsibility and code of ethics**

A total of GH¢ 3,946,844 (2022: GH¢1,157,711) was spent under the Company's social responsibility programme with key focus on education, health and others. This is disclosed in note 13.1. An extract of the company's code of ethics can be found in the appendices.

**FINANCIAL RESULTS AT A GLANCE (COMPARATIVE)**



## REPORT OF THE DIRECTORS (CONTINUED)

### Board of Directors

#### Profile

Executive	Qualification	Outside Board and management position
<i>Thomas Attah John</i>	Chartered Banker MBA, Certificate in Management Performance Measurement, Masters in Business Administration, BSc Pure Applied Chemistry, ACIB, MCIB (Scotland and Wales)	Non-Executive Director, GTBank Sierra Leone  Non-Executive Director, GTBank Liberia
<b>Non-executive</b>		
<i>Adebanji Isola Adeniyi</i>	Doctor of Vet Medicine Degree, Associate and Fellow of the Institute of Chartered of Accountants of Nigeria (ACA & FCA), MBA, Honorary Senior Member of the Chartered Institute of Bankers	Group Chief Financial Officer, GTCO  Non-Executive Director, GTBank Gambia  Non-Executive Director, GTBank Cote d'Ivoire
<i>Joseph Kofi Amoa-Awuah (Chairman)</i>	B.Sc. Business Administration, MBA,	Director, 3A Consult Limited; Director, Apex Health Insurance Company; Director, Cooperative Governance Africa
<i>Rasheed Ibrahim</i>	B.Sc. Business Administration	Executive positions in Dara Salam Group of Companies, Chrome Energy Resources Limited, Dara Salam Estate Limited and Osagyefo Leadership International School.
<i>Maidie Elizabeth Arkutu</i>	Post-Graduate Diploma in Marketing, MBA, Bachelor of Arts (BA) degree in Business Economics with a minor in French	Senior Vice President & Head of Business Development and Innovations, Olam Nigeria Limited
<i>Irene Baaba Hagan</i>	Fellow Chartered Accountant, Certified Information Systems Auditor, MBA, B.Sc. (Hons.) in Accounting & Finance	Contact member and Ambassador of the Institute of Chartered Accountants in England and Wales (ICAEW), founder of IHagan Consult

#### Biographical information of directors

Age category	Number of directors
41 – 45 years	3
46 – 60 years	2
Above 60 years	1

**REPORT OF THE DIRECTORS (CONTINUED)**

**Capacity building of directors to discharge their duties**

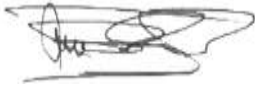
On appointment to the Board, Directors are provided with full, formal and tailored programmes to enable them gain in-depth knowledge about the Company’s business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Company operates. Programmes of strategic importance provided during the year ensure Directors continually update their skills, knowledge and familiarity with the Company’s businesses. This further provides insights about the industry and other developments to enable them effectively fulfil their role on the Board and other Committees.

**Auditor/ Audit fees**

The Board Audit Committee has responsibility delegated from the Board of Directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. Non-audit services provided by KPMG amounted to GHS 246,350. Audit fees for the year amounted to GHS 1,300,000.

**Approval of the report of the Directors**

The report of the directors of Guaranty Trust Bank (Ghana) Ltd, was approved by the Board of directors on 27 March 2024 and are signed on their behalf by:



.....  
Joseph K. Amoa-Awuah  
*Chairman*



.....  
Thomas Attah John  
*Managing Director*



## **REPORT OF THE AUDIT COMMITTEE**

In accordance with corporate governance best practices contained in The Banking Business-Corporate Governance Directive 2018 and the Corporate Governance Disclosure Directive (CGDD) in May 2022, the members of the Audit Committee of Guaranty Trust Bank (Ghana) Ltd hereby report as follows:

- (i) We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the full year ended 31 December 2023 were satisfactory and reinforced the Bank's internal control system.
- (ii) We are satisfied that the Bank has complied with the provisions of Bank of Ghana's Circular BSD/108/2011 "International Financial Reporting Standards (IFRS) Implementation" and hereby confirm that an aggregate amount of GHS 46,687,176 has been set aside as at 31 December 2023 in relation to differences in impairment provisions for loans and advances under International Financial Reporting Standard (IFRS 9 *Financial Instruments*) and Bank of Ghana Prudential/Impairment Guidelines.
- (iii) We are satisfied that the Bank has complied with the provisions of Bank of Ghana's Circular BSD/17/2018 "Adoption of International Financial Reporting Standard 16 Leases (IFRS 16)" and hereby confirm that the substance and the economics of lease transactions have been properly reflected in our books as required by the standard.
- (iv) We are satisfied with the assessment of the impact of the Government of Ghana's Domestic Debt Exchange Programme together with other government exposures with respect to credit losses on the revenue and assets of the bank for the 2023 financial year and beyond. We are of the opinion that the accounting treatment and credit losses taken are prudent and will not adversely affect the Bank's capital adequacy and business continuity.
- (v) We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their audit and we are satisfied with management's response thereon and with the effectiveness of the Bank's system of accounting and internal control.



.....  
*Irene B. Hagan*  
Chairperson, Audit Committee

Accra

27 March 2024

## **CORPORATE GOVERNANCE REPORT**

### **1.0 Governance Structure**

The Board has overall responsibility for ensuring compliance with all necessary frameworks that the Bank must operate within to ensure strict adherence to the Corporate Governance Directive (CGD) in December 2018 and the Corporate Governance Disclosure Directive (CGDD) in May 2022 and international best practices which are high on the agenda of Guaranty Trust Bank (Ghana) Ltd. As such, the Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place to facilitate best practices for the Board of Directors and senior management in order to maximise stakeholder value.

There were no new directors and management personnel inducted during the financial year under review.

Currently, there is a 6-member Board of Directors of Guaranty Trust Bank (Ghana) Ltd composed of an independent non-executive Chairman, with 1 Executive Director 1 non-resident Non-Executive Director and 4 3 other independent non-executive directors, all of whom are resident in Ghana, each bringing diverse and rich experience, with enviable records of achievement in their various fields of endeavour. The Directors possess the requisite skills and experience, integrity and business acumen to bring independent judgment to bear on Board deliberations for the good of the Bank.

There are currently five (5) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Risk Committee, Board Credit Committee, Board Cyber and Information Security Committee and the Board Nominations Committee. .

In addition to the Board Committees, there are four (4) Management Committees to ensure effective and good corporate governance at the Management level.

### **2.0 Disqualification of Directors, Employees and Key Management Personnel**

The Bank appoints and elects into the position of a director, managing director or key management personnel in compliance with Section 58 of Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), any person other than one who:

- (i) has been adjudged to be of unsound mind or is detained as a person with a mental disorder under any relevant enactment;
- (ii) has been declared insolvent, has entered into any agreement with another person for payment of that person's debt and has suspended payment of the debt;
- (iii) has been convicted of an offence involving fraud, dishonesty or moral turpitude;
- (iv) has been a director, Key Management Personnel associated with the management of an institution which is being or has been wound up by a court of competent jurisdiction on account of bankruptcy or an offence committed under an enactment;
- (v) is a director or Key Management Personnel of another bank, specialised deposit taking institution or financial holding company in the country;
- (vi) is under the age of eighteen years (18 years);
- (vii) does not have the prior written approval of the Bank of Ghana; or
- (viii) has defaulted in the repayment of the financial exposure of that person.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**3.0 Shareholding Structure**

The shareholding structure of the Bank is as provided below:

Name of Shareholder	Number of Shares	Monetary Share of Capital (GHS)	Shareholding Structure (%)	Voting Rights
Guaranty Trust Bank (Nigeria) Limited	13,933,838,405	398,093,232.30	98.32%	In accordance with sections 34 and 53 of the Companies Act, 2019 (Act 992)
Alhaji Yusif Ibrahim	238,051,874	6,802,244.00	1.68%	In accordance with sections 34 and 53 of the Companies Act, 2019 (Act 992)
Key Management Personnel	N/A	N/A	N/A	N/A
Related Parties	N/A	N/A	N/A	N/A
Total	14,171,890,279	404,895,476.30	100.00%	

No director, key management personnel or related party has any other interest in any shares or loan stock of the Company.

**4.0 Board Composition, Roles and Appointment Dates**

S/N	BOARD OF DIRECTORS	ROLE	APPOINTMENT DATE
1	Joseph Kofi Amoah-Awuah	Chairman (Independent Non-Executive director)	Appointed on 29th December, 2021
2	Adebanji Adeniyi	Non-Executive Director	Appointed on 9th July, 2021
3	Rasheed Ibrahim	Independent Non-Executive Director	Appointed on 6th November, 2018
4	Maidie Arkutu	Independent Non-Executive Director	Appointed on 24th May, 2019
5	Irene Hagan	Independent Non-Executive Director	Appointed on 16th September, 2019
6	Thomas John	Managing Director (Executive Director)	Appointed on 16th March, 2018

There were no retirements, resignations, and removal of directors during the financial year 2023.

**5.0 Annual Certification**

As requested by the Bank of Ghana that certification is done within 90 days at the beginning of each financial year, the Board shall certify general compliance with the Bank of Ghana's Corporate Governance Directive issued in December 2018. The Board therefore certifies that:

- (i) It has independently assessed and documented the corporate governance process of the Bank and has generally achieved its objectives.
- (ii) The Directors are aware of their responsibilities to the Bank as persons charged with governance.
- (iii) It confirms that it shall report any material deficiencies and weaknesses that it identifies in the course of the year along with action plans and timetables for the corrective action by the Board to the Bank of Ghana.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**5.0 Annual Certification - continued**

Directors are aware of their responsibilities as persons charged with governance and have completed trainings on their responsibilities.

Provided below is a schedule of certification obtained by directors from the National Banking College in 2023.

<b>Name of Director</b>	<b>Topic</b>	<b>Facilitator/Date Attended</b>
Joseph Amoa-Awuah	Cyber Risk Governance & Management	National Banking College/25th July, 2023
Rasheed Ibrahim	Cyber Risk Governance & Management	National Banking College/25th July, 2023
Adebanji Adeniyi	Cyber Risk Governance & Management	National Banking College/25th July, 2023
Irene Hagan	Cyber Risk Governance & Management	National Banking College/25th July, 2023
Maidie Arkutu	Cyber Risk Governance & Management	National Banking College/25th July, 2023
Thomas John	Cyber Risk Governance & Management	National Banking College/25th July, 2023

<b>Name of Director</b>	<b>Topic</b>	<b>Facilitator/Date Attended</b>
Joseph Amoa-Awuah	Fraud Risk Management	National Banking College/25th July, 2023
Rasheed Ibrahim	Fraud Risk Management	National Banking College/25th July, 2023
Adebanji Adeniyi	Fraud Risk Management	National Banking College/25th July, 2023
Irene Hagan	Fraud Risk Management	National Banking College/25th July, 2023
Maidie Arkutu	Fraud Risk Management	National Banking College/25th July, 2023
Thomas John	Fraud Risk Management	National Banking College/25th July, 2023

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**5.0 Annual Certification - continued**

<b>Name of Director</b>	<b>Topic</b>	<b>Facilitator/Date Attended</b>
Joseph Amoa-Awuah	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023
Rasheed Ibrahim	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023
Adebanji Adeniyi	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023
Irene Hagan	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023
Maidie Arkutu	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023
Thomas John	Driving ESG Practices: The Board's Role in ESG Strategy and Reporting	National Banking College/26th July, 2023

**6.0 Business Strategy**

The Board approves and monitors the overall business strategy of the Bank taking into account the long-term financial interest of the company, its exposure to risk and its ability to manage risk effectively. The Board approves and oversees the formulation and implementation of the:

- (i) overall risk strategy, including its risk tolerance/appetite;
- (ii) policies for risk, risk management and compliance, including anti-money laundering and combating the financing of terrorism risk;
- (iii) internal control systems;
- (iv) corporate governance framework, principles and corporate values including a code of conduct
- (v) compensation system

**7.0 Duty of Care and Loyalty**

The members of the Board exercise a “duty of care” and “duty of loyalty” to the Bank at all times which is stipulated in the Companies Act, 2019 (Act 992) and the Policies and the Bank’s Board charter.

**8.0 Corporate culture, values, ethics and professionalism**

The Board has established corporate culture, values, ethics and professional standards for the Bank that promote and reinforces norms for responsible and ethical behavior in terms of the Bank's risk awareness, risk-taking and risk management. The Bank has in place a Code of Conduct and a Conflict of Interest Policy duly approved by the Board of Directors which is made available to all persons to whom it applies. All directors and employees sign off annually as having read and understood the Code of Conduct and sanctions for breaching the policy.

The Board, management and employees of the bank always commit to the highest standards of professional behaviour, business conduct, and sustainable business practices.

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **9.0 Related Party Transactions**

The Board ensures that transactions with related parties including internal group transactions are reviewed to assess risk and are subject to appropriate restrictions by requiring that such transactions be conducted on non-preferential terms and applicable legislation are followed.

No director has any other interest in any shares or loan stock of the Company. Related party transactions and balances are also disclosed in note 32 to the financial statements.

### **10.0 Succession Plan**

The Bank is putting in place the required succession plan to enable the business to continue to the foreseeable future. The plan focuses on developing human resources to enable the Bank to retain a pool of qualified candidates who are ready to compete for key positions and areas when they become vacant to ensure effective continuity of the deposit-taking business.

### **11.0 Key Management Oversight**

The Board provides oversight of Senior Management as part of the Bank's checks and balances and

- (i) monitors to ensure the actions of Senior Management through reports from Management are consistent with the strategy and policies approved by the Board, including the risk tolerance appetite and risk culture;
- (ii) meets regularly with Senior Management through the Board sub committees;
- (iii) questions and critically reviews explanations and information provided by senior management;
- (iv) ensures that the knowledge and expertise of senior management remain appropriate given the nature of the business and the Bank's risk profile;
- (v) oversees the implementation of appropriate governance framework for the Company;
- (vi) ensures that appropriate succession plans are in place for senior management positions;
- (vii) oversees the design and operation of the Company's compensation system, monitor and reviews the system to ensure that it is aligned with the desired risk culture and risk appetite of the Company;
- (viii) approves the overall internal control framework of the bank and monitor its effectiveness.

### **Management Reporting Structure**

The Board has put in place key management committees whose reports from meetings are included in board reports to keep the board updated on the progress of the bank in terms of performance against set strategic plans and budgets. These reports are submitted to the board every quarter. Bi-annually, management also submits to the board the Bank's achievement against the budgeted revenue and Profit before Tax (PBT) to enable the board make a determination on whether or not to review the annual budget of the bank.

### **12.0 Separation of Powers**

There is a clear division of responsibilities at the top hierarchy of the bank. The positions of the Board Chairman and the Managing Director are separate. The two top positions of Board Chairman and Managing Director in the company are not both occupied by foreigners. The Chairman is a Ghanaian and the Managing Director is a Nigerian. Furthermore, no two related persons occupy the positions of Board Chairman and Managing Director of the bank.

### **13.0 Independent Director**

The Board of Directors continuously ensure that the position and requirements of Independent Directors are always met and that an independent director shall be non-executive and shall not: -

- (i) hold cross directorship positions with another director on the Board of other institutions;
- (ii) be a director on the Board of an institutional shareholder with significant equity interest in the regulated financial institution;
- (iii) have more than 5% equity interest directly or indirectly in the Company or in its related companies;
- (iv) be employed in an executive position in the Company or its related company at least 2 years prior to his appointment date;

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **13.0 Independent Director -continued**

- (v) have relatives employed by the Company or any of its related companies as Key Management Personnel in the last two (2) years;
- (vi) have engaged in any transaction within the last two (2) years with the Company on terms that are less favourable to the Company than those normally offered to other persons;
- (vii) have served as a director in the Company continuously for more than two (2) terms unless the director can affirm that his/her independence is not impaired;
- (viii) be related to persons with significant shareholding in the Company or have any business or employment connections to a significant shareholder.

There are 4 non-executive directors on the board who are classified as independent.

### **14.0 Directors' Appointments and Managing Director Tenure**

The procedure for appointment of directors to the Board is formal and transparent and conforms to the directive issued by the Bank of Ghana on Fit and Proper persons. The Bank has complied with the Bank of Ghana directive in respect of the tenure of the Managing Director of 12 years.

### **15.0 Appointment of Key Management Personnel**

The Bank submits to the Bank of Ghana before it appoints a Key Management Person, an enhanced due diligence report on proposed nominees as Key Management Personnel. The Bank also conducts police criminal and academic background checks; obtains references from previous employers and 2 other reputable persons; notifies the Bank of Ghana about the recruitment of Key Management personnel and obtains its approval.

### **16.0 Alternate Director**

The Bank does not currently have any alternate directors.

### **17.0 The Board Chairman**

The Chairman of the Board is an independent non-executive director and is ordinarily resident in Ghana. The Chairman provides leadership to the Board and ensures that Board decisions are taken on a sound and well-informed basis. The Chairman encourages and promotes critical discussion and ensures that dissenting views can be expressed and discussed within the decision-making process. The Chairman encourages constructive relationship within the Board and between the Board and Management. He promotes checks and balances in the governance structure of the Bank. He does not serve as a Chairman of any of the Board Committees

### **18.0 The Board Secretary**

The Board Secretary serves as an interface between the Board and Management and supports the Chairman in ensuring the smooth functioning of the Board. The Board Secretary advises the Board on matters relating to statutory duties of the directors under the law, disclosure obligations, and company law regulations as well as on matters of corporate governance requirements and effective Board processes. The Board Secretary ensures that directors are provided with complete, adequate and timely information prior to Board meetings.

### **19.0 Board Meetings**

The Company holds a minimum of 4 Board meetings annually. In 2023 meetings were held in March, May, August and November. It also held one Annual General Meeting in August.

In compliance with the Bank of Ghana's Directive on Corporate Governance, the Board hereby discloses the total number of Board meetings and the attendance rate of each Director below:

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**19.0 Board Meetings -continued**

No.	Name	Quarterly 23-Mar-23	Quarterly 16-May-23	AGM 16-Aug-23	Quarterly 16-Aug-23	Quarterly 8-Nov-23	% Attendance
1	Thomas Attah John	Yes	Yes	Yes	Yes	Yes	100%
2	Joseph Kofi Amoa-Awuah	Yes	Yes	Yes	Yes	Yes	100%
3	Adebanji Adeniyi	Yes	Yes	Yes	Yes	Yes	100%
4	Irene Baaba Hagan	Yes	Yes	Yes	Yes	Yes	100%
5	Rasheed Ibrahim	Yes	Yes	Yes	Yes	Yes	100%
6	Maidie Elizabeth Arkutu	Yes	Yes	Yes	Yes	Yes	100%

\* N/A – Director resigned from appointment

\*\*N/A– Director was absent with apologies

For the year 2024, the proposed work plan as approved at the November 2023 board meeting is provided below.

Activity	Proposed Date
Annual General Meeting	May 2024
Quarterly Board Meetings	February, May, August, November 2024
<b>Review of Reports</b>	
KPMG Management Letter	February 2024
Managing Director’s Report	February, May, August, November 2024
SYSCON Inspection Report (GT Bank Plc)	November 2024
Status Report – Project Xcent	February, May, August, November 2024
Report of Board Committees	February, May, August, November 2024
Customer Satisfaction Survey	November 2024
Board Training	To-be-determined
<b>Board Evaluation</b>	
Board Performance Evaluation	May, November 2024
In-house AML/CFT Evaluation	May, November 2024
Directors’ Informal Meeting/Dinner	To-be-determined
<b>Review/Approvals</b>	
2023 Audited Fin. Statements	February 2024
Recommendation of Dividends	February 2024
2024 Ann. Budget	December 2024
Ethics Policy	February 2024
Risk Assessment Framework	August 2024
Compliance Policy	August 2024
KYC Policy	August 2024
AML/CFT Policy	August 2024
Whistleblowing Policy	November 2024
STR Framework	February 2024
Consumer Recourse Mechanism Policy	February 2024
*Various Risk Mgmt. Policies	
Insider Related Credits	February, May, August, November 2024
2025 Board Work Plan	November 2024



**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.0 Board Sub-Committees**

There are currently Five (5) main committees through which the Board of Directors discharge its functions; Board Audit Committee, Board Credit Committee, the Board Risk Committee, the Board Nominations Committee, and the Board Cyber and Information Security Committee. Their composition and functions are as follows:

**20.1 Board Audit Committee**

This Committee is currently made up of three (3) Non-Executive Directors while the Company Secretary serves as the secretary to the Committee. The membership comprises the following:

S/N	BOARD AUDIT COMMITTEE	ROLE	APPOINTMENT DATE
1	Irene Hagan	Chairperson	Appointed on 6th November, 2019
2	Maidie Arkutu	Member	Appointed on 6th November, 2019
3	Rasheed Ibrahim	Member	Appointed on 6th November, 2019

The membership of the Audit Committee meets the 30% Ghanaian membership requirement with full membership being Ghanaians. The Chairperson of the Committee is independent and chairs no other board committee.

The committee is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors. The committee is guided by a well-defined charter and terms of reference.

The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The internal and external auditors have unrestricted access to the Committee to ensure their continued independence. The Committee also seeks for explanations and additional information, where relevant, from the internal and external auditors.

Meetings are held on a quarterly basis. Other members of management may be invited to the Committee's meetings as and when appropriate. A report is provided to the full Board at each sitting.

The Board hereby discloses the total number of Audit Committee meetings and the attendance rate of each Director below:

No.	Name	Quarterly 23-Mar-23	Quarterly 16-May-23	Quarterly 16-Aug-23	Quarterly 8-Nov-23	% Attendance
1	Irene Baaba Hagan	Yes	Yes	Yes	Yes	100%
2	Rasheed Ibrahim	Yes	Yes	Yes	Yes	100%
3	Maidie Elizabeth Arkutu	Yes	Yes	Yes	Yes	100%

The Committee undertook the following activities in 2023;

- (i) Review of quarterly internal audit reports;
- (ii) Review of quarterly internal control reports;
- (iii) Review of quarterly compliance reports;
- (iv) Review of quarterly privilege access reports;
- (v) Review of audited financial statement for the year 2022;
- (vi) Consideration and approval of amendments to compliance related policies, standard operating procedures; and
- (vii) Review and approval of the Committee's work plan for the year of 2024.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.1 Board Audit Committee (continued)**

The Committee's work plan as approved by the Board on 8<sup>th</sup> November, 2023 is provided below.

<b>Activity</b>	<b>Proposed Date</b>
Committee Meetings	February, May, August, November 2024
Quarterly Meetings	February, May, August, November 2024
<b>Internal Reports</b>	
Internal Audit Report	February, May, August, November 2024
Compliance Report	February, May, August, November 2024
Customer Satisfaction Survey Report	November 2024
Internal Control Report	February, May, August, November 2024
Combined Assurance Framework	May 2024
Report on Internal Assessment of Internal Audit Function	May 2024
<b>Appraisals</b>	
Appraisal of Internal Auditor	April, May 2024
Committee Self-appraisal	November 2024
<b>Reviews/Approvals</b>	
Audited Fin. Statements	February 2024
Risk-based Internal Audit Prog.	February 2024
Compliance Programme	November 2024
Ethics Policy	November 2024
STR Framework	February 2024
Consumer Recourse Mechanism Policy	February 2024
Risk Assessment Policy	August 2024
Compliance Policy	August 2024
KYC Policy	August 2024
AML/CFT Policy	August 2024
Various SOP	November 2024
Whistleblowing Policy	November 2024
2024 AML Risk Assessment	November 2024
2025 Committee Work Plan	November 2024
<b>External Audits/Examinations</b>	
KPMG Mgmt. Letter	February 2024
SYSCON Inspection Report (GTBank Nigeria)	November 2024
BOG/CBN Exam. Report	August 2024

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.2 Board Credit Committee**

The Board's Credit Committee is responsible for review of all credits granted by the Bank and approves specific loans and credit related proposals beyond the Management Credit Committee's authority limit as may be defined from time to time by the Board. The committee is guided by its terms of reference provided in the Board Credit Committee Charter.

The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets.

In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by members expeditiously between Credit Committee Meetings. Such urgent credits are circulated amongst the members and slated for ratification at the next meeting of the Board Credit Committee.

The Board Credit Committee is made up two (2) Non-Executive Directors and 1 Executive Director listed as follows:

S/N	BOARD CREDIT COMMITTEE	ROLE	APPOINTMENT DATE
1	Adebanji Adeniyi	Chairperson	Appointed on 3rd August, 2021
2	Irene Hagan	Member	Appointed on 6th November, 2019
3	Thomas John	Member	Appointed on 6th November, 2020

The Committee meets at least four times a year. A report is provided to the full Board at each sitting. The Board hereby discloses the total number of Board Credit Committee meetings and the attendance rate of each Director below:

No.	Name	Quarterly 22-Mar-23	Quarterly 15-May-23	Quarterly 15-Aug-23	Quarterly 7-Nov-23	% Attendance
1	Adebanji Adeniyi	Yes	Yes	Yes	Yes	100%
2	Irene B. Hagan	Yes	Yes	Yes	Yes	100%
3	Thomas A. John	Yes	Yes	Yes	Yes	100%

The committee undertook the following activities in 2023;

- (i) Quarterly review of sectorial concentration limits for credit facilities;
- (ii) Quarterly review of the Bank's credit portfolio;
- (iii) Quarterly review of Facility Summary Reports (FSRs);
- (iv) Quarterly review of top 20 performing loans;
- (v) Quarterly review of report on non-performing loans;
- (vi) Consideration of the report on insider-related credits;
- (vii) Consideration of the report on exposures to government and related companies; and
- (viii) Review and approval of the Committee's work plan for the year of 2024.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.2 Board Credit Committee - continued**

The Committee's work plan as approved by the Board on 8<sup>th</sup> November, 2023 is provided below.

Activity	Proposed Date
<b>Committee Meetings</b>	
Quarterly Meetings	February, May, August, November 2024
<b>Internal Reports</b>	
Review of Credit Portfolio/FSRs	February, May, August, November 2024
Review of insider related credits	February, May, August, November 2024
Documentation Status Report	February, May, August, November 2024
Top 20 Performing Loans Report	February, May, August, November 2024
Top Non-performing Loans Report	February, May, August, November 2024
Report on exposures to government and related companies	February, May, August, November 2024
Review of Sectoral Concentration limit for Credit Facilities	February, May, August, November 2024
<b>Appraisals</b>	
Committee Self-appraisal	May, November 2024
<b>Approvals</b>	
Credits Above GHS400,000.00	February, May, August, November 2024
Insider Related Credits	February, May, August, November 2024
Review/Approval of Sectoral limits for credits	August 2024
2025 Committee Work Plan	November 2024

**20.3 Board Risk Committee**

The Committee's main responsibilities include reviewing and recommending for approval of the Board, the Bank's Risk Management Policies including the risk profile and limits; determining the adequacy and effectiveness of the Bank's risk detection and measurement systems and controls; evaluating the Bank's internal control and assurance framework annually, in order to satisfy itself on the design and completeness of the framework relative to the Bank's activities and risk profile; oversight of Management's process for the identification of significant risks across the Bank and the adequacy of risk mitigation, prevention, detection, transfer and reporting mechanisms; and reviewing and recommending to the Board for approval, the contingency plan for specific risks.

The Committee is governed by terms of reference provided in the Risk Committee Charter.

The Board's Risk Committee is comprised of three (3) Non-Executive Directors and 1 Executive Director listed as follows:

S/N	BOARD RISK COMMITTEE	ROLE	APPOINTMENT DATE
1	Maidie Arkutu	Chairperson	Appointed on 6th November, 2019
2	Rasheed Ibrahim	Member	Appointed on 6th February, 2019
3	Adebanji Adeniyi	Member	Appointed on 3rd August, 2021
4	Thomas John	Member	Appointed on 6th November, 2020

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.3 Board Risk Committee -continued**

The membership of the Risk Committee meets the 30% Ghanaian membership requirement with two (2) members being Ghanaians.

The Committee is charged with the quarterly review of the Bank’s central liability report and summary of criticised loans with the concurrent power of assessing the adequacy of the reserves for loan losses and approving possible charge-offs.

The Committee presents reports to the Board at its quarterly meetings.

The Board hereby discloses the total number of Risk Committee meetings and the attendance rate of each Director below:

		Quarterly	Quarterly	Quarterly	Quarterly	
No.	Name	23-Mar-23	16-May-23	16-Aug-23	8-Nov-23	% Attendance
1	Maidie E. Arkutu	Yes	Yes	Yes	Yes	100%
2	Rasheed Ibrahim	Yes	Yes	Yes	Yes	100%
3	Adebanji Adeniyi	Yes	Yes	Yes	Yes	100%
4	Thomas John	Yes	Yes	Yes	Yes	100%

The Committee undertook the following activities in 2023;

- (i) Quarterly review of the Bank’s risk management profile
- (ii) Quarterly review of the Bank’s credit portfolio;
- (iii) Quarterly review of Facility Summary Reports (FSRs);
- (iv) Consideration and approval of Cloud Computing Policy; and
- (v) Review and approval of the Committee’s work plan for the year of 2024.

The Committee’s work plan as approved by the Board on 8<sup>th</sup> November, 2023 is provided below.

Activity	Proposed Date
<b>Committee Meetings</b>	
Quarterly Meetings	February, May, August, November 2024
<b>Internal Reports</b>	
Risk Management Report	February, May, August, November 2024
Documentation Status Report	February, May, August, November 2024
Review of Credit Portfolio/FSRs	February, May, August, November 2024
<b>Appraisals</b>	
Committee Self-appraisal	May 2024
<b>Reviews/Approvals</b>	
Contingency Funding Plan	February 2024
Operational Risk Mgmt. Policy	May 2024
Environmental & Social Mgmt Systems Policy	May 2024
Code of Conduct for Forex Interbank Market Trading	To-be-determined
Market and Liquidity Risk Mgmt Policy	To-be-determined
ICAAP	To-be-determined
Risk Appetite Statement	To-be-determined
Global Market Trading Limit	To-be-determined
2025 Committee Work Plan	November 2024

## 20.4 Board Nominations Committee

The Committee is responsible for the selection and nomination of persons as Directors and Key Management personnel as defined by Act 930 and who meet the Fit and Proper requirements and in addition reviews due diligence and assessment of such candidates conducted by Management prior to appointment. The Committee is governed by its terms of reference as provided in the Board Nominations Charter.

This Committee is currently made up of Three (3) Non-Executive Directors. The membership comprises the following:

S/N	BOARD NOMINATIONS COMMITTEE	ROLE	APPOINTMENT DATE
1	Joseph Amoa-Awuah	Member	Appointed 9th February, 2022
2	Adebanji Adeniyi	Chairperson	Appointed 9th February, 2022
3	Rasheed Ibrahim	Member	Appointed 3rd August, 2021

The Committee holds meetings as and when the need arises. One meeting was held in the year 2023 with the attendance provided below:

No.	Name	Ad-hoc 20 – Sept - 2023	% Attendance
1	Adebanji Adeniyi	Yes	100%
2	Rasheed Ibrahim	Yes	100%
3	Joseph Amoa-Awuah	Yes	100%

## 20.5 Board Cyber and Information Security Committee

The Board Cyber and Information Security Committee was established following approval by the Board at its meeting in November, 2023. The Committee is responsible for the oversight and creation of a secure cyberspace for the Bank, taking into consideration the needs of stakeholders and regulators.

The Board's Cyber and Information Security Committee is comprised of Three (3) Non-Executive Directors and 1 Executive Director listed as follows:

S/N	BOARD CYBER & INFO SEC COMMITTEE	ROLE	APPOINTMENT DATE
1	Rasheed Ibrahim	Chairperson	Appointed 8th November, 2023
2	Irene Hagan	Member	Appointed 8th November, 2023
3	Adebanji Adeniyi	Member	Appointed 8th November, 2023
4	Thomas John	Member	Appointed 8th November, 2023

The Committee shall meet on a quarterly basis and present reports to the Board at its quarterly meetings. Accordingly, its 1<sup>st</sup> meeting is scheduled for February, 2024.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**20.5 Board Cyber and Information Security Committee-continued**

The Committee’s work plan as approved by the Board on 8<sup>th</sup> November, 2023 is provided below.

<b>Activity</b>	<b>Proposed Date</b>
<b>Committee Meetings</b>	
<b>Quarterly Meetings</b>	
Committee Meetings	February, May, August, November, 2024
<b>Internal Reports</b>	
<b>Internal Reports</b>	
Cyber Risk and Information Security Report	February, May, August, November, 2024
Privilege/Access Review Report	February, May, August, November, 2024
Data Protection and Privacy Policy Compliance Status Report	February, May, August, November, 2024
<b>Appraisals</b>	
Committee Self-appraisal	May, November 2024
<b>Approvals</b>	
Info./Cyber Security Policies	February 2024
2025 Committee Work Plan	November 2024

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **21.0 Profile of Board of Directors**

#### **Joseph Kofi Amoa-Awuah (Chairman)**

Mr. Amoa-Awuah is the Chairman of the Board of Directors. He holds a Bachelor of Science degree in Business Administration from the University of Ghana, Legon as well as a Master of Business Administration (MBA) from the University of Strathclyde, Glasgow, UK.

He worked with the Bank of Ghana for over 33 years and played a prominent role in establishing the Anti-Money Laundering (AML) Unit in January 2011. He headed the Unit for the ensuing five years, during which he spearheaded the supervision and regulation of the AML Compliance function of major banks and some non-bank financial institutions and supervised a six-man team to ensure that licensed banks, rural and community banks, NBFIs, micro-finance companies and forex bureaux complied with statutory and regulatory requirements for anti-money laundering (AML) in Ghana.

He also served as Senior Banking Supervisor from January 2008 to December 2010 with a staff of 16 responsible for on-going prudential compliance for capital adequacy, asset quality, management, earnings and liquidity for 6 banks, 15 rural banks and 15 NBFIs. Mr. Amoa-Awuah worked previously in the SME financing unit (FUSMED) at the Bank of Ghana and supervised feasibility studies, project appraisals, approval of funding and post disbursement monitoring for SMEs. He was also involved in the drafting and roll-out of the Cyber and Information Security Directive for Bank of Ghana licensed financial Institutions. He ultimately rose to become the Director and Head of the Other Financial Institutions Supervision Department, from January 2016 in charge of a staff of 125, with responsibility for licensing, regulation and supervision of rural and community banks, micro-finance companies and forex bureaux in Ghana, until his retirement in July 2019.

He is exposed to International Monetary Fund (IMF) and World Bank financial system safeguard assessments, Basel Core assessments and also initiatives in the area of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and has been involved in sub-regional efforts at the level of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) since 2011.

His areas of consultancy interests and specializations cover AML/CFT compliance; general management; banking and microfinance prudential regulation and supervision; corporate training; advisor for financial, operational and strategic matters; SME development; private sector development; and corporate governance.

Mr. Amoa-Awuah is engaged as a non-executive director of Apex Health Insurance Limited, Cooperative Governance Africa and as an executive Director of 3A Consult Limited.

#### **Thomas Attah John (Managing Director/Chief Executive Officer)**

Mr. Thomas Attah John is an astute banker, a Certified Brewer and Chemist with a combined work experience of 16 years in various business development, deal origination and structuring and credit appraisal roles.

He has over the last 14 years led and executed landmark deals in various roles within GTBank's Corporate, Telecom, Operations and Retail Business.

Thomas holds a Chartered Banker MBA from the University of Bangor, UK, an MBA from the Lagos Business School, Certificate in Management Performance Measurement from Nanyang Technological University, Singapore and a Bachelor of Science (BSC. Hons) in Pure Applied Chemistry from the University of Calabar, Nigeria.

Mr. John also serves as a non-executive director on the boards of Guaranty Trust Bank (Liberia) Limited and Guaranty Trust Bank (Sierra-Leone) Limited.



## **CORPORATE GOVERNANCE (CONTINUED)**

### **21.0 Profile of Board of Directors (continued)**

#### **Rasheed Ibrahim (Non-Executive Director)**

Mr. Rasheed Ibrahim was appointed to the Board of the Bank in November 2018 as a Non-Executive Director.

Mr. Ibrahim holds a Bachelor of Science degree (B.Sc. Hons.) in Business Administration from the Abraham Lincoln University, Pennsylvania, United States of America.

He is a Businessman with diverse experience. He holds and has held various executive and managerial positions in Dara Salam Group of Companies, Chrome Energy Resources Limited, Dara Salam Estate Limited and Osagyefo Leadership International School.

His key areas of competence and skills acquired over the period include business development, contract negotiation, project and risk management as well as marketing and corporate sponsorships.

#### **Maidie Elizabeth Arkutu (Non-Executive Director)**

Ms. Maidie Elizabeth Arkutu was appointed to the Board of the Bank in May 2019 as an Independent Non-Executive Director.

Maidie Arkutu previously held the position of Vice President, Chairman and Managing Director of Unilever Francophone Africa. In this role, she led one of the 4 sub-Saharan Africa clusters for the Unilever Africa Group, managing over 10 French speaking countries and based in Abidjan. She was the Managing Director of Unilever Ghana prior to taking on the Francophone role.

Before her appointment as Managing Director of Unilever Ghana, Ms. Arkutu was the Marketing Director for Unilever West Africa (UWA). Miss Arkutu joined Unilever West Africa from Coca-Cola East and Central Africa Business Unit (ECABU) where she was the Marketing Manager for the Horn, Islands and Mid Africa (HIMA).

A professional Marketer, Ms. Arkutu has a post-Graduate Diploma in Marketing from the Chartered Institute of Marketing (U.K. Board). She also holds a Master of Business Administration (MBA) degree from the Vrije Universiteit Brussel, Belgium and a Bachelor of Arts (BA) degree in Business Economics with a minor in French from Vesalius College, Belgium.

Prior to her appointment, Miss Arkutu was the Lady Chair and Executive Board Member of the Executive Women Network (EWN), a Non- Executive Board member at Barclays Bank Ghana Limited and an Executive Board Member at Unilever Ghana Limited. She also served as a Regulatory Committee Member of the Business

Enabling Environment Programme and a corporate advisory Group Member at the University of Ghana Business School.

During her tenure as Managing Director of Unilever Ghana, Ms. Arkutu received several recognitions, including the prestigious Marketing Woman of the Year (2015) at the Chartered Institute of Marketing Ghana Awards and Outstanding Manufacturing Executive, Personal Products (2016) at the Feminine Ghana Achievement Awards. She was awarded the Female Influential Leader Award by Ghana UK Based Achievements (GUBA) in 2017, and in 2018, the prestigious Jeune Afrique Magazine named Ms. Arkutu as one of the Top 50 Most Influential Women in African Business.

Ms. Arkutu is currently Senior Vice President & Head of Business Development and Innovations, Olam Nigeria Limited. Prior to being assigned to Nigeria, she was the Senior Vice President, New Business Development of Nutrifoods Ghana Limited.

Ms. Arkutu acts as a trustee of CAMFED International, UK and is a non-executive member of the boards of Axis Pension and Nyaho Medical Centre.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **21.0 Profile of Board of Directors (continued)**

#### **Irene Baaba Hagan (Non-executive Director)**

Ms. Irene Baaba Hagan was appointed to the Board of the Bank in September 2019 as an Independent Non-Executive Director.

Irene is a Fellow Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales and a Certified Information Systems Auditor with both local and international experience in Audit, Finance, Governance, Risk and Compliance with FTSE 100 clients in the financial and telecommunications industries.

Her early career was with KPMG, UK in the Assurance practice within the Infrastructure & Government Group. She moved on to work with Pricewaterhousecoopers, London (U.K) and Boston, MA (U.S.A) where she managed various teams to

She later worked in various capacities in both Vodafone Plc, United Kingdom and Vodafone, Ghana and rose to a senior management position before leaving to pursue other interests.

Irene holds a B.Sc. (Hons.) in Accounting & Finance from The London School of Economics and Political Science and an MBA from the Hult International Business School, Massachusetts, USA. She is currently the Institute of Chartered Accountants in England and Wales (ICAEW) contact member and ambassador in Ghana. She is also the founder of IHagan Consult, a consultancy practice which provides corporate advisory and capacity building services across a variety of industries.

Irene also serves on the Board of Temple S&P Ghana Sovereign Bond Index ETF as a non-executive director.

#### **Adebanji Isola Adeniyi (Non-executive Director)**

Adebanji is an astute professional with over 24 years' experience acquired through consulting and auditing at Coopers & Lybrand 1996-1998, PricewaterhouseCoopers 1998-2000 & Arthur Andersen 2000-2001. During his stint at the Big 4, he garnered experience within the Manufacturing, Oil and Gas and Financial Services Industry providing value adding financial statement audit, assurance and business advisory services.

He started his career in banking at Lead Bank in 2001, rose to Deputy Manager / Head, Internal Audit with responsibilities for Inspection and Internal Control functions, and implemented Control tools amongst other projects at the Bank.

In February 2006, he joined Guaranty Trust Bank Nigeria Limited and is currently a General Manager and Chief Financial Officer, with responsibility for the activities within the Financial Control, Strategy and Group Reporting Division. Adebanji has diverse knowledge and vast experience in planning, implementing, building and enhancing financial health of organizations. He possesses strong analytical, General Management, Accounting, and Financial Advisory & Control skills.

He has worked on several projects with challenging objectives; GTBank Eurobonds issuance working with PwC, JP Morgan, Morgan Stanley and White & Case; led the finance team in converting 3 years Local GAAP Financial Statement to IFRS FS in fulfilment of the listing requirement of \$825m GDR on the London Stock Exchange and championed GTBank's full transition and embedding of IFRS. Adebanji has represented GTBank at several Roads shows (RS) and Conferences (CFs) both locally and internationally (GTBank/JPMorgan RS, HSBC, EFG Hermes, Rencap, Standard Bank & Moody CFs).

He has served on GTBank Plc's Management Credit Committee, Criticized Assets Committee, Assets and Liabilities Management Committee, IT Steering Committee and is an observer member of the Bank's Statutory and Board Audit Committees. He is currently the Group Chief Financial Officer of Guaranty Trust Holding Company Plc and serves as a non-executive director on the boards of Guaranty Trust Bank (Gambia) Ltd and Guaranty Trust Bank (Cote d'Ivoire) Limited.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **21.0 Profile of Board of Directors (continued)**

#### **Adebanji Isola Adeniyi (Non-executive Director) -continued**

An Alumnus of University of Ibadan, Adebanji graduated with a Doctor of Vet Medicine Degree in 1995, became an Associate and Fellow of the Institute of Chartered Accountants of Nigeria (ACA & FCA) in 2001 & 2013 respectively, bagged an MBA in 1999 and became an Honorary Senior Member of the Chartered Institute of Bankers (HCIB in 2013). He has attended Local and International Trainings; Euromoney, Programme Certificate in Strategic Finance IMD Switzerland, McKinsey Executive Leadership Programmes South Africa, Michigan Ross, Cranfield School of Management & LBS SMP.

### **21.1 Governance Structure**

#### **Board Effectiveness**

The board's effectiveness as a whole is assessed based on the following performance criteria; accountability, risk and performance; board composition, practices and procedures; succession and human resources management; governance of strategy; information and communication; and lastly regulatory compliance.

Areas of assessment for the Board Chairman and the Managing Director covered performance, leadership, succession and human resource, information and communication with the only differing areas being strategy execution for the Managing Director, and strategy formulation for the Board Chairman.

In assessing effectiveness of individual members of the board, the areas considered include; professionalism, leadership, responsibility, time commitment and accountability, transparency and effective communication.

#### **Summary of Board Trainings and Capacity Building Programmes**

<b>Topic</b>	<b>Facilitator</b>	<b>Date</b>
Information/Cyber Security Training Awareness	Information Security Dept. - GT Bank	19 <sup>th</sup> January, 2023
AML/CFT & P Training - Notes on Bank of Ghana/Financial Intelligence Revised Guideline on Anti-Money Laundering and Combatting Terrorism Financing	George Nkrumah, Certified Anti-Money Laundering Specialist	26 <sup>th</sup> July, 2023
Corporate Governance Training for Directors & Company Secretaries of Capital Market Operators Module 1	Securities & Exchange Commission	26 <sup>th</sup> September, 2023
Guidelines for Fund Managers, Unit Trusts and Mutual Funds Regulations 2001(L.I 1695) and Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) - Module II	Securities & Exchange Commission	27 <sup>th</sup> September, 2023

### **22.0 Board Performance Evaluation**

The Board carries out regular evaluation, both self-assessment and external evaluation, of its performance as a whole, including its sub-committees and of individual Board members in order to review the effectiveness of its own governance practices and procedures including Anti-Money Laundering/Combating the Fighting of Terrorism (AML/CFT).

#### **22.1 External Board Evaluation**

In line with Bank of Ghana's Corporate Governance Directive to conduct an external evaluation every two (2) years, the Board underwent an external board evaluation facilitated by Purple Almond Consulting in 2022.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **22.0 Board Performance Evaluation - (continued)**

#### **22.1 External Board Evaluation (continued)**

The external evaluator undertook an analysis of all relevant corporate and statutory documents which included a review of board members' profiles, review of select number of agenda, review of minutes of meetings for the period under review, key board papers; questionnaires and interviewing of directors.

Questionnaire and interview areas covered board performance assessment, peer assessment, assessment of the Managing Director, assessment of the performance of the Chairman, and assessment of personality and board dynamics.

#### **22.2 Report on Board Evaluation**

Following the external evaluation exercise, it was concluded that the Board exhibited strength in the following areas:

- (i) Diversity of backgrounds in terms of experience, skills, capabilities which translate into positive work culture and dynamics
- (ii) Excellent scrutiny and interrogation of information with prudence and constructively challenging management
- (iii) Taking its fiduciary responsibility seriously and exhibiting commitment to providing strategic directions
- (iv) Exhibiting good interpersonal relationship with staff and management

Conversely the following areas were highlighted as areas of improvement:

- (i) Creation of a board cyber and information security committee with a well-defined charter
- (ii) Succession and talent management
- (iii) Balance of shareholder value vs stakeholder value
- (iv) Enhanced board engagements with key management staff
- (v) Improving team bonds

Key recommendations have been implemented with the outstanding being the creation of a succession plan. The succession plan is under review and will be completed by June 2024.

A detailed report of the external evaluation report was submitted to the Banking Supervision Department of the Bank of Ghana on 22<sup>nd</sup> March, 2023.

### **23.0 Conflicts of Interest**

The Board has in place a Conflict of Interest Policy which includes:

- i. The duty of the director to avoid possible activities that could create conflicts of interest;
- ii. A review or approval process for directors to follow before they engage in certain activity so as to ensure that such activity will not create a conflict of interest;
- iii. The duty of the director to disclose in addition to section 59 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) any matter that may result, or has already resulted in a conflict of interest;

## **CORPORATE GOVERNANCE (CONTINUED)**

### **23.0 Conflicts of Interest –continued**

- iv. The responsibility of the director to abstain from voting as prescribed under section 59 of Act 930 and on any matter where the director may have conflict of interest;
- v. Adequate procedures for transactions with related parties to be made on a non-preferential basis; and
- vi. The way in which the Board will deal with any non-compliance with the policy.

### **24.0 Chief Risk Officer**

The Bank has a Chief Risk Officer (CRO) who is a Key Management Person (who has no involvement in the operations of the bank) with distinct responsibility for the risk management function and the comprehensive risk management framework of the bank across the entire organization.

The independence of the CRO is paramount and the role is distinct from other executive functions and business line responsibilities. The CRO reports to the Managing Director with an unfettered reporting access to Board and its Risk committee. Interaction between the Board and the CRO is regular and comprehensively documented.

### **25.0 Internal Audit**

The Bank has in place an internal audit department to provide an independent assessment of the adequacy of, and compliance with established policies and procedures, the lines of reporting of the internal audit department, the roles and responsibilities of the internal audit department as well as the scope and nature of audit work.

#### **Chief Internal Auditor**

The Bank has a Chief Internal Auditor (CIA) who is an independent Key Management Personnel who has no involvement in the audited activities and business line responsibilities of the Bank. The CIA is competent to examine all areas in which the Bank operates and shall;

1. Have the professional competence to collect and analyse financial information as well as evaluate audit evidence and to communicate with the stakeholders of the internal audit function;
2. Possess sufficient knowledge of auditing techniques and methodologies;
3. Be a member of a relevant recognised professional body;

The Chief Internal Auditor reports directly to the Board sub-committee on audit or the full Board (depending on size and complexity) and has direct access to the Board and its audit committee. Interaction between the Board and the CIA is regular and comprehensively documented.

### **26.0 Internal Controls framework**

Internal controls are designed to ensure that each key risk has a policy, process or other measure, as well as a control that ensure that the policy, process or other measure is being applied and works as intended. Internal controls help provide comfort that financial and management information is reliable, timely and complete and that the Regulated Financial Institution is in compliance with its various obligations, including applicable laws and regulations.

#### **26.1 Internal Control & Risk Management Systems**

Internal control and Risk Management Systems in relation to the financial reporting

Guaranty Trust Bank's internal control and risk Management systems ensure that material errors or inconsistencies in the financial statements are identified and corrected. The Bank's internal control framework is patterned after the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Framework.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **26.1 Internal Control & Risk Management Systems - continued**

COSO defines internal control as “a process effected by an entity’s Board of Directors, Management and other personnel, to provide reasonable assurance regarding the achievement of objectives” in three categories-- effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. The scope of internal control therefore extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives, and endeavors of all types at all levels of the Bank.

The internal control and risk Management systems comprise the following areas:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

#### **Control Environment**

The Bank has four Board Committees (Board Risk Committee, Board Credit Committee, Board Audit Committee and Board Cyber and Information Security Committee) that have oversight function on the Bank’s Risk Management Processes. The Committees are responsible for setting risk Management policies that ensure material risks inherent in the Bank’s business are identified and mitigated or controlled. The Bank also has an Audit Committee which is independent. Its oversight functions include among others, ensuring that quality accounting policies, internal controls, independent and objective statutory auditors are in place to prevent and detect fraud and material errors in financial reporting. The Bank’s Management committees are responsible for implementing risk Management policies set out by the Board. They are also responsible for setting internal control policies and monitoring the effectiveness of the internal control systems. They ensure proper books of accounts are kept and accounting policies are in conformity with: International Financial Reporting Standards; Prudential Guidelines for licensed Banks; Circulars issued by the Bank of Ghana; The requirements of the Banks and Specialized Deposit Taking Institutions Act among others.

#### **Risk Assessment**

The Board and Senior Management regularly assess the risks the Bank is exposed to, including risks relating to financial reporting. Management Committees meet on a regular basis to assess the credit, market, interest rates, liquidity, legal and reputational risks facing the bank. Senior Management also regularly considers whether the existing internal controls are effective in relation to the risks identified in the financial reporting process. The Board also assesses the effectiveness of the Bank’s internal control over financial reporting on an ongoing basis and specifically at mid-year and year end. The Management letter issued by the external auditors which contains the auditors’ observations on the control environment in the Bank is discussed at the Audit Committee meetings.

#### **Control Activities**

Control activities are an integral part of the Bank’s day to day operations. Senior Management has set up control structure to ensure control activities are defined at every business area.

Examples of the Bank’s control activities include the following;

#### **Top Management Reviews**

- Internal Audit Reports eliciting control weaknesses are presented periodically to Management and Board Audit Committee.
- Preparation of financial statements on a daily basis for Management review.
- Monthly and quarterly profitability review, where the Bank’s financial performance is reviewed and compared with set budgets. Quarterly reports of the Chief Risk Officer to the Board, eliciting the existing and potential risks facing the Bank and the mitigants deployed.

#### **Activity Control**

Control functions are embedded within each business area for self-checking of activities within the areas (for instance, transactions call over for timely detection of errors is carried out by all posting units).

#### **Physical Controls**

There are policies guiding access to the Bank’s physical and financial assets, including dual custody, use of overrides etc.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **26.1 Internal Control & Risk Management Systems - continued**

#### Compliance with Limits

The Bank sets internal limits guiding its trading book activities, liquidity and interest rate gaps, credit concentration limits. The limits are monitored on a daily basis by an independent unit outside the business areas.

#### Approval and Authorisation Limits

- There are segregation of duties; no officer can start and conclude transactions
- Limits exist for credit and expense approvals. Transactions are approved at appropriate levels.

#### Verifications and Reconciliations

All internal ledgers are regularly proofed and reconciled; exception reports are generated.

#### Whistle Blowing

The Bank has instituted a strong whistle blowing culture among staff and also created awareness among its stakeholders. The whistle blowing platform is accessible to all and the aim is primarily to ensure that all cases of irregularities are made known and addressed by the Bank.

#### Information and Communication/ Monitoring

The Bank's Management understands the need for a timely, reliable and accurate information flow within the Bank, for effective decision making and enhanced financial reporting. Every activity of the Bank is codified in the Bank's Standard Operating Procedures (SOP), which outlines the process flow and specifies the duties and responsibilities of every officer in relation to the activity. The SOP further highlights requirement for reporting, the frequency of reporting as well as those within the organization to whom the report would be directed to.

### **27.0 Management Committees**

Management Committees are various committees comprising of senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyse and make recommendations on risks arising from the day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented.

They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers.

The key Management Committees in the Bank are:

- Management Credit Committee;
- Criticised Assets Committee;
- Assets and Liability Management Committee; and
- IT Steering Committee

#### **27.1 Management Credit Committee (MCC)**

Management Credit Committee is responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding, in aggregate, a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee meets at least once a week or once a fortnight depending on the number of credit applications to be considered.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **27.1 Management Credit Committee (MCC)**

The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The Secretary of the committee is the Head of Credit Administration Unit of the Bank.

### **27.2 Criticised Assets Committee (CAC)**

The Criticised Assets Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework and ensures that triggers are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines.

The members of the Committee include the Managing Director, General Manager, and other relevant Senior Management Staff of the Bank.

### **27.3 Assets and Liabilities Management Committee (ALMAC)**

The Criticised Assets Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework and ensures that triggers are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines.

The members of the Committee include the Managing Director, General Manager, and other relevant Senior Management Staff of the Bank.

### **27.4 IT Steering Committee**

The IT Steering Committee is responsible for the review of technology deployments in the Bank, planning of new IT products and the review of developments in the Technology industry.

The Committee is chaired by the Managing Director and has the Head of Technology Unit as the Secretary. Other members include; the General Manager, the Group Heads of Investment Bank, Retail Bank, Alternative Channels, Settlements; and Heads of Corporate Affairs, Risk Management, Systems and Control, and Financial Control and Strategy.



## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **28.0 Profile of Senior Management**

#### **Ayokunle Yusuf (Chief Operating Officer)**

Mr. Ayokunle Yusuf has over a decade banking experience having joined GTBank Plc in 2009 and began work in the Financial Control Division. In May 2018, he was redeployed to the Oil & Gas Division to manage the Shell Companies in Nigeria (SCiN) relationship (2017 total assets in excess of \$8bn) and the largest Joint Venture partner of the Nigerian National Petroleum Corporation (NNPC).

In November 2018, he was appointed Chief Operating Officer (COO) of GTBank (Rwanda) Plc where he successfully delivered the Bank's IT virtualization project and spearheaded the Business Automation Project (BAP) comprising 92 products', services', systems' and processes' upgrade, improvement and enhancement tasks across 14 Departments of the Bank. In addition, he successfully optimized the Bank's Digital Banking products and services portfolio for enhanced revenue generation, created multiple loan products and tremendously improved the credit-writing process until his appointment as the Chief Operating Officer (COO) of GTBank (Ghana) Ltd in December 2020.

Prior to 2018, he assisted GTBank (Sierra Leone) Ltd in transiting to IFRS 9, designed bespoke IFRS impairment analyzer for the subsidiary and also provided post-IFRS 9 implementation support while he also advised GTBank

(Kenya) Ltd and GTBank (UK) Ltd on IFRS 9 implementation. He is a sought-after resource person and has delivered several macro-economic presentations and policy papers both within GTBank and to external parties including the International Money Fund/World Bank/Federal Ministry of Finance teams during Staff Visits.

Yusuf holds a Bachelor of Science Degree in Accounting, is a Chartered Accountant (ACCA), Chartered Stockbroker (ACS) and has an MBA from Warwick Business School, United Kingdom. He has attended several trainings including one at China Europe International Business School (CEIBS) while he has also facilitated trainings at GTBank (Liberia) Ltd, GTBank (Sierra Leone) Ltd, GTBank (Rwanda) Ltd, GTBank (Ghana) Ltd and GTBank (Tanzania) Ltd.

#### **Iris Richter-Addo (Divisional Head, Internal Services)**

Ms. Richter-Addo holds a Bachelor of Laws Degree from the University of Ghana and Barrister at Law qualification from the Ghana School of Law. She also holds a Master's Degree (cum laude) in International Trade and Investment Law jointly run by the University of the Western Cape, Cape Town, South Africa/American University, Washington DC, USA. She was called to the Ghana Bar in 1995 and has over 28 years' post-qualification experience in company secretarial practice and diverse areas of law. She possesses a proven track record of being an efficient, results-oriented multi-tasker possessing the ability to meet and exceed delivery expectations; strong strategy and policy formulation capabilities; superior leadership, communication, negotiation and interpersonal skills.

She currently oversees Human Resources, Legal, Corporate Communications & Experience and Administration. She also serves as the Company Secretary of the Bank, a position she has held since inception of the Bank.

Prior to joining the Bank, she worked as an associate lawyer with Messrs. Fugar & Company, a reputable law firm with offices in Accra, Ghana, providing legal and company secretarial services to both local and multi-national clients.

Ms. Richter-Addo is a member of the Ghana Bar Association.

#### **Nelson Ofofu (Head, Tema Corporate Banking)**

Mr. Ofofu joined the Bank in February 2010 as the Head of Tema Branch and was later appointed as the Group Head for the Tema Business Group comprising of the Corporate, Commercial and Retail Teams of the branches within Tema. Later, he became the Divisional Head overseeing the Corporate, Retail and Advantium (SME & Commercial) Business Groups within the Tema and Spintex area. Currently, he is the Divisional Head overseeing the Tema Corporate Bank Division.

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **28.0 Profile of Senior Management - continued**

#### **Nelson Oforu (Head, Tema Corporate Banking) – continued**

Mr. Oforu started his banking career with the Bank for Housing and Construction (in-official -liquidation) as Commercial Banking Officer in 1998. He had previously worked for the Ghana Education Service and taught for one academic year at the Presbyterian Boys' Secondary School, Legon. Thereafter, he worked with a team of implementation consultants from the International Projekt Consult, Frankfurt-Germany, to set up ProCredit Savings and Loans Company Limited, in Ghana. In 2002, Mr. Oforu was employed as Credit Officer and later assumed responsibility as Deputy Credit Manager (in charge of Risk Management) and eventually as the Head of Credit of ProCredit, a senior management position he held until September 2006. He later moved to Intercontinental Bank Ghana Limited as a Microfinance Specialist to manage the Microfinance Department.

He holds a Bachelor of Science degree (Second Class Upper Division) in Physics from the Kwame Nkrumah University of Science and Technology and master's degree in business administration (Finance Option) from the University of Ghana.

#### **Caleb Osei (Chief Finance Officer)**

Mr. Caleb Osei is a fellow of the Association of Chartered Certified Accountants (ACCA-UK) and a member of the Institute of Chartered Accountants (ICA-Ghana), has an Executive Master's in Business Administration (Accounting option) and BSc in Administration (Accounting Option), both from the Business School of the University of Ghana, Legon. He holds an honorary doctorate degree in leadership and strategic management from MG Business Solutions.

Mr. Osei has over 15 years work experience from very renowned institutions such as Marine and General Brokers, Access Bank (Ghana) Ltd and Guaranty Trust Bank (Ghana) Ltd. His expertise cuts across Risk Management, Treasury Management, Financial Reporting, Corporate Finance, Strategic Management as well as Tax Planning and Administration.

He was a panel member of the Arab African Trade Forum held in Dubai in December 2017, providing key insights into how the Middle East can tap into the trade business of the Sub-Saharan African Countries. He attended the London Banking School of Risk Management and was the guest of the British Government at the 2015 City Week, an International Financial Services Forum. He also participated in the 2016 Future of Finance Conference organised by FMO in Netherlands amongst others.

Mr. Osei has been very influential in the banking and financial sector through his contributions in leading the process for the Initial Public Offer of Access Bank Ghana Limited as well as a Note Programme. He played a key role in the implementation of IFRS 9 and 16 for Access Bank and Guaranty Trust Bank respectively.

Mr. Osei has held key positions in the financial industry. He currently is the Regional Chief Finance Officer (CFO) of the West African Region of Guaranty Trust Bank Holding Company and the Chief Finance Officer of Guaranty Trust Bank (Ghana) Ltd having previously worked with Access Bank Ghana Limited in the same capacity.

#### **Yahaya Atchulo (Divisional Head, Public Sector Banking 1)**

Mr. Yahaya Atchulo is a member of the Institute of Chartered Accountants, Ghana (ICAG) and a fellow of the Chartered Institute of Taxation, Ghana (CITG). He holds an EMBA in Finance from the University of Ghana, Legon.

Mr. Atchulo has over 20 years work experience in the finance profession and banking industry. He joined the Bank from inception in 2005. He later joined the United Nations Development Program (UNDP) where he rose to be the Head of the Finance unit, before proceeding to Guaranty Trust Bank (Ghana) Ltd where rose through the ranks to hold several leadership positions. He became the Head of the Northern Sector, Energy and Power, and Public Sector businesses consecutively.

He currently is Divisional head of the Public Sector Business, and a Senior Member of the Bank, where he champions the Bank's cause to provide quality and timely services to customers and other stakeholders of the Bank.

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **28.0 Profile of Senior Management (continued)**

#### **Ernest Kumi (Divisional Head, Retail Division 3)**

Mr. Kumi holds a Bachelor's degree in Banking and Finance from the Central University. He is currently the Divisional Head, Public Sector Division 2 prior to the new role, he was the Divisional head of retail Division 1, head of the Currency Trading Group of the Bank and has been in-charge of the leadership of the Investment Bank Group. He has over twenty years of banking experience.

Prior to joining the Bank, Mr. Kumi had worked with CAL Bank Ltd in various capacities including holding the Risk Officer position as well as Head of Treasury Back Office. He also worked with erstwhile Intercontinental Bank as Head of the Trading and Investment Banking Unit. Currently, he is a Divisional Head of one of the Bank's Retail Banking Business.

#### **Nana Kwabena Afoom (Divisional Head, Accra Corporate Bank)**

Nana Kwabena Afoom currently heads the Accra Corporate Banking Division of the Bank. He joined the Bank in 2008 as the Unit Head of the Commercial Banking Group in charge of FMCG businesses. He was responsible for setting up the SME Group of the Bank in 2013 before being appointed the Group head of Corporate Banking Group in 2015. Prior to setting up the SME group, he was the Pioneer Branch Head of the Achimota Branch from 2009 to 2011, Branch Head of the Airport branch from 2011 to 2012 and then Regional head for Retail Banking, 2012 to 2013. He is currently the Divisional Head of the Bank's Accra Corporate Banking Business.

He started his banking career as a Credit officer with the Dansoman Branch of the Agricultural Development Bank (ADB) in 2000 before becoming the credit manager of the branch in 2003. His other work experience is in the areas of marketing and events management.

He holds a BSc. (Agricultural Economics) degree from the University of Ghana (1994 - 1998) and an M.Sc. (International Economics, Banking & Finance) degree from Cardiff Business School, Cardiff, Wales 2003-2004.

#### **Oscar Dadzie (Chief Risk Officer)**

Mr. Oscar Dadzie is a member of the Association of Chartered Certified Accountants (ACCA-UK) and of the Information Systems Audit and Control Association (ISACA). He also has a Master's in Business Administration (Financial Management), BA (Hons) Economics), and Project Management Professional (PMP) level one from Hull University, UK, the University of Ghana, Legon, and Knowledge Tree Technologies, Accra respectively.

Mr. Dadzie has over 20 years work experience in the banking industry. He began in the erstwhile ProCredit Savings & Loans Co. Accra, Ghana (now part of Fidelity Bank Ghana Limited) before later joining Guaranty Trust Bank (Ghana) Ltd where he rose through the ranks to positions such as Head of Domestic operations, Chief Finance Officer and Chief Risk Officer.

He is also an attendant of several professional seminars cutting across Risk, Finance and Information Technology (IT) which have served to fine-tune his expertise in these various fields – IT Governance in Banking, Ethics, ERM and Corporate Governance as organized by credible institutions.

He currently is the Chief Risk Officer (CRO) of Guaranty Trust Bank (Ghana) Ltd where he has achieved the feat of successfully managing the Bank's credit and risk portfolio.

#### **Chris Joseph Haruna (Chief Internal Auditor)**

Chris Joseph Haruna is a Chartered Accountant and a member of the Institute of Chartered Accountants Ghana. He is an associate member of the Association of Certified Fraud Examiners (ACFE). He is a member of the Institute of Internal Auditors Ghana (IIAG) and also a certified ISO 9001:2015 Lead Auditor. He holds a first degree in Bachelor of Commerce (B.COM) from the University of Cape Coast, Ghana and an MBA in Accounting and Finance from the University of Professional Studies, Accra (UPSA).

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **28.0 Profile of Senior Management (continued)**

#### **Chris Joseph Haruna (Chief Internal Auditor) -continued**

Mr. Haruna joined the Bank in November 2016 from PricewaterhouseCoopers Ghana (PWC Ghana) where he was responsible for the conduct of external assurance audit engagements with specialization in financial sector audits. He joined the Bank as the Unit Head of Internal Audit and was later appointed as the Chief Internal Auditor. He has 13 years working experience in Leadership, External and Internal auditing and Internal control, and fraud prevention and detection. He has knowledge and understanding of applicable banking operations, regulations, International Standards for the Professional Practice of Internal Auditing and Operational risk and control.

There were no retirements, resignations, or removal of Key Management Personnel during the financial year.

### **29.0 Remuneration Policies**

The Board oversees the design and operation of the compensation system of the bank and periodically reviews the compensation system to ensure that it is effectively aligned with prudent risk taking and at par with industry peers.

The Board ensures that levels of remuneration are sufficient to attract, retain, and motivate executive officers of the bank and ensures the remuneration is balanced to avoid excessive risk taking or potential risks to the bank's capital base.

Remuneration of the executive and non-executive directors is proposed based on the results of a survey conducted by an independent consultant and is subject to approval by shareholders at an annual general meeting.

Staff compensation structure and any changes made therein are taken through an approval process which ultimately ends at the Board level. Discussions concerning changes to remuneration at all levels are considered and approved at full Board level. Executive remuneration has a mix of both short and long term components to promote sustainable long-term performance.

The Board ensures that remuneration that is tied to performance and any variable remuneration scheme more generally, is designed in such a way as to prevent excessive risk taking or fraud.

# 2023 Sustainability Report

## Chairperson's Message

At Guaranty Trust Bank (Ghana) Limited, our Orange rules namely, simplicity, service, professionalism, friendliness, excellence, trustworthiness, social responsibility and innovation – resonate superbly with sustainability.

Our ambition is to garner the resources available to preserve the planet, and create jobs to drive economic development. We therefore strive to build an informed, empowered and enabled stakeholder forum in order to deepen the modest gains we have made towards a more sustainable future for all.

We would continue to explore greener technology in tandem with robust risk management to enable us maximize the opportunities in sustainable banking.

In line with Bank of Ghana's Sustainable Banking Principles, the Bank would explore wider stakeholder engagements in our pursuit of the UN Sustainable Development Goals (SDGs) to ensure the collective success of all stakeholders.



## This issue

- Chairperson's Message
- Corporate Behaviour
- Access to Communication
- Environment
- Governance
- Social Opportunity

## Simple, sustainable banking for everyone

The year **twenty twenty-three** has had its challenges, yet we at Guaranty Trust Bank (Ghana) remain unfazed in our resolve to create long-term value for our esteemed stakeholders. Our risk management framework has been strengthened further to stand the test of time, amidst the current tide of economic challenges.

We fully integrate sustainability in our strategy as we operate a model that evaluates economic concerns while constantly weighing the impact of our business operations and activities on people and the environment.

We further ensure that our Environmental and Social Management System (ESMS) aligns with the requirements of the Bank of Ghana Sustainable Banking Principles and the IFC Performance Standards.

We thrive on innovation to enhance our environmental, social, and economic footprints. Our banking practices prioritize resource efficiency, a healthy and mutually beneficial stakeholder relationship, effective risk management, and excellent experience. We partner with the International Finance Corporation (IFC), Bank of Ghana, Ghana Association of Bankers, Development Bank Ghana and the Environmental Protection Agency to advance the sustainability agenda.

This Sustainability Report echoes our journey through the year 2023, highlighting the initiatives undertaken by the Bank to ensure that we remain an economically viable and financially sustainable organization. The scope of our report covers the **Environment, Social Opportunity, Corporate Behaviour, Access to Communication, and Workplace** as well as our scorecard in the implementation of Bank of Ghana's Sustainable Banking Principles.

**Professional Ethics**



**Corporate Behaviour.**

**GTBank values customer-centricity and superior financial performance along with resource optimization.**

Guaranty Trust Bank is a friendly brand that truly cares and this permeates every sphere of our business. We have a value system that is hinged on professionalism, ethics, integrity, and superior customer service.

Our style of operation, staff conduct and service delivery models are built on 8 core principles aptly dubbed “The Orange Rules”

We maintain a culture of excellence and go to great lengths to actualize the popular phrase “the Customer is King”. Right from our car park, customers are warmly welcomed by our Security Men, Front Desk officials and are ushered into the banking hall where they are attended to by our Customer Service officers.

**Access to Communication**

At GTBank, we deem it important to provide seamless service and get continuous feedback from the very people we serve to enable us identify areas where we can improve upon service delivery. Therefore, we have deployed the various channels via which our customers can reach out to us-

**“Simplicity, Professionalism, Service, Friendliness, Excellence, Trustworthiness, Social Responsibility and Innovation”**

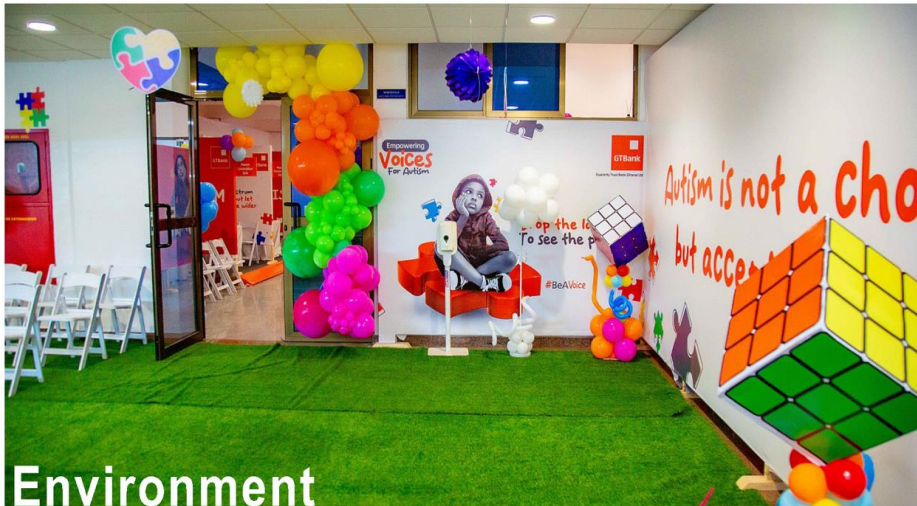
•24-hour Contact Centre: The GTBank Contact Centre works round the clock to engage customers who require assistance with their accounts and other banking related issues. Customers are also contacted frequently with reminders on issues such as dormant accounts and expired cards.

•Social Media Platforms: The Bank has official handles on Facebook, Twitter, Instagram, Whatsapp and LinkedIn through which customers and potential customers are able to reach our dedicated team with enquiries and complaints that are attended to within strict timelines.

•Customers can also reach us via the Bank’s official email accounts ([gh.corporateaffairs@gtbank.com](mailto:gh.corporateaffairs@gtbank.com), [gh.custmersupport@gtbank.com](mailto:gh.custmersupport@gtbank.com)) where hundreds of enquiries, requests and complaints are attended to on a daily basis.

•Each branch also has a QR code which customers can scan to provide feedback on service delivery upon each visit. These feedback are attended to in real time to ensure all issues are resolved immediately.

•Talk with MD: One novelty introduced by GTBank is the 2-hour monthly “Talk with MD” session, where the Managing Director invites customers to contact him directly via phone call with their enquiries and suggestions on how to further improve upon general service delivery.



## Environment

Guaranty Trust Bank (Ghana) Ltd is committed to safeguarding and conserving the physical environment within which it operates.

The Bank has the following initiatives in the afore-mentioned areas:

### Carbon Emissions

Procurement of only brand new vehicles from certified dealers

Plan to implement car pooling among staff of closer branches

### Bio-Diversity and Land Use

Maintenance of flora on 40% of our Head Office premises

Compliance with all EPA standards and requirements

### Packaging Material and Waste

Paper Recycling Scheme in partnership with paper recycling companies

Plan to segregate waste & implement recycling scheme for plastics as well

### Renewable Energy

Use of solely LED lighting in all branches

Solar Energy in Pilot Phase in two branches

Enforcement of 6 pm compulsory shut down time for all branches

### Clean Technology

Paperless Banking in all banking halls and internal units

e-recruitment and digital interviews

e-filing

## Green Financing & Women's Banking Opportunities

We continue to explore opportunities in green financing and women's banking towards the achievement of the Sustainable Development Goals. We are in constant engagement with our stakeholders to enhance the relevance of our products and services as well as their compliance with the Bank of Ghana's Sustainable Banking principles and best practice. 2024 promises even more success in that regard, as we deepen our existing relationships, and build on from the modest gains of yesteryears.

Our focus would continue to be on mitigating climate risks that may affect our operations, and to develop environmentally and socially friendly products. We would therefore engage our stakeholders to improve on customer feedback towards the enhancement of resource efficiency and acceleration of financial inclusion, especially for Small and Medium Enterprises.

## Governance

GTBank's superior performance is buoyed by good corporate governance. Our operations are aligned with the following approved policies:

- Ethics Policy
- Consumer Recourse Mechanism Policy
- GTBank Whistle Blowing Policy
- Compliance Policy
- Credit Policy Guide
- Environmental & Social Management Policy
- Service Management Policy
- Information Security Policy
- Business Continuity & Disaster Recovery Plan

## Social Interventions

GTBank continues to improve the livelihoods of its staff, customers and the communities within which it operates. The Bank would explore more opportunities in the areas of health, education, sports, arts and culture. We would continue to engage and equip our employees with the knowledge and logistics they need to delight our customers as we raise the bar on adding sustained, superior value all stakeholders.

## WORKPLACE

We are an equal opportunity employer that encourages cultural diversity and runs an open door policy, with no room for discrimination.

Our workforce remains our most valued asset at GTBank as we continue to channel resources towards human capital development, compliance with labour standards and maintaining a safe work environment. We are an equal opportunity employer that encourages cultural diversity and runs an open door policy, with no room for discrimination. To ensure the health and safety of our employees, we organized health talks on cervical cancer awareness and prostate cancer awareness, stroke, mental health, pensions and retirement matters, as well as how to manage pregnancy and work. Periodic seminars and webinars are also organised for employees on wellness, security and health to improve their awareness and well-being. We also partnered with Clarion Health International to provide medical screening for all permanent staff.

In line with our drive for capacity building, we trained more than 500 employees on subject matters ranging from Financial Modelling, Business Continuity, Customer Relationship Management, Risk Management, Environmental and Social Risk Management, Workplace Fire Safety and First Aid Management, Digital Banking and Customer Experience, Effective leadership & Supervision, Managing Stress among others.

GTBank also remains committed to promoting gender equality and women empowerment. The ratio of women in the employment of the Bank and in management positions are currently 49% and 37% respectively. The percentage of women on our Board of Directors is currently 29%.



Employee appreciation day and customer service week were delightful moments for all employees as they switched to dress down mode with initiatives like "African Wear Day". The Bank organized discussions on our Twitter handle to discuss "The Life of a Career Mom" on Mothers' Day and "Daddyng Responsibly" on Fathers' Day.



The Operational Risk Management (ORM) Group in conjunction with the Compliance Group, Information Security Group and the Human Resource Group also published several awareness slides on Compliance, Cybersecurity, Health and Safety during the period in line with our commitment to empower and support employees.



Sustainability

Report 2023



**Score Card: Bank of Ghana Sustainable Banking Principles**

We are committed to complying with all regulatory requirements on sustainability.

The table below shows our progress in the implementation of Bank of Ghana's Sustainable Banking Principles:

PRINCIPLES	THEME	CRITERIA	PROGRESS UPDATE
<b>Principle 1</b>	Environmental & Social Risk Management (ESRM)	Number of loan applications screened for E&S risks	<ul style="list-style-type: none"> <li>o 75 transactions approved by the Bank were screened for E&amp;S risks.</li> <li>o ESG enhanced due diligence was conducted on 11 customers in high-risk sectors for the year under review.</li> <li>o High risk exposures stood at 70% of loan book as at December 2023.</li> </ul>
		Number of hours or days of employee training on E&S risk management policy and procedures	Constant training on the Bank's electronic notice Board (Intranet) and periodical training meetings
		Percent of employees trained on the E&S risk management policy and procedures	65% of Staff have had personal training; circulars are published on daily basis to create awareness Two staff attended a resident Training of Trainers workshop organized by Development Bank Ghana
		Number of new products and/or services introduced that are intended to encourage good E&S performance by clients	0
		Uptake of new products and/or services intended to encourage good E&S performance by clients (number of products and/or services sold)	The Bank has deployed its paperless banking solutions in all branches, while availing all critical services on its digital channels
<b>Principle 2</b>	Internal Environment Social & Governance (ESG) in banks operations	Electricity consumption per sq. meter of office space	Total energy consumed was 1,677,383.31kw/h
		Paper consumption per full time equivalent employee	Reams of A4 paper consumed was 2,700
		Water consumption per full time equivalent employee	3 Liters per employee per day
		GHG emissions per sq. meter of office space	
		Waste production per full time equivalent employee	
		Number of employee health and safety incidents per full time equivalent employee	0
		Number of employee sick days per full time equivalent employee	3 months with full pay
		Number of hours or days of employee training around health and safety per full time equivalent employee	At least once every quarter training is done on health and safety for staff
		Workplace diversity (measured by percent of women, ethnic minorities, etc. who are employed at the bank)	A culturally diversified workplace with zero discrimination policy. Women currently form 49% of total staff, and 37% of management staff.
		Community engagement (measured by number of employee volunteering hours, amount of money invested in the local community, and number of community initiatives sponsored or implemented)	The Bank under its "A Bag for Each" initiative, distributed one hundred and fifty-two (152) school bags to the pupils of Anunmle Primary Basic School, Achimota-Accra. The bags were funded by the Bank and volunteer staff.
<b>Principle 3</b>	Corporate Governance & Ethical Standard	Number of hours or days of employee training on good governance and ethical standards	Minimum of 3 hours training per employee each year
		Number of ongoing law suits related to governance issues	No governance related lawsuits
		Percent of total employees for whom bribery and corruption is a relevant issue	No active staff member has been identified as being related to any corruption or bribery scheme
<b>Principle 4</b>	Gender Equality	Gender pay gap	Equal pay for all FTEs at same levels
		Percent of FTEs who are women	Women constitute 49% of FTEs
		Percent of women FTEs recruited in the last 12 months	Women make up 41.35% of new recruits over the last 12 months period.
		Percent of women in senior leadership roles	38% of management staff are women
		Number of business relationships with women-owned enterprises (including small businesses and women entrepreneurs)	23,322 representing 42% of small businesses.
		Amount of money and/or employee time invested in philanthropic programmes that support gender equality	3 hours a week is dedicated to implementing initiatives that promote gender equality through financial inclusion programmes.

**Guaranty Trust Bank (Ghana) Ltd**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2023**

<b>Principle 5</b>	Financial Inclusion	Number of new basic bank accounts opened over tech platforms	256,895 accounts have been opened via Tech platforms for the year under review
		Number of transactions conducted over tech platforms	62.86 M transactions on all digital channels from January to Date
		Number of new financial products and/or services introduced that are targeted at the financially underserved	2
		Uptake of new financial products and/or services targeted at the financially underserved (number of new accounts opened or number of products sold)	The Bank also opened a new branch at Ashaley-Botwe in Accra increasing our branch network to 36. The Bank commenced its agency banking products which aggressively pushed for financial inclusion in unbanked locations
<b>Principle 6</b>	Resource efficiency, Sustainable Production & Consumption	Loans and advances targeted at improving resource efficiency	GHS 700M was advanced to various customers in support for environmentally friendly solutions
		Number of new products and/or services introduced that are intended to encourage resource efficiency by clients	3
		Uptake of new financial products and/or services intended to encourage resource efficiency by clients (number of products and/or services sold)	The Bank commenced its agency banking products to offer banking services at several locations to the provide banking services to the unbanked and underbanked population
<b>Principle 7</b>	Reporting	Frequency of Reports to Bank of Ghana Number of Reports to Bank of Ghana Frequency of Reports to Board of Directors Number of Reports to Board of Directors Frequency of Reports to Management Number of Reports to Management	<ul style="list-style-type: none"> <li>o Semi-Annual</li> <li>o 2</li> <li>o Quarterly</li> <li>o 4</li> <li>o Monthly</li> <li>o 12</li> </ul>



## Social Opportunity

Guaranty Trust Bank (Ghana) Limited, over the years has prioritized the wellbeing of the society as paramount and continues to support various fields of endeavour within its operating environment. Our Corporate Social drive is guided by a framework of five key intervention areas – Health, Education, Sports, Arts and Culture.

For 2023, the Bank supported the following initiatives in the afore-mentioned areas:

- **GTBank Autism Program**

The Bank held the 2023 Autism Workshop and Consultations at the Kofi Ohene Konadu Auditorium, University of Professional Studies Accra (UPSA), from Tuesday, August 1 to Saturday, August 5, 2023, under the theme "Empowering Voices for Autism" to promote inclusivity and self-advocacy for persons on the Autism Spectrum.

In attendance were carefully selected specialists and consultants such as Psychiatrist, Speech Therapists, Behaviour Analysts, Occupational Therapist, Psychologists and Special Education Needs Specialist from Canada, United States, Nigeria and Ghana.

On Day 1 (August 1st), there was a workshop where participants were taken through lectures, panel discussions and performances to showcase the diverse talents that exist in the autism community whilst creating a platform for persons with autism, their families and caregivers to connect and share ideas with subject-matter experts on different aspects of autism spectrum disorder including its nature and management.

From Day 2-5 (August 2<sup>nd</sup> – 5<sup>th</sup>), free one-on-one consultations were held between 9am to 5pm each day with our group of Specialists present to offer consulting services ranging from assessment of children for Autism and other developmental challenges, to the counselling of their parents and caregivers.

- **GTBank ICT Drive**

As a Bank widely recognized as a leader in the deployment of advanced technological channels to make everyday banking easy and convenient for its customers and even non-customers, we strongly believe that the world is driven by technology. For the year under review, we fully renovated and stocked the computer laboratories of the Inchaban Catholic KG/Primary School in the Western Region of Ghana, and the Computer Science Department of the University of Ghana, Legon.

Items provided included PCs, projectors, printers, new desks and chairs, air conditioners and internet access.



2023

### Social Opportunity...

- **Sponsorship of Ghana Health Service Excellence Awards**

The Ghana Health Service (GHS) is responsible for providing and prudently managing comprehensive and accessible health services with an emphasis on primary healthcare. In the quest to improve upon the Service's performance, the Ghana Health Service instituted an Awards scheme for its staff and institutions to motivate, recognize, acknowledge and reward individual health workers and institutions for their exceptional contributions, achievements and performance in healthcare delivery at the various service levels.

The Bank was a lead sponsor of the 2023 Ghana Health Service Excellence Awards.

- **A Bag for Each Initiative**

The Management and Staff of the Bank presented 150 school bags to pupils of Anumle Primary Basic School on Valentine's Day. The initiative involves sponsorship from the Bank as well as voluntary contributions from employees to spread some cheer while encouraging the pupils to make the most of their opportunities to be educated.





**INDEPENDENT AUDITOR’S REPORT**

**TO THE MEMBERS OF GUARANTY TRUST BANK (GHANA) LTD**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Guaranty Trust Bank (Ghana) Ltd (“the Bank”), which comprise the statement of financial position at 31 December 2023, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of material accounting policies and other explanatory notes as set out on pages 50 to 161.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards including the Hyperinflation Directive issued by the Institute of Chartered Accountants, Ghana and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in Ghana and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers GH¢ 40.34m Refer to Note 17 (ii) to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
Loans and advances to customers amounted to GH¢1,830 million at 31 December 2023 (GH¢ 2,043 million at 31 December 2022), and the total impairment allowance account for the Bank amounted to GH¢ 40.34 million at 31 December 2023 (GH¢ 17.59 million at 31 December 2022).  The Bank is required to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Bank.  The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the Bank are inappropriate.	Based on our risk assessment and industry knowledge, we have examined the impairment allowances for loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.  Our procedures included the following: <ul style="list-style-type: none"> <li>• Assessing and testing the design, implementation, and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers.</li> <li>• Assessing and testing the design and operating effectiveness of controls over the Bank’s loan impairment process regarding management’s review process over impairment calculations.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

Measurement of impairment under IFRS 9 is deemed a key audit matter because impairment is based on an expected credit loss model, which the Bank estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate.

The Bank's ECL model includes certain judgements and assumptions such as:

- the credit grades allocated to the counterparties; the probability of a loan becoming past due and subsequently defaulting (probability of default 'PD');
- the determination of the Bank's definition of default;
- the magnitude of the likely loss if there is default (loss given default 'LGD');
- the expected exposure in the event of a default (exposure at default 'EAD');
- the criteria for assessing significant increase in credit risk (SICR);
- the rate of recovery on the loans that are past due and in default;
- the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collateral; and
- the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, central bank interest rates, exchange rates and the gross domestic product used in determining the expected credit losses in the loans and advances portfolios.
- Disclosure quality the disclosures regarding the Bank's credit risks are key to understanding the key judgements and material inputs to the IFRS 9 ECL results.

- Assessing the completeness and accuracy of key data inputs used in the ECL calculation through testing a sample of relevant data fields and their aggregate.
- Assessing and testing the effectiveness of the SICR thresholds employed by the Bank across material retail and corporate portfolios.
- Assessing the appropriateness of the Bank's methodology for determining the base case economic scenario for material macroeconomic variables to determine whether these have sufficiently considered the impact of recent macroeconomic challenges, and to challenge the base case forecast against market information.
- Assessing individual exposures: We selected a sample of accounts from the loan portfolio based on our sampling methodology. We obtained the Bank's assessment of the recoverability of these exposures and challenged whether individual impairment allowance, or lack of, were appropriate. In performing our assessment we paid specific attention to accounts that we had identified that were severely affected by the GDDEP and other recent macroeconomic challenges.
- Using a KPMG specialist to independently assess and substantively validate the impairment models by re-performing calculations for certain aspects of material models.
- Assessing the appropriateness of overlays (qualitative adjustments) to model-driven ECL by taking into account the judgements and estimates the Bank has made through the ECL calculation process (including macroeconomic forecasts).
- Assessing the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made were appropriate.



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

<p>Valuation of Investment Securities and Trading Assets GH¢60.9million</p> <p>Refer to Note 18 (iii) to the financial statements</p>	
<p><b>The key audit matter</b></p> <p>Investments in government securities measured at fair value (government bonds and bills) amounted to GH¢60.9 million at 31 December 2023, which represent 0.54% of the total amount of the Bank's total assets.</p> <p>The valuation of these government securities is considered to be a key audit matter due to the estimation required in determining the fair value of these instruments which is based on internally developed methodologies and not solely on quoted prices on the bond markets. The market prices no longer reflected the fair value of the securities due to the disappearance of an active market (low volume of trades and trades done at significant discounts) following the implementation of the Ghana Domestic Debt Exchange Programme (GDDEP).</p> <p>The judgement involved in the fair valuation of these securities are compounded by the fact that the Government of Ghana has suspended the issuance new bonds which has switched focus to trading of short-term securities.</p> <p>The quality of disclosures required by IFRS 13 Fair Value Measurements are complex and need to provide insights to the key judgments and material inputs to the determination of fair values.</p>	<p><b>How the matter was addressed in our audit</b></p> <p>Based on our risk assessment, we have examined the valuation of government bills and bonds based on the description of the key audit matter.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding and testing the design, implementation, and operating effectiveness of key controls over the valuation of government securities.</li> <li>-Testing the IT general controls and application controls relating to IT systems that support valuation of investment securities.</li> <li>- • Using the KPMG specialist to independently estimate the fair value of these securities to validate the accuracy of the management's estimates.</li> <li>-Assessing whether the disclosure of the key judgements and assumptions made including GDDEP related disclosures were reasonable.</li> </ul>
<p>Impairment of Investment Securities GH¢ 219m</p> <p>Refer to Note 18 (ii) to the financial statements</p>	
<p><b>The key audit matter</b></p> <p>Investments in government bonds and bills amounted to GH¢5.7b at 31 December 2023, which represent 55% of the total amount of the Bank's total assets. The Bank recognised an impairment loss allowance of GH¢219m on these balances as of 31 December 2023 (GH¢540m at 31 December 2022)</p> <p>The Bank is required to recognise expected credit losses (ECL) on these instruments which involve significant judgement and complexity including estimating future cash flows and associated cash shortfalls to be experienced on the government securities.</p> <p>The expected credit losses of investment may be materially misstated if judgements or estimates made by the Bank are inappropriate.</p> <p>The Bank's ECL model includes certain judgements and assumptions such as:</p>	<p><b>How the matter was addressed in our audit</b></p> <p>Based on our risk assessment, we have examined the impairment of government securities based on the description of the key audit matter.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and testing the design, implementation, and operating effectiveness of key controls over the impairment of government securities.</li> <li>• Testing the IT general controls and application controls relating to IT systems that support impairment of investment securities.</li> <li>• Assessing the appropriateness of staging for government securities and other sovereign-related exposures.</li> </ul>



**INDEPENDENT AUDITOR’S REPORT (CONT’D)**

<ul style="list-style-type: none"> <li>• the credit grades allocated to the Government of Ghana (GoG); the probability of a security’s maturity being past due and GoG subsequently defaulting on repayments (probability of default ‘PD’);</li> <li>• the determination of the Bank’s definition of default;</li> <li>• the magnitude of the likely loss if there is default (loss given default ‘LGD’);</li> <li>• the expected exposure in the event of a default (exposure at default ‘EAD’);</li> <li>• the criteria for assessing significant increase in credit risk (SICR);</li> <li>• the rate of recovery on the securities that are past due and in default;</li> <li>• the incorporation of forward-looking information related to the expected outlook on the country’s inflation rates, central bank interest rates, exchange rates and the gross domestic product used in determining the expected credit losses in the loans and advances portfolios.</li> </ul> <p>The quality of disclosures required by IFRS 9 are complex and need to provide insights to the key judgments and material inputs to the IFRS 9 ECL results.</p> <p>Due to the significance of the investment in government securities to the financial position of the Bank and significant measurement uncertainty involved in the impairment of qualifying investments, this was considered a key audit matter in our audit.</p>	<ul style="list-style-type: none"> <li>• Using the Financial Risk Management team to independently estimate the ECL of these securities to validate the accuracy of the management’s estimates.</li> <li>• Assessing the completeness and accuracy of the data used in the models through testing a sample of relevant data fields and their aggregate amounts against data in the systems.</li> <li>• Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD, LGD and EAD assumptions applied.</li> <li>• Assessing whether the disclosure of the key judgements and assumptions made were reasonable.</li> </ul>
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*Other Information*

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 2019 (Act 992), Corporate Information, Report of the Audit Committee, Corporate Governance Report, Bank Sustainability Report and Appendices but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### *Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards including the Hyperinflation Directive issued by the Institute of Chartered Accountants, Ghana and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

#### *Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)*

- We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of account have been kept, so far as appears from our examination of those books.
- The statements of financial position and profit or loss and other comprehensive income are in agreement with the accounting records and returns.
- We are independent of the Bank under audit pursuant to Section 143 of the Companies Act, 2019 (Act 992).

#### *Compliance with the requirements of Section 85 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)*

- We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.
- The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).
- The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044) Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations governing the Acts.

#### *Compliance with the requirements of the Bank of Ghana Corporate Governance Disclosure Directive, 2022*

- The Corporate Governance practices and Corporate Governance Report of the Bank have generally complied with the requirements of the Bank of Ghana Corporate Governance Disclosure Directive, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Labaran Amidu (ICAG/1472).

*KPMG*

FOR AND ON BEHALF OF:  
KPMG: (ICAG/F/2024/038)  
CHARTERED ACCOUNTANTS  
13 YIYIWA DRIVE, ABELINKPE  
P O BOX GP 242  
ACCRA

27 March 2024

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are in Ghana Cedis)

		<b>Year ended 31 December</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
Interest income calculated using the effective interest method	6	<b>1,341,301,643</b>	649,144,881
Interest expense	6	<b>(309,186,211)</b>	(176,231,503)
<b>Net interest income</b>		<b>1,032,115,432</b>	472,913,378
Fee and commission income	7	<b>281,228,949</b>	244,472,229
Fee and commission expense	7	<b>(85,993,064)</b>	(57,464,216)
<b>Net fee and commission income</b>	7	<b>195,235,885</b>	187,008,013
Net trading income	8	<b>297,363,750</b>	304,813,468
Net income/(loss) from other financial instruments carried at FVTPL	9	<b>(433,369)</b>	1,771,224
<b>Net trading and other income</b>		<b>492,166,266</b>	493,592,705
<b>Revenue</b>		<b>1,524,281,698</b>	966,506,083
Other income	10	<b>2,132,936</b>	269,214
Net impairment on financial instruments	17/18(ii)	<b>(115,363,809)</b>	(557,020,333)
Personnel expenses	11	<b>(87,279,160)</b>	(81,808,976)
Amortisation of prepaid leases	12	<b>(2,284,483)</b>	(1,675,665)
Depreciation and amortisation	21	<b>(23,313,773)</b>	(20,885,007)
Finance charge	29(iv)	<b>(3,926,680)</b>	(3,775,768)
Other operating expenses	13	<b>(175,748,288)</b>	(110,570,452)
<b>Profit before income tax expense and national fiscal stabilisation levy</b>		<b>1,118,498,441</b>	191,039,096
National fiscal stabilisation levy	14	<b>(13,996,546)</b>	(9,551,955)
Financial sector recovery levy	14	<b>(55,924,922)</b>	(9,551,955)
Growth & Sustainability levy	14	<b>(41,928,376)</b>	
Income tax expense	14	<b>(280,862,148)</b>	(56,953,770)
<b>Profit for the year</b>		<b>725,786,449</b>	114,981,416
<b>Other comprehensive income</b>			
<i>Items that are or may be subsequently reclassified to profit or loss:</i>			
Debt instruments at FVOCI - net change in fair value		<b>(12,723)</b>	(1,265,279)
- Impairment loss/(reversal) on investment at FVOCI	17	-	1,483,523
- Debt instruments at FVOCI - reclassified to profit or loss		<b>1,646,403</b>	-
- Related tax		<b>(408,420)</b>	(54,561)
<b>Total other comprehensive income</b>	27(iv)	<b>1,225,260</b>	163,683
<b>Total comprehensive income</b>		<b>727,011,709</b>	115,145,099

The notes on pages 54 to 161 are an integral part of these financial statements.

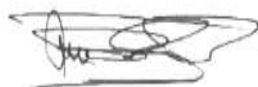
**STATEMENT OF FINANCIAL POSITION**

(All amounts are in Ghana Cedis)

	Note	As at 31 December	
		2023	2022
<b>Assets</b>			
Cash and cash equivalents	15	3,094,740,459	1,779,275,749
Non-pledged trading assets	18(iii)	60,897,297	142,756,276
Pledged assets	16	156,831,000	158,627,720
Loans and advances to customers	17(i)	1,790,421,768	2,026,344,662
Investment securities	18(i)	5,516,067,029	2,134,381,588
Current tax assets	14	11,892,018	44,370,199
Property and equipment	19	144,069,644	138,662,359
Intangible assets	20	5,186,080	4,981,097
Deferred tax assets	22	166,670,502	137,421,203
Other assets	23	277,577,096	560,523,235
<b>Total assets</b>		<b>11,224,352,893</b>	<b>7,127,344,088</b>
<b>Liabilities</b>			
Deposits from customers	24	9,011,565,909	5,629,806,824
Provision on off balance sheet Items	3.3.3	1,024,800	521,342
Other liabilities	25	149,127,037	161,392,484
<b>Total liabilities</b>		<b>9,161,717,746</b>	<b>5,791,720,650</b>
<b>Equity</b>			
Stated capital	26	404,895,476	404,895,476
Credit risk reserve	27	46,687,176	26,233,393
Statutory reserve fund	27	614,053,078	432,606,466
Other reserves	27	-	(1,225,261)
Income surplus	27	996,999,417	473,113,364
<b>Total equity</b>		<b>2,062,635,147</b>	<b>1,335,623,438</b>
<b>Total liabilities and equity</b>		<b>11,224,352,893</b>	<b>7,127,344,088</b>

The notes on pages 54 to 161 are an integral part of these financial statements.

The financial statements were approved by the Board on 27 March 2024 and signed on its behalf by:



.....  
Joseph K. Amoah-Awuah  
Chairman



.....  
Thomas Attah John  
Managing Director

**Guaranty Trust Bank (Ghana) Ltd**  
Annual Report and Financial Statements  
for the year ended 31 December 2023

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in Ghana Cedis)

	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Other Reserves	Income Surplus	Total
	Note 26	Note 27	Note 27	Note 27	Note 27	
<b>Balance at 1 January 2023</b>	<b>404,895,476</b>	<b>432,606,466</b>	<b>26,233,393</b>	<b>(1,225,261)</b>	<b>473,113,364</b>	<b>1,335,623,438</b>
Profit for the year	-	-	-	-	725,786,449	725,786,449
Other comprehensive income						
Financial assets at FVOCI- Reclassified to profit or loss-net of tax	-	-	-	1,234,801	-	-
Fair value loss on financial assets at FVOCI – net of tax	-	-	-	(9,541)	-	1,225,260
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,225,260</b>	<b>725,786,449</b>	<b>727,011,709</b>
<b>Transfers</b>						
Transfer to credit risk reserve			20,453,783		(20,453,783)	-
Transfer to statutory reserve fund	-	181,446,612	-	-	(181,446,612)	-
<b>Total Transfers</b>	<b>-</b>	<b>181,446,612</b>	<b>20,453,783</b>	<b>-</b>	<b>(201,900,395)</b>	<b>-</b>
<b>Balance at 31 December 2023</b>	<b>404,895,476</b>	<b>614,053,078</b>	<b>46,687,176</b>	<b>-</b>	<b>996,999,417</b>	<b>2,062,635,147</b>
	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Other Reserves	Income Surplus	Total
Balance at 1 January 2022	404,895,476	403,861,112	37,241,165	(1,388,944)	375,869,530	1,220,478,339
Profit for the year	-	-	-	-	114,981,416	114,981,416
Other comprehensive income						
ECL allowance on investment	-	-	-	1,112,642	-	1,112,642
Fair value loss on financial assets at FVOCI	-	-	-	(948,959)	-	(948,959)
Total comprehensive income	-	-	-	163,683	114,981,416	115,145,099
Transfers						
Transfer from credit risk reserve			(11,007,772)		11,007,772	-
Transfer to statutory reserve fund	-	28,745,354	-	-	(28,745,354)	-
<b>Total Transfers</b>	<b>-</b>	<b>28,745,354</b>	<b>(11,007,772)</b>	<b>-</b>	<b>(17,737,582)</b>	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>404,895,476</b>	<b>432,606,466</b>	<b>26,233,393</b>	<b>(1,225,261)</b>	<b>473,113,364</b>	<b>1,335,623,438</b>

The notes on pages 54 to 161 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in Ghana Cedis)

	Note	2023	2022
<b>Cash flows from operating activities</b>			
Total comprehensive income		727,011,710	115,145,099
Adjustments for:			
Depreciation and amortisation	21	23,313,773	20,885,007
Impairment on financial instruments	17(ii)	117,084,521	556,698,329
Profit on disposal of property and equipment	10	(499,254)	(269,214)
Write-off of item in capital work-in-progress	19	403,611	180,532
Net trading income	8	(297,363,750)	(304,813,468)
Net income/(loss) from other financial instruments carried at fair value	9	433,369	(1,771,224)
Net interest income	6	(1,032,115,432)	(472,913,378)
Income tax expense	14	392,711,992	76,112,241
Lease liability finance charges	29(ii)	3,926,680	3,775,768
		<b>(65,092,780)</b>	<b>(6,970,308)</b>
Change in:			
loans and advances		146,323,165	(288,697,692)
trading assets and investment securities		(3,318,438,195)	(1,047,362,900)
Pledged assets		1,796,720	1,493,182
other assets	23	282,946,139	(135,551,892)
deposits from customers	24	2,961,382,119	1,902,879,718
other liabilities	25	(10,435,661)	82,585,679
Interest received		1,328,591,905	507,074,969
Interest paid		(278,504,222)	(174,731,122)
Income received from trading gains		224,959,452	253,610,321
Income received from other financial instruments carried at fair value		9,267,101	70,234,973
Finance charges on lease liability paid	29(iii)	(1,805,758)	(1,743,364)
Cash generated from operations		<b>1,280,989,985</b>	<b>1,162,821,564</b>
Income tax paid	14	(280,661,469)	(188,701,679)
Financial sector recovery levy paid	14	(9,551,400)	(35,226,616)
Growth and Sustainability levy	14	(44,859,421)	-
National fiscal stabilisation levy paid	14	(54,410,821)	(35,299,672)
<b>Net cash generated from operating activities</b>		<b>891,506,874<sup>ss</sup></b>	<b>903,593,597</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	19	(28,546,534)	(36,100,215)
Purchase of intangible assets	20	(1,824,585)	(2,202,423)
Proceeds from sale of property and equipment		1,540,721	319,664
<b>Net cash used in investing activities</b>		<b>(28,830,398)</b>	<b>(37,982,974)</b>
<b>Cash flows from financing activities</b>			
Lease liability payments	29(iii)	(3,950,708)	(5,918,852)
<b>Net cash used in financing activities</b>		<b>(3,950,708)</b>	<b>(5,918,852)</b>
<b>Net increase in cash and cash equivalents</b>		<b>858,725,768</b>	<b>859,691,771</b>
Cash and cash equivalents at 1 January	15	1,784,921,380	894,166,791
Effect of exchange rate fluctuations	8	462,099,276	31,062,818
<b>Cash and cash equivalents at end of period</b>	15	<b>3,105,746,424</b>	<b>1,784,921,380</b>

\*\* Cash and cash equivalents exclude expected credit loss of GHS 11.005 million (2022: GHS 5.646 million)

The notes on pages 54 to 161 are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **1. REPORTING ENTITY**

Guaranty Trust Bank (Ghana) Ltd (the Bank) is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is 25A Castle Road Ambassadorial Area, Ridge, PMB CT 416, Cantonments, Accra. The Bank is a subsidiary of Guaranty Trust Bank (Nigeria) Limited. The Company is licensed to operate as a bank with a universal banking license that allows it to undertake all banking and related services. The financial statements are the individual financial statements of the Bank.

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied to all periods presented in these financial statements.

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with IFRS Accounting Standards including the Hyperinflation Directive issued by the Institute of Chartered Accountants, Ghana and in the manner required by the Companies Act, 2019 (Act 992).

The ICAG issued a directive in November 2023 to accountants in business and accountants in practice, together with an update during January 2024 in terms of which the ICAG concluded that based on its analysis and interpretation, IAS 29 will not be applicable for December 2023 financial reporting periods since Ghana is not considered to be operating in a hyperinflationary economy. In this regard, the financial statements of the Company, including the corresponding figures for the comparative period have not been stated in terms of the measuring unit current at the end of the reporting period.

#### **2.2 Basis of measurement**

The financial statements are prepared under the historical cost convention except for the following assets and liabilities that are measured at their fair value:

- financial instruments at fair value through profit or loss
- financial instruments at fair value through OCI

The statement of comprehensive income presents income and expenses based on their nature while the statement of financial position presents assets and liabilities according to their order of liquidity.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **2.3 Changes in accounting policies and disclosures**

##### ***(i) New standard(s) effective from 1 January 2023***

The following standards which became effective from 1 January 2023 which were adopted by the Bank have a material effect on the Bank's financial statements:

##### ***a. Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.3 Changes in accounting policies and disclosures – continued**

##### *(i) New standard(s) effective from 1 January 2023– continued*

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their material accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments were effective from 1 January 2023. As a result only material accounting policies have been disclosed in the notes with only mention made of the immaterial policies. Consequently, the caption of this section has been changed from “Summary of material accounting policies” to “Summary of material accounting policies.”

##### ***b. Definition of accounting estimates (Amendments to IAS 8)***

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.3 Changes in accounting policies and disclosures – continued**

*(i) New standard(s) effective from 1 January 2023– continued*

***b. Definition of accounting estimates (Amendments to IAS 8) – continued***

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. There is no impact on the bank.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

***c. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)***

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments are effective from 1 January 2023 but may be applied earlier.

The standard below was also effective from 1 January 2023 but is immaterial to the Bank:

1. International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12)

***(ii) New and amended standards issued not yet adopted by the Bank***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank has yet to assess the impact of the standards on the financial statements.

***a. Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)***

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenant with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.3 Changes in accounting policies and disclosures – continued**

##### **(ii) New and amended standards issued not yet adopted by the Bank – continued**

##### **a. *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)-continued***

Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares. The Bank has yet to assess the impact of this standard.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

##### **b. *Lease Liability in a Sale and Leasebacks (Amendments to IFRS 16)***

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The Bank has yet to assess the impact of this standard. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

##### **c. *Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)***

The IASB's amendments apply to supplier finance arrangements that have all of the following characteristics.

- A finance provider pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce additional disclosure requirements for companies that enter into these arrangements. However, they do not address the classification and presentation of the related liabilities and cash flows.

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.3 Changes in accounting policies and disclosures – continued**

##### **(ii) New and amended standards issued not yet adopted by the Bank – continued**

##### **c. *Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7) – continued***

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The Bank has yet to assess the impact of this standard.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

##### **d. *Lack of exchangeability (Amendment to IAS 21)***

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate. A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments contain no specific requirements for estimating a spot rate. Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

#### **New disclosures**

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The Bank is yet to assess the impact of this standard.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.4 Foreign currency transactions**

##### **(i) Functional and presentation currency**

The financial statements are presented in Ghana Cedi, which is the Bank's functional currency. Except as indicated, financial information presented in Ghana Cedi has been rounded to the nearest Ghana Cedi.

##### **(ii) Transactions and balances**

Foreign currency transactions, that is transactions denominated, or that require settlement in a foreign currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year end translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

All foreign exchange gains and losses recognised in profit or loss are presented net in the profit or loss within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

#### **2.5 Interest income and expense**

##### **a. Effective interest rate**

Interest income and expenses are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**2.5 Interest income and expense – continued**

**b. Amortised cost and gross carrying amount**

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**c. Calculation of interest income and expenses**

The calculation of the effective interest rate includes contractual fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Whilst interest revenue is always required to be presented as a separate line item, it is calculated differently according to the status of the asset with regard to credit impairment.

For a financial asset that has not become credit impaired since initial recognition, interest revenue is calculated using a ‘gross method’ of applying the effective interest rate method to the gross carrying amount of the asset (i.e. its carrying amount excluding the loss allowance).

For a financial asset that subsequently has become credit-impaired, from the beginning of the next reporting period, interest revenue is calculated using a ‘net method’ of applying the effective interest rate to the net amortised cost balance (i.e. including the loss allowance).

**d. Presentation**

Interest income and expense presented in the income statement includes:

- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- Interest income on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2.6 Fees and commission income**

Fees and commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. These fees are management fees on non-revolving credit facilities. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commissions whether from retail or corporate banking relate mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided / performed.

Transaction-based charges comprising transfers (both local and foreign currencies), cards transactions among others are charged to customers' accounts when transactions take place. Maintenance charges are charged to customers on a monthly basis based on fixed rates reviewed annually by the Bank.

The Bank provides other services like custody services for which it receives income based on agreed timelines as detailed in the contract.

Revenue related to transactions is recognised at the point in time when the transaction takes place whereas those related to maintenance and other services are recognised over time as the services are provided.

### **2.7 Net trading income**

Net trading income comprises gains less losses related to foreign exchange trades.

### **2.8 Net income/(loss) from other financial instruments at fair value through profit or loss**

Net income/(loss) from other financial instruments at fair value through profit or loss comprises interest income and fair value changes on trading assets and liabilities.

### **2.9 Leases**

Leases (right-of-use asset) are accounted for in accordance with IFRS 16 and are accounted for in line with the following based on whether the Bank is the Lessor or the Lessee:

#### **2.9.1 Bank acting as the lessee**

At the commencement date, or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and associated non-lease components as a single lease component. The Bank recognises a right-of-use asset at cost and a lease liability, where applicable, at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**2.9.1 Bank acting as the lessee (cont'd)**

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. The Bank subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring the carrying amount to reflect any reassessment or lease modifications.

A re-measurement of the lease liability and right-of-use asset is required under the following circumstances:

- a change in future lease payments arising from a change in an index or rate;
- a change in the lease term (assessment of whether the Bank will exercise a purchase, extension or termination option);
- a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee;
- a revised in-substance fixed lease payment

The corresponding lease liabilities, where applicable, are included in other liabilities. The interest element of the lease liabilities is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets arising from such contracts as presented as part of the Bank's "Land, Building and Leasehold improvement" under Property and equipment in the Statement of financial position, whereas associated depreciation is charged as part of depreciation of property and equipment in profit or loss.

***Short term leases and leases of low-value assets***

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2.10.i Income tax**

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or recognised directly in equity. In these circumstances, deferred tax is charged or credit to other comprehensive income or to equity (for example, current tax on FVOCI).

The Bank evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability, which has been adequately provided for in the financial statements. The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### **i. Current income tax**

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or receivable in respect of previous years. Income tax payable or receivable is calculated on the basis of the applicable tax law(s) in Ghana.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Where the Bank has tax losses that can be relieved only by carrying it forward against taxable profits of future periods, a deductible temporary difference arises.

#### **ii. Deferred income tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

However, the deferred income tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax related to fair value re-measurement of FVOCI investments, which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in profit or loss together with the deferred gain or loss.



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### ii. Deferred income tax (cont'd)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## **2.11 Financial instruments**

### **2.11.1 Recognition**

The Bank on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed, origination date for revolving facilities is the date the line is availed, while origination date for credit card is the date the credit limit is availed on the card. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

### **2.11.2 Classification and Measurement of financial instruments**

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments.

Financial assets are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL) for trading related assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

#### *Business Model Assessment*

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Bank takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets
- how the performance of assets in a portfolio is evaluated and reported to Bank heads and other key decision makers within the Bank's business lines;
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2.12.2 Classification and Measurement of financial instruments (continued)**

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

- Business Model 1 (BM1): Financial assets held with the sole objective to collect contractual cash flows;
- Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling.
- Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Bank may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Bank considers sale of financial assets that may occur in BM1 to be infrequent if the sales is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the financial year.
- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
- Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.
- Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:
  - o Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
  - o Selling the financial asset to manage credit concentration risk (infrequent).
  - o Selling the financial assets as a result of changes in tax laws (infrequent).
  - o Other situations also depends upon the facts and circumstances which need to be judged by the management.

#### ***Cash flow characteristics assessment***

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2.11.2 Classification and Measurement of financial instruments (continued)**

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money.

#### **1. Financial assets measured at amortised cost**

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortisation is included in interest income in profit or loss. Impairment on financial assets measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the Allowance for Credit Losses (ACL) in the statement of financial position.

#### **2. Financial assets measured at FVOCI**

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in profit or loss. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognized in the profit or loss. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to Interest income in the profit or loss using the effective interest rate method. Impairment on financial assets measured at FVOCI is calculated using the expected credit loss approach.

#### **3. Financial assets measured at FVTPL**

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the profit or loss as part of Other Income. Realized and unrealized gains and losses are recognized as part net income/(loss) from other financial instruments at FVTPL.

Financial liabilities are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Profit or Loss (FVTPL)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**2.11.2 Classification and Measurement of financial instruments (continued)**

4. Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost are deposits from banks or customers, other borrowed funds, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

*Cash and cash equivalents*

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks, balances held with other banks, money market placements and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

*Non pledged trading assets and trading liabilities*

Non pledged trading assets and trading liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

*Loans and advances to banks and customers*

These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

*Investment securities*

The 'investment securities' caption in the statement of financial position includes debt securities measured at amortised cost. These securities are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

*Repossessed Collateral*

In certain circumstances, the property is repossessed following the foreclosure on loans that are in default. If the recognition criteria are met, any collateral received is initially measured based on the carrying amount of the defaulted loan. Thereafter, it is accounted for under the relevant standard and classified as held-for-sale if appropriate.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### *Financial liabilities*

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

### *Deposits and debt securities issued*

Deposits and debt securities issued are the Bank's sources of debt funding.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

### **2.11.3 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers, this action will constitute changes in business model and subsequent reclassification of the Loan held from BM1 to BM2 Category
- Disposal of a business line i.e. disposal of a business segment
- Any other reason that might warrant a change in the Bank's business model as determined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the Bank with different business models.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. For example, if the Bank decides to shut down the retail business segment on 31 January 2023, the reclassification date will be 1 January, 2024(i.e. the first day of the entity's next reporting period), the Bank shall not engage in activities consistent with its former business model after 31 January, 2023. Gains, losses or interest previously recognised are not restated when reclassification occurs.

### **2.11.4 Modifications of financial assets and financial liabilities**

#### **(i) Financial assets**

The Bank sometimes modifies the contractual cashflows of loans to customers. Where the terms of a financial asset are modified via amendments to the loan agreements, the Bank evaluates whether the cash flows of the modified asset are substantially different from the original cashflows. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost of the original financial asset and the present value of the estimated future cashflows of the new asset is debited or credited to the customer's account.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **(i) Financial assets (continued)**

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan include but not limited to:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
- Conversion of a loan from one currency to another currency
- Extension of maturity dates will lead to modification and derecognition of existing loan and recognition of a new loan.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. For example, contractual cashflows of loan to customers may also be modified due to blanket payment holidays imposed by law and regulations and effective automatically without amendments being made to the loan agreements. In this scenario, the bank revises the expected gross carrying amount by discounting the rescheduled payments at original effective interest rate and the resulting loss is recognized immediately in Other Income in Profit or loss as a cumulative catch-up adjustment.

Fees that are considered in determining the fair value of modified financial asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset and form part of the effective interest on the modified financial asset while other fees are included in profit or loss as part of the gain or loss on derecognition.

Impairment assessment is performed on modified financial assets before modification.

### **(ii) Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### **2.11.5 Impairment of financial assets**

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortised cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### *Expected Credit Loss Impairment Model*

The Bank's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (lifetime expected credit loss), unless there has been no significant increase in credit risk since origination.

### Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs. The Bank obtains the constant and relevant coefficients for the various independent variables and computes the outcome by incorporating forward looking macroeconomic variables and computing the forward probability of default.
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The Bank obtains 3 years forecast for the relevant macroeconomic variables and adopts an exponentiation method to compute cumulative PD for future time periods for each obligor.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### Measurement of Expected Credit Losses (continued)

- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off-balance sheet exposures.

### Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires that:

- The Bank uses internal subject matter experts from Risk, Treasury and Business Divisions to consider a range of relevant forward-looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments in order to support the calculation of ECLs.
- Macro-economic variables taken into consideration include interest rates, and exchange rate, and requires an evaluation of both the current and forecast direction of the macro-economic cycle.
- Macro-economic variables considered have strong statistical relationships with the risk parameters (LGD, EAD, CCF and PD) used in the estimation of the ECLs and are capable of predicting future conditions that are not captured within the base ECL calculations.
- Forward looking adjustments for both general macro-economic adjustments and more targeted at portfolio / industry levels. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

### Macroeconomic factors

The Bank relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

The macroeconomic variables and economic forecasts as well as other key inputs are reviewed and approved by management before incorporated in the ECL model. Any subsequent changes to the forward-looking information are also approved before such are inputted in the ECL model. The macro-economic variables are obtained for 3 years in the future and are reassessed every 6 months to ensure that they reflect prevalent circumstances and are up to date.

Where there is a non-linear relationship, one forward-looking scenario is never sufficient as it may result in the estimation of a worst-case scenario or a best-case scenario. The Bank's ECL methodology considers weighted average of multiple economic scenarios for the risk parameters (basically the forecast macroeconomic variables) in arriving at impairment figure for a particular reporting period. The model is structured in a manner that the final outcome, which is a probability, cannot be negative.



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.11.5 Impairment of financial assets - continued**

Multiple forward-looking scenarios

The Bank determines allowance for credit losses using three probability-weighted forward-looking scenarios. The Bank considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Bank prepares the scenarios using five-year forecast generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), The Ghana Statistical Service, World Bank, The Bank of Ghana, Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

The Bank estimates three scenarios for the Probability of Default (PD) risk parameter– Base case, Upturn and Downturn, which in turn is used in the estimation of the multiple scenario ECLs. The normal case represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

A significant increase in credit risk (SICR) is assessed once there is an objective indicator of a deterioration in credit risk of customer. In addition, the Bank as part of its routine credit processes performs an assessment on a quarterly basis to identify instances of SICR.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Bank adopts a multi-factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models consider deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors consider information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR is transferred to stage 2.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.11.5 Impairment of financial assets - continued**

##### Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Others include death, insolvency, breach of covenants, etc.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired. In addition, loans that are more than 90 days past due are considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

##### POCI financial assets

POCI financial assets are assets that are credit impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position allowances for ECL on loans and debt instruments are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial assets measured at FVOCI: No loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in income surplus.
- Loan commitments and financial guarantee contracts: generally, as a provision; Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.11.5 Impairment of financial assets – continued**

##### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

##### Write-off

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full, where there is no reasonable expectation of recovery as set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised when cash is received as part of recoveries within the impairment expense.

##### Financial guarantee contracts held

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets' (see Note 23). The Bank presents a gains

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.11.5 Impairment of financial assets - continued**

##### **Write-off (continued)**

or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'

Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

#### **2.11.6 Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio level adjustments – e.g. bid ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.11.7 Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. After initial recognition, guarantee contracts are subsequently measured at the higher of:

- The amount of the loss allowance, and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Financial guarantees, principally consisting of letters of credit are included within other liabilities. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Bank recognises a provision in accordance with IAS 37 if the contract was considered to be onerous.

#### **2.12 Pledged assets**

'Pledged assets' arise in transactions in which the Bank borrows from counterparties and pledges securities as collateral to back that exposure. The Bank continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognised as a financial liability for the obligation to pay the amount upon maturity. Because the Bank transfers the contractual rights to the cash flows of the securities, it does not have the ability to use the pledged assets during the term of the arrangement.

#### **2.13 Property and equipment**

##### **Recognition and measurement**

The Bank recognizes items of property and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property and equipment as well as the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note on impairment of non-financial assets.

##### **Subsequent costs**

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.13 Property and equipment - continued**

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	over the shorter of the useful life of the item or lease term
Building	50 years
Leasehold land	over the life of the lease
Equipment	5 years
Computer and accessories	3 years
Furniture and fittings	5 years
Motor vehicle	4 years

Leasehold improvements, building and leasehold land are all categorized as “Land, Building and Leasehold improvements”, Furniture and fittings and Equipment as “Furniture and equipment” in note 19.

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category.

Buildings on land held as freehold are depreciated in line with the above listed useful life of the asset.

#### **Capital WIP**

Property and equipment may be classified as work-in-progress if it is probable that future economic benefits will flow to the Bank and the cost can be measured reliably. Typically, these are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management.

Amounts held within work-in-progress that are substantially complete, in common with other property and equipment, are required to be assessed for impairment. Where asset lives are short (technological assets for example) and the assets are held as WIP for a significant period, impairment (through technological obsolescence) is more likely to occur. In such situations, if the assets are generic in nature and do not require significant modification to bring them into use, it would be more appropriate to hold the assets within property and equipment and depreciate them.

In general, assets should not be held in work in progress for a significant period unless it relates to a significant construction project (a building for example).

#### **De-recognition**

An item of property and equipment is derecognised at its disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.14 Intangible assets**

Software

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. Intangible assets not yet available for use are not amortised. They are tested for impairment annually irrespective of whether there is an indication of impairment.

The estimated useful life of software is five years for current and prior years. Amortisation methods, useful lives and residual values are re-assessed at each reporting date.

#### **2.15 Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent from other assets or group of assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **2.16 Provisions**

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Bank recognizes no provision for future operating losses.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **2.16 Provisions - continued**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

#### **(1) Contingent liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the outflow of economic resources is remote.

#### **2.17 Employee benefits**

##### **Defined contribution plans**

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Bank pays contributions to publicly or privately administered Pension Fund Administrators (PFA) on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### **a. Social Security**

Under a national defined contribution pension scheme, the Bank contributes 13% of employees' basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. Obligations for contributions are recognised as an expense in profit or loss when they are due. The Bank's obligation is limited to the relevant contributions, which were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

##### **b. Provident Fund**

The Bank has a provident fund scheme for staff under which it contributes 10% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the Fund Manager.

##### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**2.18 Stated capital**

*Equity shares*

Equity shares are classified as ‘stated capital’ in equity. Proceeds from issue of equity shares are classified as equity. Incremental costs that are directly attributable to the issue of equity instruments are deducted from the initial measurement of the equity instrument.

*Share issue costs*

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement

**2.19 Dividend on equity shares**

Dividends on the Bank’s equity shares are recognised in equity in the period in which they are, approved by the Bank’s shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

**2.20 Levies**

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- Those outflows of resources that are within the scope of other Standards (such as income taxes that are within the scope of IAS 12 Income Taxes); and
- Fines or other penalties that are imposed for breaches of the legislation

The Bank recognises a levy when the obligating event that gives rise to a liability as identified by the legislation, occurs. This triggers the obligation to pay the levy and recognise the expense for the period.

**2.21 Stocks/ Stationery**

Stocks include consumables and cards held for resale or subsequent issuance to customers. They are measured at lower of cost and net realizable value. Cost comprises of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net realizable value is the estimated issuance price. When items of stocks are issued to customers, their carrying amount is recognized as an expense in the period in which the relevant revenue is recognized.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT**

#### **3.1 Introduction**

The Bank's business involves taking on risk in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in the market, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits forgone, which may be caused by internal or external factors.

#### **3.2 Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability Management Committee (ALMAC) and Management Credit Committee and the Risk Management Unit, which are responsible for developing and monitoring risk management policies in their specified areas.

All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

#### **3.2 Risk Management Framework - continued**

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### **3.3 Credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

##### **3.3.1 Ghana Domestic Debt Exchange Programme**

Ghana's economy experienced economic downturn in 2022, which led the country to seek support from the IMF to restore the country's macroeconomic stability. However, the execution of this support programme was contingent on the implementation of a debt restructuring plan. On 5 December 2022, the Government launched the Ghana Domestic Debt Exchange Programme (GDDEP) through which registered bondholders exchanged their eligible Ghana Cedi Denominated Domestic Bonds for new benchmark bonds with the same aggregate principal amount (plus applicable capitalized accrued and unpaid interest).

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3.3.1 Ghana Domestic Debt Exchange Programme- continued**

During the year, the Government of Ghana undertook series of domestic debt exchange in respect of the following instruments:

- Ghana Cedi Denominated Domestic Bonds (comprising GHS Bonds, ESLA Bonds and Daakye Bonds)
- US Dollar Denominated Domestic Bonds
- Cocoa Bills

This note highlights the impact of the Bank's participation in the domestic debt exchanges on the financial statements.

#### **Ghana Cedi Denominated Domestic Bonds**

On 21 February 2023, the Bank exchanged its existing eligible bonds for a new set of bonds. The exchange was considered a substantial modification of the existing terms of bonds held, therefore, required the derecognition of the existing bonds and recognition of the new bonds at fair value. The Bank received twelve (12) new general bonds with an aggregate principal amount equal to the principal amount of eligible bonds tendered (in addition to any accrued and unpaid interest due on such bonds) under the exchange programme with the following terms:

- For existing eligible bonds maturing before 2023 exchanged, these bonds will mature over a ten (10) year period with principal repayment starting each year from 2027 through to and including 2033.
- For existing eligible bonds maturing after 2023 exchanged, these bonds will mature over a fifteen (15) year period with principal repayment starting each year from 2027 through to and including 2033.
- Interest on the new bonds will be paid in cash, except for interest accrued from the settlement date to 21 February 2025. During this period, a specified portion of the interest will be settled in cash and the remainder capitalised by adding the amount to the principal amount and settled on the maturity of the new general bond.
- The coupon rates on the twelve new general bonds range from 8.35% to 10%.

#### **Ghana Cedi Denominated Domestic Bonds**

The Bank derecognised the existing bonds eligible for exchange and recognised the new bonds at fair value in its 2023 financial period.

#### **US Dollar Denominated Domestic Bonds and Cocoa Bills**

On 14th July 2023, the Government, and the Ghana Cocoa Board (COCOBOD) announced the exchange of US\$ denominated domestic bonds and cocoa bills respectively. The exchange was settled on 4 August 2023.

The Bank received two (2) bonds with an aggregate principal amount equal to the principal amount of eligible US\$ Bonds tendered (in addition to any accrued and unpaid interest due on such US\$ bonds). The two (2) bonds will mature in July 2027 and July 2028. The coupon rates on the bonds issued are 2.75% and 3.25%.

The Bank received five (5) different Bonds with an aggregate principal amount equal to the principal amount of Cocoa Bills tendered (in addition to any accrued and unpaid interest due on such Cocoa Bills). The five (5) Bonds will mature on a one-per-year basis consecutively from (and including) 2024 to (and including) 2028 and will attract a coupon rate of 13%.

The exchanges of the US\$ bonds and Cocoa Bills were considered substantial modifications of the existing bonds held requiring derecognition of these assets at the settlement dates. The new bonds were recognised initially at fair value.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3.3.1 Ghana Domestic Debt Exchange Programme- continued**

**Bonds eligible for exchange**

The following table details the amounts exchanged and the settlement dates of each transaction.

Exchange Programme	Settlement Date	Currency	Amount Exchanged
GHS Domestic Bonds	21 February 2023	GHS	1,118,846,313
US\$ Domestic Bonds	4 August 2023	US\$	73,338,808
Cocoa Bills	4 August 2023	GHS	121,039,043

**Measurement of eligible bonds held at amortised cost.**

*Initial recognition of new bonds on settlement dates of exchange programmes*

The new bonds issued under the exchange programmes were recognised as new financial assets and initially measured at fair value. The fair value of the new bonds was estimated using discounted cash flow techniques, applying rates from the yield curve that was constructed from market information and data available at the date of measurement to discount the expected cash flows from the new bonds as outlined in the exchange memorandum. The data considered in the construction of the yield curve includes traded prices, indicative broker quotes and evaluated prices from pricing services around the measurement date.

The difference between the fair value of the new bonds and the carrying amount as at 31 December 2022 of the old bonds was recorded in profit or loss on the date of initial recognition (i.e. the settlement date) as follows:

- For old bonds measured at amortised cost, the difference is presented as an additional impairment loss or a reversal of an impairment loss in 2023.
- For old bonds measured at FVTPL, the difference is presented as net gain or loss on financial assets or financial liabilities measured at FVTPL.

The following table shows the weighted-average yield-to-maturity applied in discounting the cashflows of the new bonds to be issued under the exchange programmes, the fair value on initial recognition, net carrying amount at settlement date and the additional or reversal of impairment loss recognized or changes in fair value.

**Assets measured at amortised cost.**

Exchange Programme	Yield-to-maturity (Discount Rate)	Fair Value on Initial Recognition	Net carrying amount at settlement date	Additional/ (reversal) impairment loss
GHS Domestic Bonds	15.67%	GHS 724 million	GHS 724 million	-
US\$ Domestic Bonds	5%	USD 68 million	USD 68 million	-
Cocoa Bills	30%	GHS 85 million	GHS 85 million	-

**Assets measured at FVTPL.**

Exchange Programme	Yield-to-maturity (Discount Rate)	Fair Value on Initial Recognition	Net carrying amount at settlement date	Changes in fair value
GHS Domestic Bonds	15.67%	GHS 70 million	GHS 76 million	GHS 6 million

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3.3.1 Ghana Domestic Debt Exchange Programme- continued**

*Subsequent measurement of instruments acquired in GDDE*

The following table shows the classification of the instruments acquired in the exchange programme. The amounts presented in the table are the carrying amounts subsequent to initial recognition.

<b>Exchange Programme</b>	<b>Amortised cost GHS '000</b>	<b>FVTPL GHS '000</b>	<b>Total GHS '000</b>
GHS Domestic Bonds	791,197	3,000	794,197
US\$ Domestic Bonds	820,421	-	820,421
GHS Cocoa Bonds	85,426	-	85,426

**ECL considerations**

Ghana has been facing financial difficulties since 2022, with its sovereign debt trading at significant discounts. The financial challenges are further evidenced by the exchange programmes and the country's credit ratings as assessed by major agencies such as Fitch Ratings, Moody's and Standard and Poor's. Government of Ghana instruments have been assigned speculative grade ratings, indicative of a high risk of default or restructuring. Government has also suspended the issuance of long-term securities and cocoa bills due to the exchange programme undertaken on these securities. On 19 December 2022, the Government suspended debt service on external debt, including the Bank's holdings in Eurobonds,

In this regard, exposures to Government of Ghana exposure excluding treasury bills are considered credit impaired. New Government of Ghana exposures (except treasury bills) acquired or exchanged in 2023 are thus considered as purchased or originated credit impaired (POCI) assets.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate. The amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset. Differences between the amount of lifetime expected credit losses at each reporting date and the amount of expected credit losses that were included in the estimated cash flows on initial recognition is recognised in profit or loss as an impairment gain or loss.

Despite the government's financial challenges, positive economic trends have emerged following the conclusion of the GDDE and the initiation of the IMF support program. Notably, the inflation trend, which increased in 2022, reversed in 2023. As of December 2023, inflation stood at 23.2%, surpassing the IMF's projection of 31.3%. The IMF anticipates that Ghana will close 2024 with a 15% inflation rate, aiming for a return to single-digit inflation over the medium term, with a projected 8% inflation rate by the end of 2028. During the year, the Government successfully completed negotiations on other foreign debts.

Moreover, investor confidence in treasury bills remains robust, as evidenced by oversubscribed auctions, indicating strong demand. Importantly, the Government has not defaulted on the payment of treasury bills. Treasury bills are therefore considered to be not credit impaired.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3.3.1 Ghana Domestic Debt Exchange Programme- continued**

#### **Other Government Exposures**

The Bank also held other government exposures such as treasury bills and Eurobonds. The Bank is also indirectly exposed to the Government through loans and other credit exposures enterprises conducting business activities which significantly depend on income sources from the Government.

On 19 December 2022, the Ministry of Finance suspended debt service on external debt until renegotiations take place. External debts include Euro Bonds and other external foreign currency denominated debts. In October 2023, the Finance Ministry proposed between 30% - 40% haircut for dollar bond investors and the issue of new instruments that would have up to 20-year maturities and a 5% coupon. This offer has not been accepted by bondholders.

#### **Inputs, assumptions and techniques for estimating impairment on government exposures**

##### **2023**

The bank uses government instruments that have exchanged relative to the type of bonds in circulation to determine the portfolio weight per instrument. This approach considers actual industry events characterizing the bonds exchanged.

- The Loss Given Default (LGD) is determined to assess ECL. In this case, the bank has determined an LGD of 30.13% for the assessment of ECL. This LGD is consistent with the government-indicated offer rate ranging from 30% to 40%.
- LGD represents the proportion of exposure that is not recovered in the event of default. A 30.13% LGD implies that in the event of default, 69.87% of the exposure would be recovered.

#### **Justification for the Approach:**

- Using government instruments that have exchanged relative to the type of bonds in circulation provides a relevant basis for determining the portfolio weight per instrument. This approach ensures that the characteristics of the actual bonds held by the bank are considered.
- The determination of LGD based on the government-indicated offer rate provides a reasonable estimate of the

#### **Justification for the Approach-continued**

- proportion of exposure that may not be recovered in the event of default. LGD reflects the inherent credit risk associated with government exposures and helps in estimating potential credit losses.

#### **Inputs, assumptions and techniques for estimating impairment on government exposures -(continued).**

Probability of Default (PD):

PD is a measure of the probability of a financial asset falling into default over a specific length of time.

The Bank used the marginal probabilities per period to calculate the ECL, the formula for which is as follows:

$$MPD_{to}(t) = CPD_{to}(t) - CPD_{to}(t - 1)$$

where CPD is the cumulative probability given by the formula:  $CPD_{to}(t) = 1 - (1 - PD_m)^t$

Where  $PD_m = 1 - (1 - PD_y)^{m/12}$

where:

PD<sub>m</sub> - PD for the required period

PD<sub>y</sub> - PD of a full year

m - the required period (m in months, depends on the frequency of a given loan; for an annual loan, m=12; for a semi-annual loan, m=6; for a quarterly loan, m=3; for a monthly loan, m=1). ECL based on the probability of default over different periods, taking into account the frequency of the financial instrument and the cumulative probabilities of default up to the given period. This approach helps in assessing credit risk and determining appropriate provisions for expected credit losses.

No impairment has been recognised on instruments acquired in the GDDE for the following reasons:

- Expectations about the collectability of cash flows are unchanged from expectations on initial recognition.
- Government securing the IMF Management and Executive Board Approval for an IMF program.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3.3.1 Ghana Domestic Debt Exchange Programme- continued**

**2022**

As at 31 December 2022, it was evident that Ghana is facing financial difficulties, with its sovereign debt trading at significant discounts. The announcement of the GDDEP and the downgrade of the country's rating to 'selective default' (Standard & Poors) by the rating agencies in 2022 further evidenced the country's financial challenges. In this regard, exposures to Government of Ghana (including T-Bills, Cocoa bills, Local US\$ Bonds and Eurobonds), ESLA and Daakye are considered credit-impaired at the reporting date and was downgraded to stage 3.

For bonds eligible for exchange and measured at amortised cost, impairment was assessed based on the fair value of the new bonds issued under the debt exchange programme at the settlement date discounted to the reporting date using the effective interest rate of the eligible bonds.

The fair value of the new bonds was estimated using discounted cash flow techniques, applying rates from the yield curve that was constructed from market information and data available at the date of measurement to discount the expected cash flows from the new bonds as outlined in the exchange memorandum. The data considered in the construction of the yield curve includes traded prices, indicative broker quotes and evaluated prices from pricing services over the period from 30 December 2022 to 3 March 2023. The weighted-average yield-to-maturity applied in discounting the cashflows of the new bonds to be issued under the exchange programme on 21 February 2023 was 18% resulting in a fair value of GHS724 million for bonds held at amortised cost. The weighted average original effective interest rate of the eligible bonds used to discount the fair value from 21 February 2023 to 31 December 2022 was 19.63%.

**Indirect government exposures**

There is no indirect government exposure.

**Ghana Domestic Debt Exchange Impact on Capital**

The Capital Adequacy ratio of the Bank in spite of the domestic debt exchange programme remains strong at 41% and is well above the current minimum capital adequacy ratio of 10%. The adequacy ratio is expected to be above 40% over the next 12 months.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3 Credit risk (continued)**

##### **3.3.2. Management of credit risk**

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Managing Director, Management Credit Committee, and the Board Credit Committee/Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Developing and maintaining the Bank's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the Bank.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Risk Management unit of the Bank on the credit quality of local portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorised by the Board Credit Committee. Each business unit with the responsibility of initiating credit has experienced credit managers who report on all credit related matters to local management of the Board Credit Committee and respond to issues at the Bank's Criticised Assets Committee (CAC). Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.
- *Regular review of business units and credit quality* are undertaken by internal audit function of the Bank and the parent company.
- *Credit monitoring* which is done through the credit monitoring unit by reviewing facilities on an ongoing basis to ensure all conditions are being adhered to in line with agreed terms and conditions as well as promptly reporting identified issues with disbursed facilities.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3 Credit risk (continued)**

**3.3.3 Credit risk exposure**

**i. Credit quality analysis**

**Analysis of credit quality**

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For lending commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. **The table also includes loss allowance and the net carrying amounts.** Explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 2.11.5.

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS
<b>Loans and advances to customers at amortised cost</b>								
Grade 1-3 Current: Low risk	1,738,371,211	-	-	1,738,371,211	1,958,114,598	-	-	1,958,114,598
Grade 4 OLEM: Fair risk	-	19,810,846	-	19,810,846	-	36,263,468	-	36,263,468
Grade 5 Substandard: Impaired	-	-	15,376,674	15,376,674	-	-	18,486,906	18,486,906
Grade 5 Doubtful: Impaired	-	-	5,352,720	5,352,720	-	-	7,679,345	7,679,345
Grade 6 Loss: Impaired	-	-	51,846,178	51,846,178	-	-	23,389,126	23,389,126
<b>Gross amount</b>	<b>1,738,371,211</b>	<b>19,810,846</b>	<b>72,575,572</b>	<b>1,830,757,629</b>	<b>1,958,114,598</b>	<b>36,263,468</b>	<b>49,555,377</b>	<b>2,043,933,443</b>
Loss allowance	(8,858,090)	(4,657,879)	(26,819,890)	(40,335,859)	(9,429,078)	(5,943,715)	(2,215,989)	(17,588,782)
<b>Carrying amount</b>	<b>1,729,513,121</b>	<b>15,152,966</b>	<b>45,755,682</b>	<b>1,790,421,770</b>	<b>1,948,685,520</b>	<b>30,319,753</b>	<b>47,339,388</b>	<b>2,026,344,661</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**Analysis of credit quality (cont'd)**

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS
<b>Cash and cash equivalent</b>								
Grade 1-3 Current: Low risk	2,939,410,911	-	-	2,939,410,911	1,595,498,255	-	-	1,595,498,255
Grade 4 OLEM: Fair risk								
<b>Gross amount</b>	<b>2,939,410,911</b>	<b>-</b>	<b>-</b>	<b>2,939,410,911</b>	<b>1,595,498,255</b>	<b>-</b>	<b>-</b>	<b>1,595,498,255</b>
Loss allowance	(11,005,965)			(11,005,965)	(5,645,631)			(5,645,631)
Carrying amount	<b>2,928,404,946</b>	<b>-</b>	<b>-</b>	<b>2,928,404,946</b>	<b>1,589,852,624</b>	<b>-</b>	<b>-</b>	<b>1,589,852,624</b>

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS
<b>Lending commitments and Financial guarantee contracts</b>								
Grade 1-3 Current: Low risk	145,482,602	-	-	145,482,602	179,098,785	-	-	179,098,785
<b>Gross amount</b>	<b>145,482,602</b>	<b>-</b>	<b>-</b>	<b>145,482,602</b>	<b>179,098,785</b>	<b>-</b>	<b>-</b>	<b>179,098,785</b>
Loss allowance	(1,024,800)	-	-	(1,024,800)	(521,342)	-	-	(521,342)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**Analysis of credit quality (cont'd)**

	2023					2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	Total	
<b>Debt securities at amortised cost</b>										
Grade 1-3 Current: Low risk	3,238,759,069	-	704,937,965	1,791,095,960	5,734,792,994	171,990,178	-	2,550,856,149	2,672,846,327	
<b>Gross amount</b>	<b>3,238,759,069</b>	<b>-</b>	<b>704,937,965</b>	<b>1,791,095,960</b>	<b>5,734,792,994</b>	<b>171,990,178</b>	<b>-</b>	<b>2,550,856,149</b>	<b>2,672,846,327</b>	
Loss allowance	(18,514,603)	-	(200,211,362)	-	(218,725,965)	(904,240)	-	(539,779,303)	(540,683,543)	
<b>Carrying amount</b>	<b>3,220,244,466</b>		<b>504,726,603</b>	<b>1,791,095,960</b>	<b>5,516,067,029</b>	<b>171,085,938</b>		<b>1,961,076,846</b>	<b>2,132,162,784</b>	

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt securities at FVOCI: Non-pledged/Pledged</b>								
Grade 1-3 Current: Low risk	-	-	-	-	-	-	3,702,327	3,702,327
Loss allowance	-	-	-	-	-	-	(1,483,523)	(1,483,523)
<b>Carrying amount- fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,218,804</b>	<b>2,218,804</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Credit risk exposure (continued)**

The gross loan book reduced by 10% and this was mainly attributable to significant volumes of pay downs of loans advanced to corporate customers in the period (2022 growth was 23%) due to effects of the domestic debt exchange and general economic conditions. Whereas this drop in loan book decreased stage 1 loss allowances by GHS0.7M some credit distress noted on both the existing and new loans accounted particularly for the increased lifetime ECL stock at year end.

Loan and advances reduced significantly in 2023 despite new loans and advances disbursed to customers during the year. There was overall ECL increment at year end, Although a much higher portfolio growth was observed on the Corporate book, there was equally some significant loan downgrades in this portfolio which resulted in a net ECL stock increment of 167% in that portfolio. Further to this movements in the portfolio was some credit distress that was noted in both the existing and new loans which accounted particularly for the increased lifetime ECL stock at year end.

Investment securities increased by 158.44% compared to prior year. There was an overall ECL decrease for investment securities at year end. Impairment on investment securities increased by 1947.53% for Stage 1 instrument largely due to Treasury bills classified as Stage 1 for current year compared to it being in Stage 3 in prior year. The impairment on stage 3 investment securities however decreased by 63.91% due to Eurobonds being the only instrument at Stage 3 with the others from last year now derecognized subsequent to the completion of the exchange programme. No impairment was recognised on POCI instruments which were originated in the current year as there has been no change in the estimate of lifetime ECLs since the initial recognition of these assets.

Impairment has also been recognised on cash and cash equivalents specifically on our placements with other banks and credit losses taken.

No impairment has been recognised on other asset as these are mainly comprised of e-cash balances which are held in a control account and settlement within a month. Additionally, there has been no history of credit losses on these balances and therefore impairment has been assessed as insignificant.

Credit risk exposures relating to off-balance sheet items are as follows:

	2023	2022
<b>Concentration by product</b>		
Bonds and Guarantees	119,172,248	42,841,437
Letters of Credit	26,310,354	136,257,348
	<b>145,482,602</b>	179,098,785
Less: impairment	<b>(1,024,800)</b>	(521,342)
	<b>144,457,802</b>	178,577,443
Undrawn loan commitment	-	21,656
Less: impairment	-	-
	<b>144,457,802</b>	178,599,099

*Key ratios on loans and advances*

The total loans loss provision made by the bank constitutes 2.26% (2022: 0.86%) of the gross loans.

As at the reporting date, gross non-performing loans classified under the Bank of Ghana Prudential Guideline constitute 3.95% (2022: 2.42%) of total gross loans and advances.

The total non-performing loans and advances amounts to GH¢72.57 million (2022: GH¢49.55 million) and the gross loan book was GH¢1.830 billion at 31 December 2023 (2022: GH¢2.044 billion).

The fifty largest loan and advances exposure (gross) to total exposure is 97.33% (2022: 87.68%).

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3.3 Credit risk exposure (continued)**

##### *Impaired loans and securities*

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded 5 to 6 in the Bank's internal credit risk grading system.

##### *Write-off policy*

The Bank writes off a loan/security balance (and any related allowances for impairment losses) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The Bank's Credit Committee determines the loans/securities that are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status. All write offs are approved by the Board with further approval obtained from Bank of Ghana before they are applied to the books of the bank. As at 31 December 2023, the Bank had no written-off loans ((2022: GH¢1.46m) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

##### *Collateral on impaired exposures*

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating over all corporate assets and other liens and guarantees. Due to the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is performed at the time of borrowing. For exposures that subsequently become impaired, collaterals are revalued after every three (3) years.

Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2023 (2022: nil). Collateral values of impaired loans are at cash flows of the forced sale values less estimated costs of sale as discounted to present values.

##### *Other types of collateral and credit enhancements*

In addition to the above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Credit risk exposure (continued)**

*Credit collateral*

Details of financial and non-financial assets as collaterals held by the Bank for the year ended 31 December 2022 as security against loans and advances under IFRS 9 are shown below.

AS AT 2023:	LOANS		OVERDRAFTS		Total	
	Net loan amount	Collateral amount	Net loan amount	Collateral amount	Net loan amount	Collateral amount
<i>In thousands of Ghana cedi</i>						
<b>Against Stage 1 Loans and Advances:</b>						
Property	536,868	2,043,933	13,750	316,400	550,618	2,360,333
Cash	909,690	1,334,172	4,684	12,580	914,374	1,346,752
Guarantees	8,344	1,631	-	-	8,344	1,631
<b>Total</b>	<b>1,454,902</b>	<b>3,379,736</b>	<b>18,434</b>	<b>328,980</b>	<b>1,473,336</b>	<b>3,708,716</b>
<b>Total carrying value</b>	<b>1,579,005</b>		<b>150,508</b>		<b>1,729,513</b>	
<b>% cover by collateral</b>	<b>92%%</b>		<b>12%</b>		<b>85%</b>	
<b>Against Stage 2 Loans and Advances:</b>						
Property	13,200	154,092	1,462	-	14,662	154,092
Cash	-	-	155	469	155	469
<b>Total</b>	<b>13,200</b>	<b>154,092</b>	<b>1,617</b>	<b>469</b>	<b>14,817</b>	<b>154,560</b>
<b>Total carrying value</b>	<b>13,394</b>		<b>1,759</b>		<b>15,153</b>	
<b>% cover by collateral</b>	<b>99%</b>		<b>92%</b>		<b>98%</b>	
<b>Against Stage 3 Loans and Advances:</b>						
Property	26,356	282,400	9,158	109,612	35,514	392,012
Cash	10,089	466,989	153	447	10,242	467,436
<b>Total</b>	<b>36,445</b>	<b>749,389</b>	<b>9,311</b>	<b>110,059</b>	<b>45,756</b>	<b>859,448</b>
<b>Total carrying value</b>	<b>36,445</b>		<b>9,311</b>		<b>45,756</b>	
<b>% cover by collateral</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>	
<b>Grand total</b>	<b>1,504,547</b>	<b>4,283,217</b>	<b>29,362</b>	<b>439,507</b>	<b>1,533,909</b>	<b>4,722,724</b>
<b>Total carrying value</b>	<b>1,628,844</b>		<b>161,578</b>		<b>1,790,422</b>	
<b>% cover by collateral</b>	<b>92%</b>		<b>18%</b>		<b>86%</b>	

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Credit risk exposure (continued)**

*Credit collateral (continued)*

<b>AS AT 2022:</b>	<b>LOANS</b>		<b>OVERDRAFTS</b>		<b>Total</b>	
<i>In thousands of Ghana cedi</i>	<b>Net loan amount</b>	<b>Collateral amount</b>	<b>Net loan amount</b>	<b>Collateral amount</b>	<b>Net loan amount</b>	<b>Collateral amount</b>
<b>Against Stage 1 Loans and Advances:</b>						
Property	468,780	2,202,839	35,351	374,432	504,131	2,577,271
Cash	1,187,006	1,291,069	14,063	29,948	1,201,069	1,321,017
Guarantees	32,281	908	1	154,448	32,282	155,356
<b>Total</b>	<b>1,688,067</b>	<b>3,494,816</b>	<b>49,415</b>	<b>558,828</b>	<b>1,737,482</b>	<b>4,053,644</b>
<b>Total carrying value</b>	<b>1,797,000</b>		<b>151,686</b>		<b>1,948,686</b>	
<b>% cover by collateral</b>	<b>94%</b>		<b>33%</b>		<b>89%</b>	
<b>Against Stage 2 Loans and Advances:</b>						
Property	28,835	104,953	667	5,226	29,502	110,179
Cash	10	-	9	38	19	38
<b>Total</b>	<b>28,845</b>	<b>104,953</b>	<b>676</b>	<b>5,264</b>	<b>29,521</b>	<b>110,217</b>
<b>Total carrying value</b>	<b>29,629</b>		<b>691</b>		<b>30,320</b>	
<b>% cover by collateral</b>	<b>97%</b>		<b>98%</b>		<b>97%</b>	
<b>Against Stage 3 Loans and Advances:</b>						
Property	45,430	411,099	-	-	45,430	411,099
Cash	1,200	4,049	-	-	1,200	4,049
<b>Total</b>	<b>46,630</b>	<b>415,148</b>	<b>-</b>	<b>-</b>	<b>46,630</b>	<b>415,148</b>
<b>Total carrying value</b>	<b>47,334</b>		<b>5</b>		<b>47,339</b>	
<b>% cover by collateral</b>	<b>99%</b>		<b>0%</b>		<b>99%</b>	
<b>Grand total</b>	<b>1,763,542</b>	<b>4,014,917</b>	<b>50,091</b>	<b>564,092</b>	<b>1,813,633</b>	<b>4,579,009</b>
<b>Total carrying value</b>	<b>1,873,963</b>		<b>152,382</b>		<b>2,026,345</b>	
<b>% cover by collateral</b>	<b>94%</b>		<b>33%</b>		<b>90%</b>	

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Credit collateral (continued)*

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown below:

	<b>Carrying amount</b>	<b>Fair value of collateral held</b>
<b>2023</b>		
<b>Past Due and credit impaired</b>		
Loans and advances to customers	72,575,571	859,448,021
	<b>72,575,571</b>	<b>859,448,021</b>
<b>2022</b>		
<b>Past Due and credit impaired</b>		
Loans and advances to customers	46,630,348	356,082,928
	<b>46,630,348</b>	<b>356,082,928</b>

The Bank does not recognize loss allowances on financial instruments with collaterals cover of more than 100% of the full exposure. The breakdown of such facilities are shown in the table below

	<b>2023</b>		<b>2022</b>	
	<b>Carrying amount</b>	<b>Fair value of collateral held</b>	<b>Carrying amount</b>	<b>Fair value of collateral held</b>
Stage 1	1,110,737,696	2,033,202,375	1,570,619,320	3,023,176,656
Stage 2	1,323,427	7,224,829	12,871,521	54,996,146
Stage 3	28,422,603	111,004,524	46,630,348	356,082,928
<b>Carrying amount</b>	<b>1,140,483,726</b>	<b>2,151,431,728</b>	<b>1,630,121,189</b>	<b>3,434,255,730</b>

**Assets obtained by taking possession of collateral**

The Bank's policy is to pursue timely realisation of all repossessed collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations. Where the repossessed collaterals are of nature which can be used in the Bank's operations, they are obtained at market values through auction or by mutual consent of both parties. Where repossessed collaterals are sold, proceeds from their sale are used to reduce related outstanding indebtedness. They are normally sold within two years.

The Bank did not hold any financial and non-financial assets resulting from taking possession of collaterals held as security against loans and advances at the reporting date.

**Offsetting financial assets and financial liabilities**

The Bank did not hold any financial assets and financial liabilities that are off-set in the statement of financial position at the reporting date.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Credit risk exposure (continued)**

*Credit concentration*

The Bank monitors concentrations of credit risk by product, by industry and by customer.

An analysis of concentrations of credit risk in respect of loans and advances at the reporting date is shown below:

	2023	2022
Carrying amount	<b>1,790,421,767</b>	2,026,344,662
<b>Concentration by product</b>		
Overdraft	<b>173,055,612</b>	157,172,081
Term loan	<b>1,657,702,016</b>	1,886,761,362
Gross	<b>1,830,757,628</b>	2,043,933,443
Less: impairment	<b>(40,335,860)</b>	(17,588,781)
Net	<b>1,790,421,768</b>	2,026,344,662
<b>Concentration by industry</b>		
Manufacturing	<b>294,029,979</b>	260,546,004
Construction	<b>34,124,824</b>	59,326,153
Electricity, gas and water	<b>196,606,827</b>	58,826,754
Commerce and finance	<b>853,196,419</b>	555,214,991
Transport, storage and communication	<b>177,210,944</b>	183,296,633
Services	<b>219,771,168</b>	813,772,346
Miscellaneous	<b>55,817,467</b>	112,950,563
Gross	<b>1,830,757,628</b>	2,043,933,443
Less: impairment	<b>(40,335,860)</b>	(17,588,781)
Net	<b>1,790,421,768</b>	2,026,344,662
<b>Concentration by customer</b>		
Individuals	<b>55,782,176</b>	112,950,563
Public sector institutions and enterprises	-	315,487,952
Private enterprises	<b>1,774,975,452</b>	1,615,494,928
Gross	<b>1,830,757,628</b>	2,043,933,443
Less: impairment	<b>(40,335,860)</b>	(17,588,781)
Net	<b>1,790,421,768</b>	2,026,344,662

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3.3 Credit risk exposure (continued)**

##### *Credit concentration (continued)*

Concentration by industry for loans and advances are measured based on the industry in which customer operates. Where the nature of business operation of a client cannot be clearly identified, it is classified as miscellaneous.

At 31 December 2023, the gross staff loans amount to GH¢3.6 million (2022: GH¢4.7 million) comprising various types of loans granted to staff at concessionary rates.

##### *Investments securities*

Investment securities amounting to GH¢5.516 billion (2022: GH¢2.134 billion) are held in Government of Ghana Treasury Bills and bonds as well as other sovereign bonds. The government securities have been assessed for impairment and total impairment of GH¢629 million (2022: GH¢541 million) taken.

##### *Non-pledged trading securities*

Investment securities amounting to GH¢61 million (2022: GH¢142 million) are held in Government of Ghana Treasury Bills and bonds.

##### *Pledged assets*

Investment securities amounting to GH¢157 million (2022: GH¢159 million) are held in Government of Ghana Treasury Bills and bonds. Impairment amounting to GH¢ 48 million (2022: GH¢ 48 million) was assessed on the total amount pledged.

##### *Due from banks and other financial institutions*

Amount due from local banks of GH¢0 (2022: GH¢405,321) and foreign banks of GH¢1.329 billion (2022: GH¢272.5million) are held with correspondent banks and financial institutions. These amounts are with regulated reputable institutions however due to economic conditions, these exposures have been assessed and impairments taken as necessary, amounting to GH¢11 million (2022: GH¢5.6 million). The amounts due from banks and other financial institutions set out in Note 15 represent the maximum credit risk exposure of the Bank by holding these placements.

#### **3.3.4 Amount arising from ECL**

##### **Inputs, assumptions and techniques used for estimating impairment**

##### *Significant increase in credit risk*

At each reporting date, the Bank assess whether the credit risk on a financial instrument has increased significantly since initial recognition. To make that assessment, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, which indicates significant increases in credit risk since initial recognition.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Bank cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition.

The Bank uses various quantitative, qualitative and backstop measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio are reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level, instruments that share similar risk characteristics are assessed on a collective basis.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**Inputs, assumptions and techniques used for estimating impairment (continued)**

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition. The Bank considers the impact of changes in the quality of credit enhancements (e.g. guarantees) it holds on the borrower’s probability of default if a shareholder or parent has provided a guarantee, and has an incentive and the financial ability to prevent default by capital or cash infusion.
- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. 1 day in arrears);
- Accounts in the Retail portfolio which meet the portfolio’s impairment high risk criteria; and
- The Bank’s watch list framework applied to the corporate portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

*Credit risk grades*

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

*Risk grading*

A risk rating is a grade given to a loan (or group of loans), reflecting its quality. The ratings are either stated in numbers or as a description from one (1) to six (6).

The Bank’s internal rating scale is as follows:

<b>Description</b>	<b>Ratings</b>	<b>Characteristics of Credits</b>
Superior Credits	1	They are credits (low-fair risk) that have overwhelming capacity to repay obligations. The business has adequate cash flow and high-quality revenue from continuing business. It has strong equity when related to the quality of its assets with track record of at least consistent profit for three (3) years. Full cash collateralised credits are classified as Superior Credits.
Above average Credits	2	These have majority of attributes of superior credits (low-fair risk) but may have weaknesses in not more than two of the characteristics of superior credits. These weaknesses should not impair repayment capacity of the borrower.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Risk grading (continued)*

<b>Description</b>	<b>Ratings</b>	<b>Characteristics of Credits</b>
Acceptable Credits	3	Acceptable Credits have most of the attributes of Above Average Credits but may have one or more of the following weaknesses which if not closely managed could impair repayment capacity of the borrower: Low capitalisation and equity base, short track record, low market share, price control on its products and highly cyclical demand.
Watch-list Credits/ Other Loans Exceptionally Mentioned (OLEM)	4	This category applies to existing credits that have shown signs of deterioration because they have well-defined weaknesses which could affect the ability of the borrower to repay. Immediate corrective actions are set in motion to avoid complete loss.
Substandard and Doubtful	5	This rate is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Some attributes are interest and principal past due for 90 days or more, borrower has recorded losses consistently for 2 years, borrowers net worth is grossly eroded due to major business failure or disaster and security offered has deteriorated.
Bad and Lost	6	This applies when all or part of the outstanding loans are uncollectible based on present conditions. Attributes are principal and interest overdue and unpaid for more than 180 days, legal processes do not guarantee full recovery of outstanding debt, clients request for a waiver of part of interest accrued has been granted, borrower is under receivership or in the process of liquidation, borrower has absconded and or documentation is shoddy or incomplete to pursue recovery through legal means.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3.3.4 Amount arising from ECL (continued)**

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> <li>Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes</li> <li>Data from credit reference agencies, press articles, changes in external credit ratings</li> <li>Quoted bond and credit default swap (CDS) prices for the borrower where available</li> <li>Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities</li> </ul>	<ul style="list-style-type: none"> <li>Internally collected data on customer behaviour – e.g. utilisation of credit card facilities</li> <li>Affordability metrics</li> </ul>	<ul style="list-style-type: none"> <li>Payment record– this includes overdue status as well as a range of variables about payment ratios</li> <li>Utilisation of the granted limit</li> <li>Requests for and granting of forbearance</li> <li>Existing and forecast changes in business, financial and economic conditions</li> <li>Existing and forecast changes in business, financial and economic conditions</li> </ul>

**Generating the term structure of PD**

Past due data of credit risk exposures are a primary input into the determination of the term structure of PD for the determination of ECL. The Bank collects performance and default information about its credit risk exposures analysed by sector. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The table below provides an indicative range of probability of default (PD) considered for each sector in developing the ECL:

Sector	PD Range	
Commerce	0.72%	23.33%
Construction	1.32%	21.43%
Manufacturing	1.09%	11.32%
Telecoms	1.32%	50.00%
Petroleum-Down/MID stream	0.72%	33.33%
Power, Water, Gas-Producers	0.72%	6.67%
Services	0.72%	20.00%
Mining & Quarrying	0.72%	100.00%
Financial Institutions	1.32%	30.00%
Agriculture	0.72%	6.67%
Arts, Entertainment & Recreation	0.72%	6.67%
Hotels & Hospitality	1.32%	16.67%
Marine & Port Services	0.72%	12.50%
Retail	0.28%	2.86%

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3.4 Amount arising from ECL (continued)**

##### *Generating the term structure of PD*

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Asset and Liability Management Committee (ALMAC) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

##### *Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3.4 Amount arising from ECL (continued)**

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a regulatory maximum of six (6) months before the exposure is no longer considered to be credit-impaired or in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

#### *Definition of default*

The Bank considers a financial asset to be in default when:

- i. the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- ii. the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- iii. it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- i. qualitative – e.g. breaches of covenant;
- ii. quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- iii. based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes. Where an asset in default is restructured and meets all required obligations for a minimum period of six months, such asset is reclassified back to stage 1.

#### *Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank's Market Risk Unit and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and Bank of Ghana and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The scenario probability weighting applied in measuring ECL are 50% for base case, 21.5% for upturn and 28.5% for downturn. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators for Ghana for the years ending 31 December 2023 and 2022.

	<b>2023</b>	<b>2022</b>
US Exchange rate	Base 30% Range between 27% and 42%	Base 54% Range between 49% and 76%
Interest rates	Base 15.54% Range between 10% and 18%	Base 11% Range between 9% and 15%

Predicted forward looking macro-economic scenarios have been considered for all portfolios held by the bank.

The Bank prepares the scenarios for a 5 year period using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), The Ghana Statistical Service, World Bank, The Bank of Ghana, Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

Exchange rates are projected on the back of depreciation/appreciation trends, inflation, the country's economic strength against global economic and political conditions which include balance of payment and aggregate demand & supply of currency.

Interest rates are projected taking into consideration the monetary policy, inflation, GDP and other benchmarks.

*Sensitivity of ECL to future economic conditions*

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The table below shows the loss allowance on loans and advances to customers assuming each forward-looking scenario changed by the following percentages as outlined in the table below instead of applying the changes in deriving the Upside and down-side scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

The bank has assumed a 28% and 22% change for interest rate and 35%, and 15% change for exchange rates for the macroeconomic scenarios considered in their ECL for the 2024 financial year. The bank assumed for the 2023 financial year a 30% and 20% change for interest rate and 10%, and 40% change for exchange rates for the macroeconomic scenarios considered in the ECL.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

The below table show the sensitivity analysis of ECL to future economic conditions (interest rate and exchange rate)

Increase in Interest rate			Decrease in Interest rate		
Change	TOTAL ECL	GAP	Change	TOTAL ECL	GAP
Down-side 30%	40,426,073.33	0.00%	Upside 20%	40,426,073.33	0.00%
10%	41,437,417.98	2.50%	10%	41,283,902.86	2.12%
20%	41,514,175.55	2.69%	20%	41,207,145.29	1.93%
40%	41,667,690.67	3.07%	40%	41,053,630.17	1.55%
50%	41,744,448.23	3.26%	50%	40,976,872.61	1.36%

Cedi appreciation			Cedi depreciation		
Change	TOTAL ECL	GAP	Change	TOTAL ECL	GAP
Upside 10%	40,619,757.31	0.00%	Down-side 40%	41,175,434.64	0.00%
0%	41,360,660.42	2.31%	0%	41,360,660.42	2.31%
20%	40,990,208.86	1.40%	20%	41,731,111.98	3.23%
30%	40,804,983.08	0.94%	30%	41,916,337.76	3.69%
40%	40,619,757.31	0.48%	40%	42,101,563.53	4.14%

*Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

(i) *Probability of default (PD)*

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated repayment rates.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.3.4 Amount arising from ECL (continued)**

*Incorporation of forward-looking information (continued)*

*Measurement of ECL (continued)*

##### *(ii) Loss given default (LGD)*

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Loss Given Default represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type of exposure and seniority of claim and availability of collateral or other credit support.

##### *(iii) Exposure at default (EAD)*

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as undrawn portion of overdrafts are considered for impairment. These include estimates based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristic that include instrument type; credit risk grading; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, Bank of Ghana guidelines as well as external benchmark information is used to supplement the internally available data.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3.3.2i:

	2023			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – corporate customers</b>				
Balance at 1 January	7,215	4,482	307	12,004
Transfer to Stage 1	12	(12)	-	-
Transfer to Stage 2	(16,545)	16,545	-	-
Transfer to Stage 3	-	(12,971)	12,971	-
Net remeasurement of loss allowance	8,883	(8,032)	(13,008)	(12,157)
New financial assets originated, purchased or reclassified	7,592	4,290	19,526	31,408
Foreign exchange difference	834	-	-	834
Write-offs	-	-	-	-
<b>Balance at 31 December</b>	<b>7,991</b>	<b>4,302</b>	<b>19,796</b>	<b>32,090</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – corporate customers</b>				
Balance at 1 January	3,597	1,048	461	5,106
Transfer to Stage 1	2	(2)	-	-
Transfer to Stage 2	(4,526)	4,526	-	-
Transfer to Stage 3	-	(220)	220	-
Net remeasurement of loss allowance	1,740	(5,352)	121	(3,491)
New financial assets originated, purchased or reclassified	6,090	4,482	278	10,850
Foreign exchange difference	312	-	-	312
Write-offs	-	-	(773)	(773)
<b>Balance at 31 December</b>	<b>7,215</b>	<b>4,482</b>	<b>307</b>	<b>12,004</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	<b>2023</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage3</b>	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – retail customers</b>				
Balance at 1 January	<b>2,214</b>	<b>1,462</b>	<b>1,909</b>	<b>5,585</b>
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(1,348)	(1,106)	5,115	2,661
New financial assets originated, purchased or reclassified	-	-	-	-
Write-offs	-	-	-	-
<b>Balance at 31 December</b>	<b>867</b>	<b>356</b>	<b>7,023</b>	<b>8,246</b>

*The loss allowance in these tables below includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.*

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – retail customers</b>				
Balance at 1 January	980	951	766	2,697
Transfer to Stage 1	8	(7)	(1)	-
Transfer to Stage 2	(2,744)	2,744	-	-
Transfer to Stage 3	-	(1,666)	1,666	-
Net remeasurement of loss allowance	2,975	(1,498)	(876)	601
New financial assets originated, purchased or reclassified	995	938	1,039	2,972
Write-offs	-	-	(685)	(685)
<b>Balance at 31 December</b>	<b>2,214</b>	<b>1,462</b>	<b>1,909</b>	<b>5,585</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	2023			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – Bank-wide</b>				
Balance at 1 January	9,429	5,944	2,216	17,589
Transfer to Stage 1	12	(12)	-	
Transfer to Stage 2	(16,545)	16,545		
Transfer to Stage 3	-	(12,971)	12,971	-
Net remeasurement of loss allowance	7,536	(9,138)	(7,893)	(9,495)
New financial assets originated, purchased or reclassified	7,592	4,290	19,526	31,408
Foreign exchange difference	834			834
Write-offs	-	-	-	-
<b>Balance at 31 December</b>	<b>8,858</b>	<b>4,658</b>	<b>26,820</b>	<b>40,336</b>

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Loans and advances to customer at amortised cost – Bank-wide</b>				
Balance at 1 January	4,577	1,999	1,227	7,803
Transfer to Stage 1	10	(9)	(1)	
Transfer to Stage 2	(7,270)	7,270		
Transfer to Stage 3	-	(1,866)	1,886	-
Net remeasurement of loss allowance	4,715	(6,850)	(755)	(2,890)
New financial assets originated, purchased or reclassified	7,085	5,420	1,317	13,822
Foreign exchange difference	312	-	-	312
Write-offs	-	-	(1,458)	(1,458)
<b>Balance at 31 December</b>	<b>9,429</b>	<b>5,964</b>	<b>2,216</b>	<b>17,609</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	2023			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Cash and cash equivalents – Bank-wide</b>				
Balance at 1 January	5,646	-	-	5,646
Net remeasurement of loss allowance	5,360	-	-	5,360
<b>Balance at 31 December</b>	<b>11,006</b>	<b>-</b>	<b>-</b>	<b>11,006</b>

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Cash and cash equivalents – Bank-wide</b>				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowance	5,646	-	-	5,646
<b>Balance at 31 December</b>	<b>5,646</b>	<b>-</b>	<b>-</b>	<b>5,646</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iv) *Loss Allowance (continued)*

	2023			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Investment securities at amortised cost – Bank-wide</b>				
Balance at 1 January	904	-	539,780	540,684
Derecognised financial assets			(410,431)	(410,431)
Net remeasurement of loss allowance	17,611	-	70,863	88,474
Newly originated assets				
<b>Balance at 31 December</b>	<b>18,515</b>	<b>-</b>	<b>200,211</b>	<b>218,726</b>

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Investment securities at amortised cost – Bank-wide</b>				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowance	904	-	539,780	540,684
<b>Balance at 31 December</b>	<b>904</b>	<b>-</b>	<b>539,780</b>	<b>540,684</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

(iii) *Loss Allowance (continued)*

	2023			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Investment securities at FVOCI – Bank-wide</b>				
Balance at 1 January	-	-	1,484	<b>1,484</b>
Derecognised financial assets			(1,484)	<b>(1,484)</b>
New financial assets originated, purchased or reclassified	-	-	-	-
<b>Balance at 31 December</b>	-	-	-	-

	2022			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
<b>Investment securities at FVOCI – Bank-wide</b>				
Balance at 1 January	-	-	-	-
New financial assets originated, purchased or reclassified	-	-	1,484	1,484
<b>Balance at 31 December</b>	-	-	1,484	<b>1,484</b>

**Exposure estimate for off-balance sheet items**

*CCF for loan commitments and financial guarantees*

The modelling approach for credit conversion factor (CCF)/utilisation rate reflects expected changes in the utilisation of the undrawn amount over the lifetime of the loan commitment that are permitted by the current contractual terms. The model also considers the bank's credit mitigation policies applied during period of increased credit risk for the undrawn commitment.

The modelling of CCF on loan commitments needs to be consistent with the expectations of drawdowns on that loan commitment. It should consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

**Exposure estimate for off-balance sheet items**

*CCF for loan commitments and financial guarantees*

It should consider the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses.

CCF translates an off-balance sheet exposure to its credit exposure equivalent. It is the percentage of undrawn credit lines (UCL) which has not been paid out but can be utilised by the borrower until the point of default.

The following percentages were used in converting the notional amount of the transaction using a credit conversion factor (CCF) into an on-balance sheet credit equivalent amounts (CEA), direct Credit Substitutes-100%, Performance-Related Contingencies-50%, Trade-Related Contingencies-20%, and Commitment with certain Drawdowns-100%.

The table below shows the movement in off balance sheet items upon which the CCF was used to determine the impairment on off balance sheet items.

<i>In thousands of Ghana Cedis</i>	<b>2023</b>	2022
<b>Impairment on off-balance sheet items</b>		
Balance at 1 January	<b>521</b>	1,396
Net re-measurement of loss allowance	<b>503</b>	(875)
<b>Balance at 31 December</b>	<b>1,024</b>	521

<i>In thousands of Ghana Cedis</i>	<b>2023</b>	2022
<b>Loan commitments and financial guarantee contracts (Gross exposure)</b>		
Balance at 1 January	<b>179,098</b>	309,959
Net remeasurement of loss allowance	<b>(33,235)</b>	(130,861)
<b>Balance at 31 December</b>	<b>145,483</b>	179,098

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instruments; and
- the 'impairment losses on financial instruments' line item in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

	Loans and advances to customers at amortised cost	Letters of credit, undrawn commitments and guarantee	Cash and cash equivalents	Investment securities	Total
<b>In thousands of Ghana Cedis</b>					
<b>2023</b>					
Net remeasurement of loss allowance	(9,495)	504	5,360	88,474	<b>84,842</b>
Loss allowance on new financial assets originated	31,408	-	-	-	<b>31,408</b>
Foreign exchange difference	834	-	-	-	<b>834</b>
Recoveries of amounts previously written off	(1,721)	-	-	-	<b>(1,721)</b>
	<b>21,026</b>	<b>504</b>	<b>5,360</b>	<b>88,474</b>	<b>115,364</b>

	Loans and advances to customers at amortised cost	Letters of credit, undrawn commitments and guarantee	Cash and cash equivalents	FVOCI	Investment securities	Total
<b>In thousands of Ghana Cedis</b>						
<b>2022</b>						
Net remeasurement of loss allowance	(2,890)	(875)	5,646	1,484	540,684	<b>542,565</b>
Loss allowance on new financial assets originated	13,822	-	-	-	-	<b>13,822</b>
Foreign exchange difference	312	-	-	-	-	<b>312</b>
Recoveries of amounts previously written off	(1,162)	-	-	-	-	<b>(1,162)</b>
	<b>10,082</b>	<b>(875)</b>	<b>5,646</b>	<b>1,484</b>	<b>540,684</b>	<b>557,021</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.4 Amount arising from ECL (continued)**

**Exposure estimate for off-balance sheet items (continued)**

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers:

<i>In thousands of Ghana Cedis</i>	<b>2023</b>	2022
Credit-impaired loans and advances to customers at 1 January	<b>47,339</b>	25,036
Change in allowance for impairment	<b>(24,604)</b>	(989)
Classified as credit-impaired	<b>49,356</b>	43,865
Net repayments	<b>(26,335)</b>	(19,115)
Write off	-	(1,458)
<b>Balance at 31 December</b>	<b>45,756</b>	47,339

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.4 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

*Management of liquidity risk*

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank. The liquidity requirements of business units are met through short-term loans and investments from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The Bank maintains liquidity limits imposed by the regulator, Bank of Ghana. The overall liquidity is within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset and Liabilities Management Committee (ALMAC). Daily reports on the liquidity position of the bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALMAC on monthly basis.

*Exposure to liquidity risk*

The key measure used by the Bank for managing liquidity risk is the composition of net liquid assets to deposits from customers (liquid ratio). For this purpose, net liquid assets comprise cash and cash equivalents and government securities for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.4 Liquidity risk (continued)**

*Exposure to liquidity risk (continued)*

The Bank's liquid ratio determined by the total deposit liabilities covered by the total liquid assets is set out below.

	<b>2023</b>	<b>2022</b>
<b>Liquid assets</b>		
Cash on hand	166,335,512	189,423,123
Balance with banks	350,477,125	260,247,343
Due from bank of Ghana	1,610,092,266	1,316,731,992
Placements with banks	967,835,555	12,873,290
Treasury bills and notes maturing 1 year	3,000,233,214	600,173,120
Government bonds maturing in 1 year	<u>499,273,998</u>	<u>858,442,149</u>
<b>Total liquid assets</b>	<b><u>6,594,247,670</u></b>	<b><u>3,237,891,017</u></b>
<b>Deposits</b>		
Demand	5,697,374,348	4,121,172,758
Savings	899,123,407	629,895,556
Time/Term	1,228,298,904	419,691,401
Security deposits	<u>1,186,769,250</u>	<u>459,047,109</u>
<b>Total deposit liabilities</b>	<b><u>9,011,565,909</u></b>	<b><u>5,629,806,824</u></b>
<b>Liquid ratio</b>	<b>73.18%</b>	<b>57.51%</b>

The Bank's ratio of net liquid assets to deposits at 31 December 2023 and during the reporting period then ended are as follows:

	<b>2023</b>	<b>2022</b>
	<b><u>%</u></b>	<b><u>%</u></b>
At 31 December	<b>73.18%</b>	<b>57.51%</b>
Average for the period	<b>63.65%</b>	58.65%
Maximum for the period	<b>70.35%</b>	59.58%
Minimum for the period	<b>55.21%</b>	55.65%

*Assets used in managing liquidity risk*

The Bank holds a diversified portfolio of cash and high-quality highly liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise cash and balances with central banks, due from other banks and investments securities including Government bonds and securities that are readily acceptable in repurchase agreements with the central bank.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.4 Liquidity risk (continued)**

*Maturity analysis for financial liabilities and financial assets*

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed are the contractual undiscounted cash flow.

	<b>Carrying amount</b>	<b>Gross nominal inflow/ (outflow)</b>	<b>0 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
<b>At 31 December 2023</b>							
<b>Financial liability by type</b>							
Deposits from customers	9,011,565,909	9,015,041,976	8,911,255,147	94,342,589	9,444,240	-	-
Other Liabilities	96,820,040	96,820,040	96,820,040	-	-	-	-
Lease liability	52,306,998	53,872,375	5,246,665	-	3,969,328	15,103,909	29,552,473
<b>Total Liabilities</b>	<b>9,160,692,947</b>	<b>9,165,734,391</b>	<b>9,013,321,852</b>	<b>94,342,589</b>	<b>13,413,568</b>	<b>15,103,909</b>	<b>29,552,473</b>
<b>Financial assets by type</b>							
Cash and bank balances	1,776,427,779	1,776,427,779	1,776,427,779	-	-	-	-
Non-pledged trading assets	60,897,297	73,223,876	16,325,634	26,169,813	27,728,429	500,000	2,500,000
Pledged assets	156,831,000	156,831,000	156,831,000	-	-	-	-
Due from banks and other financial institutions	1,318,312,680	1,329,318,645	1,088,639,085	240,679,560	-	-	-
Loans and advances	1,790,421,768	1,937,211,558	679,867,913	672,564,780	65,694,516	512,206,407	6,877,942
Investment securities	5,516,067,029	6,782,919,948	2,433,111,745	157,113,495	1,117,749,514	1,641,636,874	1,433,308,320
Other assets	277,577,096	256,899,436	256,899,436	-	-	-	-
<b>Assets held for managing liquidity risk</b>	<b>10,896,534,649</b>	<b>12,312,832,242</b>	<b>6,408,102,592</b>	<b>1,096,527,648</b>	<b>1,211,172,459</b>	<b>2,154,343,281</b>	<b>1,442,686,262</b>
<b>Liquidity Excess/(gap)</b>	<b>1,735,841,702</b>	<b>3,147,097,851</b>	<b>(2,605,219,260)</b>	<b>1,002,185,059</b>	<b>1,197,758,891</b>	<b>2,139,239,372</b>	<b>1,413,133,789</b>
Financial guarantees	119,172,248	119,172,248	119,172,248	-	-	-	-
Letters of Credit	26,310,353	26,310,353	26,310,353	-	-	-	-
Loan commitment	40,901,037	40,901,037	10,706,648	20,072,246	10,122,143	-	-
<b>Total</b>	<b>186,383,638</b>	<b>186,383,638</b>	<b>156,189,249</b>	<b>20,072,246</b>	<b>10,122,143</b>	-	-



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Maturity analysis for financial liabilities and financial assets (continued)*

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

	<b>Gross nominal</b>						
	<b>Carrying</b>		<b>0 to 3</b>	<b>3 to 6</b>	<b>6 to 12</b>	<b>1 to 5</b>	<b>More than</b>
	<b>amount</b>	<b>inflow/ (outflow)</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>5 years</b>
<b>At 31 December 2022</b>							
<b>Financial liability by type</b>							
Deposits from customers	5,629,806,824	5,638,003,935	5,587,628,558	42,373,545	6,244,958	1,756,874	-
Other Liabilities	117,495,822	119,625,462	117,495,822	-	-	-	-
Lease liability	43,896,662	91,081,194	-	-	5,462,057	44,139,679	41,479,458
<b>Total Liabilities</b>	<b>5,793,328,948</b>	<b>5,848,710,591</b>	<b>5,707,254,020</b>	<b>42,373,545</b>	<b>11,707,015</b>	<b>45,896,553</b>	<b>41,479,458</b>
<b>Financial assets by type</b>							
Cash and bank balances	1,506,155,115	1,506,155,115	1,506,155,115	-	-	-	-
Non-pledged trading assets	142,756,276	142,756,276	142,756,276	-	-	-	-
Pledged assets	158,627,720	158,627,720	-	-	-	158,627,720	-
Due from banks and other financial institutions	273,120,633	278,778,178	278,778,178	-	-	-	-
Loans and advances	2,026,344,662	2,246,996,553	1,094,905,629	134,873,033	269,448,546	620,883,851	126,885,494
Investment securities	2,134,381,589	3,884,381,134	437,637,537	364,281,942	813,922,878	1,670,103,896	598,434,881
Other assets	546,636,067	546,636,067	546,636,067	-	-	-	-
<b>Assets held for managing liquidity risk</b>	<b>6,788,022,062</b>	<b>8,764,331,043</b>	<b>4,006,868,802</b>	<b>499,154,975</b>	<b>1,083,371,424</b>	<b>2,449,615,467</b>	<b>725,320,375</b>
	<b>993,487,465</b>	<b>2,915,620,452</b>	<b>(1,700,385,218)</b>	<b>456,781,430</b>	<b>1,071,664,409</b>	<b>2,403,718,914</b>	<b>683,840,917</b>
<b>Liquidity Excess/(gap)</b>							
Financial guarantees	42,841,437	42,841,437	42,841,437	-	-	-	-
Letters of Credit	136,257,348	136,257,348	136,257,348	-	-	-	-
Loan commitment	8,795,566	8,795,566	8,795,566	-	-	-	-
<b>Total</b>	<b>187,894,351</b>	<b>187,894,351</b>	<b>187,894,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Maturity analysis for financial liabilities and financial assets (continued)*

The amounts in the table above have been compiled as follows.

<b>Type of financial instrument</b>	<b>Basis on which amounts are compiled</b>
<ul style="list-style-type: none"> <li>• Non-derivative financial liabilities and financial assets</li> </ul>	<ul style="list-style-type: none"> <li>• Undiscounted cash flows,</li> </ul>
<ul style="list-style-type: none"> <li>• Issued financial guarantee contracts, and unrecognised loan commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.</li> </ul>

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately

**Assets held for managing liquidity risk**

The Bank holds a diversified portfolio of cash and high quality highly liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Ghana;
- Government bonds and other securities that are readily acceptable in repurchase agreements with the Bank of Ghana; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank are trading portfolios.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**Domestic Debt Exchange considerations**

IFRS 7 requires disclosure of quantitative data about liquidity risk arising from financial instruments. The Bank of Ghana in response to the Domestic Debt Exchange increased Cash Reserve Requirement ratio (CRR) from 14% and 12% on both local and foreign currency denominated deposits respectively for 2022. This has since been revised to 15% on both local and foreign currency denominated deposits with CRR on foreign denominated currency deposits to be held in local currency.

**Eurobonds**

On 19 December 2022, the Government suspended debt service on external debt, including the Bank's holdings in Eurobonds, which are reported under "Investment securities" in the table above. The amounts disclosed in the table are based on the remaining contractual undiscounted cashflows of the Eurobonds held by the Bank at 31 December 2023. As of the date of authorization of these financial statements, negotiations between the Government and stakeholders are ongoing to restructure the terms of the Eurobonds. The finalization of these negotiations will have an impact on the maturities of the undiscounted cash flows of these bonds as well as the Bank's liquidity gap position.

**3.5 Market risks**

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

IFRS 7 requires disclosure of quantitative data about market risk arising from financial instruments. The market risk impact of the DDE programme on the Bank relates to mark-to-market losses or gains resulting from the movement in the prices of securities held for trading and/or hold to collect and sell. This impact will be minimal considering less than 10% of the new bonds are classified as held for trading and/or hold to collect and sell. The bank will continue to review the securities and make adequate provisions as may be required for mark-to-market purposes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3.5 Market risks (cont'd)**

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

<b>31 December 2023</b>	<b>Carrying amount</b>	<b>Trading portfolios</b>	<b>Non-trading portfolios.</b>
<b>Assets subject to market risk</b>			
Cash and cash equivalents	3,094,740,458	-	3,094,740,458
Non-pledge trading assets	60,897,297	60,897,297	-
Pledged assets	156,831,000	-	156,831,000
Loans and advances to customers	1,790,421,768	-	1,790,421,768
Investment securities	5,516,067,029	-	5,516,067,029
<b>Total</b>	<b>10,618,957,552</b>	<b>60,897,297</b>	<b>10,558,060,255</b>
<b>Liabilities subject to market risk</b>			
Deposits from customers	9,011,565,909	-	9,011,565,909
<b>Total</b>	<b>9,011,565,909</b>	<b>-</b>	<b>9,011,565,909</b>
<b>31 December 2022</b>			
<b>Assets subject to market risk</b>			
Cash and cash equivalents	1,779,275,748	-	1,779,275,748
Non-pledge trading assets	142,756,276	142,756,276	-
Pledged assets	158,627,720	-	158,627,720
Loans and advances to customers	2,026,344,662	-	2,026,344,662
Investment securities	2,134,381,589	2,218,804	2,132,162,785
<b>Total</b>	<b>6,241,385,995</b>	<b>144,975,080</b>	<b>6,098,629,719</b>
<b>Liabilities subject to market risk</b>			
Deposits from customers	5,629,806,824	-	5,629,806,824
<b>Total</b>	<b>5,629,806,824</b>	<b>-</b>	<b>5,629,806,824</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Management of market risks*

The Bank separates its exposure to market risk between trading and non-trading portfolios, foreign exchange risk within the Bank are monitored by the Risk Management Group. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in the ALMAC. The Risk Management Group is responsible for the development of detailed risk management policies (subject to review and approval by ALMAC) and for the day-to-day review of their implementation.

**3.5.1 Interest rate risk**

The principal risk to which the bank is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

**Domestic Debt Exchange considerations**

*Eurobonds*

On 19 December 2022, the Government suspended debt service on external debt, including the Bank's holdings in Eurobonds, which are reported under "Investment securities and trading assets" in the table above. As of the date of authorization of these financial statements, negotiations between the Government and stakeholders are ongoing to restructure the terms of the Eurobonds. The finalization of these negotiations will have an impact on the maturities of the cash flows of these bonds as well as the Bank's interest rate gap position.

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**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.5 Market risks (continued)**

**3.5.1 Interest rate risk (continued)**

	<b>Total</b>	<b>Less than 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
<b>At 31 December 2023</b>						
Cash and bank balance	1,776,427,778	1,776,427,778	-	-	-	-
Due from other bank and other financial inst.s	1,318,312,680	1,318,312,680	-	-	-	-
Investment securities and trading assets	5,733,795,327	1,772,950,427	40,084,647	1,414,144,803	595,281,854	1,911,333,596
Loans and advances to customers	1,790,421,768	145,069,769	956,527,782	228,148,088	447,597,798	13,078,331
<b>Total financial assets</b>	<b>10,618,957,553</b>	<b>5,012,760,654</b>	<b>996,612,429</b>	<b>1,642,292,891</b>	<b>1,042,879,652</b>	<b>1,924,411,927</b>
Deposits from customers	9,011,565,909	8,603,047,101	386,373,004	19,712,685	2,433,119	-
<b>Total financial liabilities</b>	<b>9,011,565,909</b>	<b>8,603,047,101</b>	<b>386,373,004</b>	<b>19,712,685</b>	<b>2,433,119</b>	<b>-</b>
<b>Total interest repricing excess/(gap)</b>	<b>1,607,391,644</b>	<b>(3,590,286,447)</b>	<b>610,239,425</b>	<b>1,622,580,206</b>	<b>1,040,446,533</b>	<b>1,924,411,927</b>

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**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.5 Market risks**

**3.5.1 Interest rate risk (continued)**

	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
At 31 December 2022						
Cash and bank balance	1,506,155,115	1,506,155,115	-	-	-	-
Due from other bank and other financial inst.s	273,120,633	273,120,633	-	-	-	-
Investment securities and trading assets	2,435,765,584	190,256,874	268,774,054	198,601,149	433,049,880	1,345,083,627
Loans and advances to customers	2,026,344,662	186,767,253	343,687,947	394,473,647	895,667,738	205,748,077
<b>Total financial assets</b>	<b>6,241,385,994</b>	<b>2,156,299,875</b>	<b>612,462,001</b>	<b>593,074,796</b>	<b>1,328,717,618</b>	<b>1,550,831,704</b>
Deposits from customers	5,629,806,824	5,546,380,307	73,642,683	7,455,347	2,328,487	-
<b>Total financial liabilities</b>	<b>5,629,806,824</b>	<b>5,546,380,307</b>	<b>73,642,683</b>	<b>7,455,347</b>	<b>2,328,487</b>	<b>-</b>
<b>Total interest repricing excess/(gap)</b>	<b>611,579,170</b>	<b>(3,390,080,432)</b>	<b>538,819,318</b>	<b>585,619,449</b>	<b>1,326,389,131</b>	<b>1,550,831,704</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.5 Market risks (continued)**

**3.5.1 Interest rate risk (continued)**

*Sensitivity analysis*

An increase of a 100 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

Sensitivity analysis of interest rate risks increase/decrease of 100 basis points in net interest margin

	<b>December 2023</b>	December 2022
Interest income impact	<b>13,441,606</b>	6,491,449
Interest expense impact	<b>(3,091,862)</b>	(1,762,315)
Net impact on profit before tax	<b>10,349,744</b>	4,729,134

A decrease of a 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

**3.5.2 Foreign exchange risk**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The Bank applied the Bank of Ghana mid-rates indicated below to translate balances denominated in foreign currencies to Ghana cedi as at 31 December 2023:

	<b>2023</b>	2022
USD	<b>11.8800</b>	8.5760
GBP	<b>15.1334</b>	10.3118
EUR	<b>13.1264</b>	9.1457
CNY	<b>1.6732</b>	1.2397
NAIRA	<b>0.0130</b>	0.0186
RAND	<b>0.6495</b>	0.5044



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.5 Market risks (continued)**

**3.5.2 Foreign exchange risk (continued)**

The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2023. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

<b>At 31 December 2023</b>	<b>USD</b>	<b>GBP</b>	<b>EUR</b>	<b>CNY</b>	<b>NAIRA</b>	<b>RAND</b>	<b>TOTAL</b>
<b>Assets</b>							
Cash and bank balances	892,441,312	44,863,108	115,666,892	640,209	45,004	2,208,598	1,055,865,123
Due from banks	696,095,236	85,411,150	101,126,566	-	-	-	882,632,952
Investment securities and trading assets	1,789,766,205	-	-	-	-	-	1,789,766,205
Loans and advances to customers	184,013,024	137	202	-	-	-	184,013,363
Other assets	10,693,466	139,333	1,504,105	56,404	-	4,830,669	17,223,977
<b>Total financial assets</b>	<b>3,573,009,243</b>	<b>130,413,728</b>	<b>218,297,765</b>	<b>696,613</b>	<b>45,004</b>	<b>7,039,267</b>	<b>3,929,501,620</b>
<b>Liabilities</b>							
Deposits from customers	3,244,383,218	119,600,521	216,277,177	139,809	-	2,202,055	3,582,602,780
Other liabilities	325,936,192	9,975,858	1,102,022	56,404	-	4,830,669	341,901,145
<b>Total financial liabilities</b>	<b>3,570,319,410</b>	<b>129,576,379</b>	<b>217,379,199</b>	<b>196,213</b>	<b>-</b>	<b>7,032,724</b>	<b>3,924,503,925</b>
<b>Net on-balance sheet financial position</b>	<b>2,689,833</b>	<b>837,349</b>	<b>918,566</b>	<b>500,400</b>	<b>45,004</b>	<b>6,543</b>	<b>4,997,695</b>
<b>Credit commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.5 Market risks (continued)**

**3.5.2 Foreign exchange risk (continued)**

At 31 December 2022	USD	GBP	EUR	CNY	NAIRA	RAND	TOTAL
<b>Assets</b>							
Cash and bank balances	838,994,040	61,650,778	178,988,156	457,379	64,407	3,365,761	1,083,520,521
Due from banks	12,873,290	-	-	-	-	-	12,873,290
Investment securities and trading assets	1,279,754,517	-	-	-	-	-	1,279,754,517
Loans and advances to customers	262,228,328	185	134	-	-	-	262,228,647
Other assets	7,519,258	425	2,286,425	-	-	50,440	9,856,547
<b>Total financial assets</b>	<b>2,401,369,433</b>	<b>61,651,388</b>	<b>181,274,715</b>	<b>457,379</b>	<b>64,407</b>	<b>3,416,201</b>	<b>2,648,233,522</b>
<b>Liabilities</b>							
Deposits from customers	2,116,851,731	59,469,421	179,419,418	103,461	-	3,416,642	2,359,260,673
Other liabilities	271,805,628	1,077,956	1,130,405	-	-	-	274,013,989
<b>Total financial liabilities</b>	<b>2,388,657,359</b>	<b>60,547,377</b>	<b>180,549,823</b>	<b>103,461</b>	<b>-</b>	<b>3,416,642</b>	<b>2,633,274,662</b>
<b>Net on-balance sheet financial position</b>	<b>12,712,074</b>	<b>1,104,011</b>	<b>724,892</b>	<b>353,918</b>	<b>64,407</b>	<b>(441)</b>	<b>14,958,861</b>
Credit commitments	57,082,655	-	84,337,444	-	-	-	-

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.5.2 Foreign exchange risk (continued)**

##### *Sensitivity analysis*

A 5% strengthening of the cedi against foreign currencies at 31 December 2023 would have increased equity and profit/(loss) by GH¢ 747,943 (December 2022: GH¢ 747,943).

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2023 would have had the equal but opposite effect on the amount shown above.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023.

#### **3.6 Operational Risk**

Operational risk refers to the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology, infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the bank's operations. The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Bank's senior management. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

- The Bank ensures the segregation of duties, including the independent authorization of transactions.
- There is periodic reconciliation and monitoring of transactions
- Consistent Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- The periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development for staff of the Bank
- Ethical and business standards

#### **3.7 Capital management**

##### *Regulatory capital*

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Regulatory capital (continued)*

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements.

*Capital adequacy ratio*

The Banks's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- to comply with the capital requirements set by Bank of Ghana;
- to safeguard the Group's, particularly the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Bank generally complied with all externally imposed capital requirements.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Bank of Ghana for supervisory purposes. The required information is filed with the Bank of Ghana on a monthly basis. The Bank of Ghana requires each locally owned bank to hold the minimum level of regulatory capital of GH¢400 million in 2023 (400 million in 2022).

The Bank's regulatory capital is divided into two tiers:

**Tier 1 capital**

Tier 1 capital which is made up of the stated capital and disclosed reserved is the portion of capital which is permanently and freely available to absorb unanticipated. The disclosed reserves are made of retained earnings or surplus after tax and dividends, statutory reserves, general reserves (not ear-marked for any identifiable losses) and the book value of goodwill is deducted.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*Capital adequacy ratio (cont'd)*

**Tier 2 Capital**

Tier 2 capital is a supplementary capital with some attributes of tier 1 capital but restricted in its ability to absorb losses. It provides a useful supplement to tier 1 capital, because of the significant efficiencies and ability to provide protection for depositors and other creditors. Tier 2 capital is divided into two, Upper tier 2 capital (has no fixed maturity) and Lower tier 2 capital (has a limited lifetime).

**Capital Ratios**

**Tier 1 capital ratio:**

Tier 1 capital ratio is calculated as the adjusted tier 1 capital divided by the total risk-weighted assets and the Bank's internal guideline is to ensure that the Bank maintains the minimum regulatory capital ratio of 13% as detailed below:

<b>Regulatory Capital</b>	<b>RWAs (%)</b>
Minimum Common Equity Tier	6.5
Maximum Additional Tier 1	1.5
<b>Minimum Tier 1 Capital Ratio</b>	<b>8.0</b>
Maximum Tier 2 Capital Ratio	2.0
<b>Minimum Capital Adequacy ratio</b>	<b>10.0</b>
Capital Conservation Buffer (CCB1)	3.0
<b>Minimum Capital Adequacy with CCB1</b>	<b>13.0</b>

Following the Government of Ghana completion of the Domestic Debt Exchange Program (DDEP) and prior to the issuance of the financial statements, the Central Bank of Ghana provided some regulatory forbearances effective December 2022 due to the significant impact of the program. The reliefs provided include:

- A. Reduction of Capital Conservation Buffer from 3% to zero, effectively the minimum regulatory capital ratio has been reduced from 13% to 10%.
- B. All losses resulting from the Debt Exchange programme is spread over a period of four (4) years for the purpose of CAR computation.
- C. Increase in Tier II component of regulatory capital from 2% to 3% of Total Risk Weighted Assets (RWA).
- D. Increase in allowable portion of property revaluation gains for Tier II capital computation, from 50% to 60%.
- E. Risk-weights attached to the New Bonds to be set to 0% for CAR computation and 100% for old bonds.

The risk weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty. The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2023 with the application of the reliefs above provided by the regulator and 2022. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

The Bank of Ghana also expects banks to suspend the declaration and payment of dividends and other distributions to shareholders until otherwise directed.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**1.6 Capital management (continued)**

*Capital adequacy ratio (continued)*

	2023	2022
<b>Tier 1 capital</b>		
Equity issued shares	404,895,476	404,895,476
Disclosed reserves (excluding credit risk reserve)	1,916,076,942	905,719,830
Shareholders' fund	2,320,972,418	1,310,615,306
Intangible and deferred assets as per Bank of Ghana guideline	157,698,304	4,981,097
Prepayment	15,304,404	11,428,766
Fair value loss for hold-collect-and-sell securities	-	1,225,261
Deferred tax on loans	170,380,955	141,109,824
<b>Total qualifying tier 1 capital</b>	<b>1,977,588,755</b>	<b>1,151,870,358</b>
<b>Tier 2 capital</b>		
Fair value reserve for hold-collect-and-sell securities	-	-
<b>Total qualifying tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>1,977,588,755</b>	<b>1,151,870,358</b>
Total Credit Risk Equivalent Weighted Asset	2,650,596,939	2,301,820,474
Total Operational Risk Equivalent Weighted Asset	2,069,408,241	1,106,455,347
Total Market Risk Equivalent Weighted Asset	6,798,228	38,600,341
<b>Risk-weighted assets</b>	<b>4,726,803,408</b>	<b>3,446,876,162</b>
Total regulatory capital expressed as a percentage of total risk-weighted assets	41.84%	33.42%

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **3.6 Capital management (continued)**

##### *Capital allocation*

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying of risk associated with different activities associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit and is subject to review by the Bank Asset and Liability Management Committee (ALMAC). Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

#### **Note 3.3.1 and Note 3.3.4: impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.**

The Bank reviews its financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### **Fair value of financial instruments**

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**Fair value of financial instruments (continued)**

All models are certified by the Bank General Manager for Risk before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 5.2(i).

**b. Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated and separate financial statements is included in the following notes.

Note 3.3.4: establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

**5. Accounting classification, measurement basis and fair values**

The table below summarises the Bank's assets and liabilities, categorized by basis of measurement:

*In thousands of Ghana Cedis*

	Amortised cost	Amortised cost	FVOCI	FVOCI	FVTPL	FVTPL
	2023	2022	2023	2022	2023	2022
<b>Financial assets classification</b>						
Cash and cash equivalents	3,094,740	1,779,276	-	-	-	-
Non-pledged trading securities	-	-	-	-	60,897	142,756
Pledged assets	156,831	158,628	-	-	-	-
Loans and advances to customers	1,790,422	2,026,345	-	-	-	-
Investment securities	5,516,067	2,132,163	-	2,219	-	-
Other assets (excluding prepayments & inventory)	256,899	546,636	-	-	-	-
<b>Total</b>	<b>10,814,959</b>	<b>6,643,048</b>	<b>-</b>	<b>2,219</b>	<b>60,897</b>	<b>142,756</b>
<b>Financial liabilities classification</b>						
Deposits from customers	9,011,566	5,629,807	-	-	-	-
Other liabilities	96,820	117,496	-	-	-	-
<b>Total</b>	<b>9,108,386</b>	<b>5,747,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*NB: FVTPL – Fair value through Profit and Loss.*

*FVOCI – Fair Value through Other Comprehensive Income*



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**5. Accounting classification, measurement basis and fair values (continued)**

**5.2 Fair values of financial instrument**

These disclosures are required under both IFRS 13 Fair Value Measurement and IAS 1. IFRS 13 also contains specific disclosure requirements when amounts are transferred into Level 3 of the fair value hierarchy, including sensitivity disclosures.

The Bank has an established control framework for the measurement of fair values. This framework includes a Product control function, which is independent of front office management and reports to the Divisional Head, Enterprise Risk Management and its reports endorsed by Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Board's Audit Committee

**5.2 (i) Fair value hierarchy**

The fair value hierarchy section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels prescribed under the accounting standards.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**5.2 Fair values of financial instruments (continued)**

**Valuation technique**

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**5.2 Fair values of financial instruments (continued)**

**5.2 (i) Fair value hierarchy (continued)**

**Financial instruments measured at fair value**

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category	Valuation technique applied	Assumptions used
Fair value through OCI (Non derivative)	Assets primarily consist of debt securities and are valued using valuation techniques such as discounted cash flow models or other pricing models.	These assets are valued using models that use both observable and significant unobservable data including bond yields and time to maturity.
Fair value through profit or loss (Non derivative)	Assets consist mainly of trading bills and bonds and are valued using a valuation technique which consists of certain debt securities issued by the Government of Ghana. The Bank values the securities using discounted cash flow valuation models which incorporate observable and unobservable data.	Observable inputs include assumptions regarding current rates of interest and yield curves.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

**31 December 2023**

<i>In Ghana cedis</i>	Level 1	Level 2	Level 3	Total
Non pledged trading assets				
- Government bonds	-	60,897,297	-	60,897,297
<b>Total</b>	<b>-</b>	<b>60,897,297</b>	<b>-</b>	<b>60,897,297</b>

**31 December 2022**

<i>In Ghana cedis</i>	Level 1	Level 2	Level 3	Total
Non pledged trading assets				
- Government bonds	-	142,756,276	-	142,756,276
Investments securities (FVOCI)	-	2,218,804	-	2,218,804
<b>Total</b>	<b>-</b>	<b>144,975,080</b>	<b>-</b>	<b>144,975,080</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**5.2 Fair values of financial instruments (continued)**

**5.2 (i) Fair value hierarchy (continued)**

**Financial instruments not measured at fair value**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

**31 December 2023**

<i>In Ghana Cedis</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair values</b>	<b>Total Carrying values</b>
Cash and cash equivalents	-	3,094,740,459	-	3,094,740,459	3,094,740,459
Loans and advances	-	1,668,615,587	-	1,668,615,587	1,790,421,768
Investment securities (pledged and non-pledged)	-	3,997,882,463	1,882,148,559	5,880,031,022	5,733,795,326
	-	256,899,436	-	256,899,436	277,577,096
<b>Total financial assets</b>	-	<b>9,018,137,945</b>	<b>1,882,148,559</b>	<b>10,900,286,504</b>	<b>10,896,534,649</b>
Deposits from customers	-	8,990,802,277	-	8,990,802,277	9,011,565,909
Other Liabilities	-	96,820,040	-	96,820,040	149,127,038
<b>Total financial liabilities</b>	-	<b>9,087,622,317</b>	-	<b>9,087,622,317</b>	<b>9,160,692,947</b>

**31 December 2022**

<i>In Ghana Cedis</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair values</b>	<b>Total Carrying values</b>
Cash and cash equivalents	-	1,779,275,748	-	1,779,275,748	1,779,275,748
Loans and advances	-	1,301,107,897	-	1,301,107,897	2,026,344,662
Investment securities (pledged and non-pledged)	-	985,079,398	1,398,795,524	2,383,874,922	2,293,009,309
Other assets	-	546,636,067	-	546,636,067	560,523,234
<b>Total financial assets</b>	-	<b>4,612,099,110</b>	<b>1,398,795,524</b>	<b>6,010,894,634</b>	<b>6,659,152,953</b>
Deposits from customers	-	5,622,164,195	-	5,622,164,195	5,629,806,824
Other Liabilities	-	117,495,822	-	117,495,822	161,392,484
<b>Total financial liabilities</b>	-	<b>5,739,660,017</b>	-	<b>5,739,660,017</b>	<b>5,791,199,308</b>

Government exposures during the year was moved to level 3 due to default by the Government on its Eurobond exposures and restructuring of cedi denominated bonds.

**Valuation Techniques used**

The fair value of loans and advances is estimated using valuation models, such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collaterals.

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

The fair value of other liabilities and cash and cash equivalent are considered to approximate the carrying values as these financial instruments are short tenured and therefore the effective of discounting is immaterial.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**6. NET INTEREST INCOME**

	2023	2022
<b>Interest income calculated using the effective interest method</b>		
Money market placements	30,344,541	7,857,939
Loans and advances to customers	394,571,352	365,551,993
Investment securities	916,385,750	256,465,096
<b>Financial assets measured at amortised cost</b>	<b>1,341,301,643</b>	<b>629,875,028</b>
Investment securities as FVOCI	-	19,269,853
<b>Total interest income calculated using the effective interest method</b>	<b>1,341,301,643</b>	<b>649,144,881</b>
<b>Interest expense</b>		
Deposits from banks	(11,303,443)	(10,636,397)
Deposits from customers	(297,882,767)	(165,595,106)
<b>Financial liabilities at amortised cost</b>	<b>(309,186,211)</b>	<b>(176,231,503)</b>
	<b>1,032,115,432</b>	<b>472,913,378</b>
<b>Net interest income</b>		

**7. NET FEE AND COMMISSION INCOME**

	2023	2022
Commission income	54,033,648	41,049,401
Other fees and commission*	227,195,301	203,422,828
<b>Fee and commission income</b>	<b>281,228,949</b>	<b>244,472,229</b>
Card-related expenses	(83,182,844)	(56,595,103)
Other fees and commission expense	(2,810,220)	(869,113)
<b>Fee and commission expense</b>	<b>(85,993,064)</b>	<b>(57,464,216)</b>
<b>Net fee and commission income</b>	<b>195,235,885</b>	<b>187,008,013</b>

\* The 'Other fees and commission' comprise largely of card-related fees and commissions on issued transfers, swift, foreign currency withdrawals among others.

The fees and commission presented include income of GHS281,228,949 (2022: GHS244,472,229) and GHS85,993,064 (2022: GHS57,464,216) expenses related to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**8. NET TRADING INCOME**

	2023	2022
Net trading gain	224,959,452	253,610,321
Other foreign exchange gains	72,404,298	51,203,147
	<u>297,363,750</u>	<u>304,813,468</u>

*Foreign exchange gains in statement of cash flow comprises:*

Effect of FX rate fluctuation on cash and cash-equivalent	462,099,276	31,062,818
Foreign exchange gains on non-cash and cash-equivalent	<u>(389,694,978)</u>	<u>20,140,329</u>
	<u>72,404,298</u>	<u>51,203,147</u>

**9. NET INCOME/ (LOSS) FROM OTHER FINANCIAL INSTRUMENTS  
AT FVTPL**

	2023	2022
Interest income: Financial assets measured as FVTPL	2,977,477	50,192,693
Mark-to-market loss on trading assets	<u>(3,410,846)</u>	<u>(48,421,469)</u>
	<u>(433,369)</u>	<u>1,771,224</u>

**10. OTHER INCOME**

	2023	2022
Profit on disposal of property and equipment	499,254	269,214
Gain on sale of FVOCI Instruments	<u>1,633,682</u>	-
	<u>2,132,936</u>	<u>269,214</u>

**11. PERSONNEL EXPENSES**

	2023	2022
Employee's Wages and salaries	65,456,382	51,715,205
Employer's pension contributions	4,457,005	3,503,589
Employer's provident fund contributions	3,428,461	2,695,054
Other staff related expenses *	<u>13,937,312</u>	<u>23,895,128</u>
	<u>87,279,160</u>	<u>81,808,976</u>

The number of permanent persons employed by the bank during the period ended 31 December 2023 was 585 (December 2022: 532). The Bank contributes 10% of employees' basic salary as provident fund contribution for staff.

*\*Other staff related expenses comprise staff medical allowance, training, relocation and welfare expenses.*

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**12. AMORTISATION OF PREPAID LEASE RENTALS**

	2023	2022
Expense relating to short term leases – staff houses	1,545,061	924,608
Expense relating to leases of low value items	739,422	751,057
	<u>2,284,483</u>	<u>1,675,665</u>

**13. OTHER OPERATING EXPENSES**

	2023	2022
Advertising and marketing expenses	8,691,419	9,514,425
Administrative expenses	129,918,706	78,347,529
Contract services	14,658,139	11,407,122
Software licensing	14,371,919	7,595,516
Directors' emoluments	2,686,016	1,598,149
Auditor's remuneration	1,475,245	950,000
Corporate social responsibility costs	3,946,844	1,157,711
	<u>175,748,288</u>	<u>110,570,452</u>

The Administrative expenses relate to repairs and maintenance, occupancy costs, bank charges among others. Directors emoluments comprises of annual fees of GHS 1,519,565 Sitting allowances of GHS 1,068,430 and other general expenses of GHS 98,021.

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**13.1 Breakdown of Corporate social responsibility costs**

	2023	2022
GTBank Autism Program	1,776,743	454,490
Refurbishment Works On UG Computer Science Dept Lab	347,722	-
Refurbishment Of Inchaban Catholic Kg/Primary Lab	282,101	-
Sallah Donation to the Muslim community	279,470	71,167
Donations To Gr. Accra Regional Hosp., Ridge(Accuvein Handhe Vein Viewing System etc)	224,382	-
Donation of relief items to victims of Akosombo spillage	150,000	-
Sponsorship towards education	101,259	-
Donation To Leukemia Project Foundation-Jason-Mitc	100,000	-
Donation To Village Of Hope Orphanage	80,000	-
Refurbishment of Wa Municipal Model JHS Computer Laboratory	-	131,238
Refurbishment of Ho Technical University Basic School Compu Laboratory	-	132,221
Sponsorship of Ghana CEO and Vision awards	20,000	44,444
Others	<u>585,167</u>	<u>324,151</u>
	<u>3,946,844</u>	<u>1,157,711</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**14. INCOME TAX EXPENSE, NATIONAL FISCAL STABILIZATION & FINANCIAL SECTOR RECOVERY LEVIES**

	2023	2022
Corporate Income tax	310,111,448	187,853,872
Change in estimate related to prior years	-	5,148,594
Deferred income tax (Note 22)	(29,249,300)	(136,048,696)
<b>Income tax expense</b>	<b>280,862,148</b>	<b>56,953,770</b>
National fiscal stabilization levy	13,996,546	9,551,955
Growth & Sustainability levy	41,928,376	-
Financial sector recovery levy	55,924,922	9,551,955
<b>Total</b>	<b>392,711,992</b>	<b>76,057,680</b>

The National fiscal stabilisation Levy is a 5% levy applied on profit before tax for certain companies including financial institutions operating in Ghana. This was replaced with the Growth & Sustainability levy in the second quarter of 2023. The Financial Sector Recovery Levy is applied on the profit before tax of financial institutions operating in Ghana.

**Current income tax**

2023	Balance at 1 January	Payments during year	Charge for the year	Balance at 31 December
<b>Year of assessment</b>				
Up to 2022 (31 December)	6,540,209	-	-	6,540,209
December 2023	-	(280,661,469)	310,111,448	29,449,979
	<b>6,540,209</b>	<b>(280,661,469)</b>	<b>310,111,448</b>	<b>35,990,188</b>

**National fiscal stabilisation levy/Growth & Sustainability levy**

<b>Year of assessment</b>				
Up to 2022 (31 December)	(25,455,204)	-	-	(25,455,204)
December 2023	-	(54,410,821)	55,924,922	1,514,101
	<b>(25,455,204)</b>	<b>(54,410,821)</b>	<b>55,924,922</b>	<b>(23,941,103)</b>

**Financial sector recovery levy**

<b>Year of assessment</b>				
Up to 2022 (31 December)	(25,455,204)			(25,455,204)
December 2023	-	(54,410,821)	55,924,922	1,514,101
	<b>(25,455,204)</b>	<b>(54,410,821)</b>	<b>55,924,922</b>	<b>(23,941,103)</b>
<b>Total</b>	<b>(44,370,199)</b>	<b>(389,483,111)</b>	<b>421,961,292</b>	<b>(11,892,018)</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**14. INCOME TAX EXPENSE, NATIONAL FISCAL STABILIZATION & FINANCIAL SECTOR RECOVERY LEVIES (CONTINUED)**

**Current income tax**

<b>2022</b>	<b>Balance at 1 January</b>	<b>Payments during year</b>	<b>Charge for the year</b>	<b>Balance at 31 December</b>
<b>Year of assessment</b>				
Up to 2021 (31 December)	2,239,422	-	-	2,239,422
December 2022	-	(188,701,579)	193,002,366	4,300,787
	<b>2,239,422</b>	<b>(188,701,579)</b>	<b>193,002,366</b>	<b>6,540,209</b>

**National fiscal stabilisation levy**

<b>Year of assessment</b>				
Up to 2021 (31 December)	292,513	-	-	292,513
December 2022	-	(35,299,672)	9,551,955	(25,747,717)
	<b>292,513</b>	<b>(35,299,672)</b>	<b>9,551,955</b>	<b>(25,455,204)</b>

**Financial sector recovery levy**

<b>Year of assessment</b>				
Up to 2021 (31 December)	219,457			219,457
December 2022	-	(35,226,616)	9,551,955	(25,674,661)
	<b>219,457</b>	<b>(35,226,616)</b>	<b>9,551,955</b>	<b>(25,455,204)</b>
<b>Total</b>	<b>2,751,392</b>	<b>(259,227,867)</b>	<b>212,106,276</b>	<b>(44,370,199)</b>

All tax liabilities are subject to the agreement of the Commissioner General of the Ghana Revenue Authority.

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

	<b>2023</b>	2022
Profit before income tax	<b>1,118,498,441</b>	191,039,096
Income tax using the enacted corporation tax rate (25%)	<b>310,111,448</b>	47,759,774
Effect of:		
National fiscal stabilisation levy/Growth and Sustainability Levy (5%)	<b>55,924,922</b>	9,551,955
Financial sector recovery levy (5%)	<b>55,924,922</b>	9,551,955
Change in estimate relating to prior year	<b>0</b>	5,148,5952
Non-deductible expenses	<b>(29,249,300)</b>	4,045,404
Income tax expense	<b>392,711,992</b>	76,057,680
Effective tax rates	<b>35.11%</b>	39.81%

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**15. CASH AND CASH EQUIVALENTS**

The Bank's cash and cash equivalents are held with central banks and financial institutions counterparties that are not rated.

	2023	2022
Cash on hand	166,335,513	189,423,124
Balance with foreign banks (Nostro)	361,483,090	265,487,653
Balances with local banks	-	405,321
Mandatory reserve deposit with Bank of Ghana	1,610,092,266	1,316,731,992
Money market placements with banks and other financial institutions	967,835,555	12,873,290
<b>Total Cash And Cash Equivalents</b>	<b>3,105,746,424</b>	<b>1,784,921,380</b>
Impairment allowance	(11,005,965)	(5,645,631)
<b>Net Cash And Cash Equivalents</b>	<b>3,094,740,459</b>	<b>1,779,275,749</b>

**Impairment allowance on cash and cash equivalents**

	2023	2022
At 1 January	5,645,631	-
Impairment charge	5,360,334	5,645,631
At 31 December	11,005,965	5,645,631

Cash and cash equivalents as included in statement of cashflows:

	2023	2022
Cash on hand	166,335,513	189,423,124
Balances with Bank of Ghana	1,610,092,266	1,316,731,992
<b>Cash and bank balances</b>	<b>1,776,427,779</b>	<b>1,506,155,116</b>
Mandatory reserve deposits	1,610,092,266	1,316,731,992
Unrestricted cash and bank balances	166,335,513	189,423,124
Due from and to banks and other financial institutions	1,329,318,645	278,766,264
Impairment provision	(11,005,965)	(5,645,631)
<b>Total cash and cash equivalent per statement of financial position</b>	<b>3,094,740,459</b>	<b>1,779,275,749</b>
Adjustment for impairment loss	11,005,965	5,645,631
Cash and cash equivalent per statement of cash flows	3,105,746,424	1,784,921,380

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**15. CASH AND CASH EQUIVALENTS (CONTINUED)**

*Due from and to banks and other financial institutions*

	2023	2022
Nostro account balances	361,483,090	265,487,653
Placements with banks and other financial institutions	967,835,555	12,873,290
Due from other local banks	-	405,321
Due from banks and other financial institutions	1,329,318,645	278,766,264

Amounts due from and to banks and other financial institutions are current.

At the reporting date, the Bank recognized in cash and cash equivalent bank ledger balance of GHS3.094bn (2022: 1.779bn) as compared to the bank statement balance of GHS 3.119bn (2022: GHS 1.790bn). The transactions making up the difference between the bank ledger balance and the bank statement balance totaling GHS 13.5M (2022: GHS 11M) were reflected as reconciling items in the bank reconciliation statements as well as impairment allowance on cash and cash equivalents .

**16. PLEDGED ASSETS**

Assets are pledged as collateral under repurchase agreements with other banks and as security relating to overnight borrowings.

	2023	2022
Financial assets: Amortized cost	156,831,000	158,627,720
<b>Total</b>	<b>156,831,000</b>	<b>158,627,720</b>

There above are investment securities held in Government treasury bills and bonds which have been pledged as collateral for liabilities. In the event that, the entity fails to make good the payment as and when it falls due, the collateral will not be released back to the entity. All amounts are current.

**17.(i) LOANS AND ADVANCES TO CUSTOMERS**

	2023	2022
Gross Loans and advances to customers at amortised cost	1,830,757,628	2,043,933,443
Stage 3 impairment loss allowance	(26,819,890)	(15,372,792)
Stage 1 & 2 impairment loss allowance	(13,515,970)	(2,215,989)
<b>Loans and advances to customers at Amortised cost</b>	<b>1,790,421,768</b>	<b>2,026,344,662</b>
Current	1,356,023,168	1,351,674,019
Non-current	434,398,600	674,670,643

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**17.(i) LOANS AND ADVANCES TO CUSTOMERS (CONT'D)**

At 31 December 2023, the gross loan and advances include non-performing loans of GH¢72.58 million (31 December 2022: GH¢49.56 million).

**Impairment allowance on loans and advances**

	2023	2022
At 1 January	17,588,781	7,802,549
Write off	-	(1,457,920)
Impairment charge	22,747,079	11,244,152
At 31 December	40,335,860	17,588,781

**17.(ii). Impairment charge on loans, advances and other financial assets**

Charge for the year:

Impairment charge on loans and advances to customers	22,747,079	11,244,152
Off balance sheet impairment charge/(release)	503,458	(874,996)
Impairment charge on investment securities at amortised cost	88,473,649	540,683,543
Impairment charge on investment securities at FVOCI	-	1,483,523
Impairment charge on cash and cash equivalents	5,360,334	5,645,631
	117,084,520	558,181,852
Recoveries	(1,720,711)	(1,161,519)
	115,363,809	557,020,334

**18. INVESTMENT SECURITIES AND TRADING ASSETS**

**18(i). Investment securities**

*Hold-to-collect investments*

	2023	2022
Treasury bills	3,000,233,214	608,037,041
Government bonds	2,596,418,418	2,006,420,720
	5,596,651,632	2,614,457,761
Accrued Interest	138,141,362	58,388,566
	5,734,792,994	2,672,846,327

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**INVESTMENT SECURITIES & TRADING ASSETS**

**18(i). Investment securities (continued)**

<i>Hold to collect and sell investments</i>		
<b>Government bonds</b>	-	2,218,804
<b>Total</b>	<b>5,734,792,994</b>	2,675,065,131
Impairment on investment securities	(218,725,965)	(540,683,543)
<b>Net</b>	<b>5,516,067,029</b>	2,134,381,588
Maturing over 90 days from purchase	<b>5,516,067,029</b>	2,134,381,588
Current	<b>3,438,609,914</b>	980,583,579
Non-current	<b>2,077,457,115</b>	1,153,798,009

**18(ii). Impairment allowance on investment securities**

	2023	2022
At 1 January	540,683,543	-
Derecognised financial assets	(410,431,226)	-
Impairment charge	88,473,649	540,683,543
At 31 December	<b>218,725,966</b>	540,683,543

**18 (iii). Non-pledged trading assets**

*Hold-to-sell portfolio*

	2023	2022
Treasury bills and government bonds	<b>60,897,297</b>	142,756,276
	<b>60,897,297</b>	142,756,276
Maturing over 90 days from purchase	<b>60,897,297</b>	142,756,276
Current	<b>60,897,297</b>	142,756,276

**Movement in Non Pledged trading assets**

At 1 January	142,756,276	727,388,438
Purchase of securities	127,314,270	1,188,885,356
Sale of securities	(205,762,403)	(1,725,096,049)
Fair value changes (MTM)	(3,410,846)	(48,421,469)
At 31 December	<b>60,897,297</b>	<b>142,756,276</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**INVESTMENT SECURITIES & TRADING ASSETS**

**18(iv). Reconciliation of gross carrying amount**

**i. Investment securities at amortised cost**

<b>2023</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>
Balance at 1 January	171,990	-	2,659,483	-	2,831,473
New financial assets originated or purchased	3,158,313	-		1,791,096	4,949,409
Effect of exchange rate fluctuations	65,287	-		-	65,287
Derecognition of financial asset		-	(1,954,545)	-	(1,954,545)
<b>Balance at 31 December</b>	<b>3,395,590</b>	<b>-</b>	<b>704,938</b>	<b>1,791,096</b>	<b>5,891,624</b>
Loss allowance	(18,515)	-	(200,211)	-	(218,726)
<b>Carrying amount at 31 December</b>	<b>3,377,075</b>	<b>-</b>	<b>504,727</b>	<b>1,791,096</b>	<b>5,672,898</b>

\*The total amount of undiscounted expected credit losses at initial recognition of purchase or originated credit-impaired investment securities at amortised cost is **GH¢ 32,474,559**

<b>2022</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>
Balance at 1 January	171,990	-	2,659,483		2,831,473
New financial assets originated or purchased		-			
Derecognition of financial asset		-			
<b>Balance at 31 December</b>	<b>171,990</b>	<b>-</b>	<b>2,659,483</b>		<b>2,831,473</b>
Loss allowance	(904)	-	(539,779)		(540,683)
<b>Carrying amount at 31 December</b>	<b>171,086</b>	<b>-</b>	<b>2,119,705</b>		<b>2,290,791</b>

**ii. Investment securities at FVOCI**

<b>2023</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>	<b>GH¢'000</b>
Balance at 1 January			3,702		<b>3,702</b>
New financial assets originated or purchased					
Derecognition of financial asset			(3,702)		<b>(3,702)</b>
Balance at 31 December	-	-	-		-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**INVESTMENT SECURITIES & TRADING ASSETS**

**18(iv). Reconciliation of gross carrying amount-Continued**

**ii. Investment securities at FVOCI-continued**

<b>2022</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance at 1 January			3,702		3,702
New financial assets originated or purchased					
Derecognition of financial asset					
<b>Balance at 31 December</b>			<b>3,702</b>		<b>3,702</b>
Loss allowance			(1,483)		(1,483)
<b>Carrying amount at 31 December</b>			<b>2,219</b>		<b>2,219</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**19. PROPERTY AND EQUIPMENT**

	<b>Land, Build. &amp; Leasehold Improvement</b>	<b>Furniture and equipment</b>	<b>Computer and accessories</b>	<b>Motor vehicle</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Cost</b>						
<b>2023</b>						
At 1 January	122,033,385	34,900,192	33,544,299	26,521,275	21,525,008	238,524,159
Additions	-	3,591,512	3,380,430	6,852,848	14,721,744	28,546,534
Disposal	(487,322)	(19,364)	(- )	(2,343,012)	-	(2,849,698)
Transfers	10,045,020	7,646,481	343,375	1,767,750	(19,802,626)	(- )
Write off	-	-	-	-	(403,611)	(403,611)
<b>At 31 December 2023</b>	<b>131,591,083</b>	<b>46,118,821</b>	<b>37,268,104</b>	<b>32,798,861</b>	<b>16,040,515</b>	<b>263,817,384</b>
<b>2022</b>						
At 1 January	109,554,950	31,405,791	21,405,541	21,387,973	15,513,225	199,267,480
Reclassification	-	-	-	-	5,216,621	5,216,621
Additions	3,043,881	1,362,258	1,154,583	2,602,723	27,936,770	36,100,215
Disposal	-	(387,346)	(32,910)	(1,459,369)	-	(1,879,625)
Transfers	9,434,554	2,519,489	11,017,085	3,989,948	(26,961,076)	-
Write off	-	-	-	-	(180,532)	(180,532)
<b>At 31 December 2022</b>	<b>122,033,385</b>	<b>34,900,192</b>	<b>33,544,299</b>	<b>26,521,275</b>	<b>21,525,008</b>	<b>238,524,159</b>



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**Accumulated Depreciation**

**At 31 December 2023**

At 1 January	35,813,559	26,207,390	22,231,056	15,609,796	-	99,861,800
Charge for the year	6,933,401	4,118,820	5,776,735	4,865,215	-	21,694,171
Released on disposal	-	(18,225)	-	(1,790,005)	-	(1,808,231)
<b>At 31 December 2023</b>	<b>42,746,960</b>	<b>30,307,985</b>	<b>28,007,791</b>	<b>18,685,006</b>	<b>-</b>	<b>119,747,740</b>

At 1 January	28,786,533	22,782,907	17,781,822	12,708,513	-	82,059,775
Charge for the year	7,037,604	3,809,821	4,472,817	4,310,958	-	19,631,200
Released on disposal	(10,578)	(385,338)	(23,583)	(1,409,675)	-	(1,829,175)
<b>At 31 December 2022</b>	<b>35,813,559</b>	<b>26,207,390</b>	<b>22,231,056</b>	<b>15,609,796</b>	<b>-</b>	<b>99,861,800</b>

**Carrying amount**

<b>At 31 December 2023</b>	<b>88,844,123</b>	<b>15,810,836</b>	<b>9,260,313</b>	<b>14,113,855</b>	<b>16,040,515</b>	<b>144,069,644</b>
At 31 December 2022	86,219,826	8,692,802	11,313,243	10,911,480	21,525,008	138,662,359

As at 31 December 2023, property and equipment includes right-of-use assets of GH¢ 30.7M related to leased properties that do not meet the definition of investment property (see note 29i for details).

**19.1 PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT**

	2023	2022
Cost of disposed asset	2,849,698	1,879,625
Accumulated depreciation	(1,808,232)	(1,829,175)
<b>Net book value of disposed asset</b>	<b>1,041,467</b>	<b>50,450</b>
Profit from Disposal of asset	499,254	269,214
Net book value of disposed asset	1,041,467	50,450
<b>Proceeds from disposal of asset</b>	<b>1,540,721</b>	<b>319,664</b>

No items of property and equipment has been pledged as security for loan or have any restriction of use both at 31 December 2023 and 31 December 2022. There were no impairments on property and equipment in both current year and prior year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**20. INTANGIBLE ASSETS**

	<b>Purchased software</b>	<b>Developed software</b>	<b>Capital Work in progress</b>	<b>Total</b>
<b>Cost</b>				
<b>Year ended 31 December 2023</b>				
At 1 January	13,742,205	53,421	994,747	14,790,373
Additions	1,824,585	-	-	1,824,585
Transfers	-	-	-	-
<b>At 31 December 2023</b>	<b>15,566,790</b>	<b>53,421</b>	<b>994,747</b>	<b>16,614,958</b>
<b>Year ended 31 December 2022</b>				
At 1 January	12,023,169	53,421	5,727,981	17,804,571
Reclassification	-	-	(5,216,621)	(5,216,621)
Additions	64,032	-	(2,138,391)	2,202,423
Transfers	1,655,004	-	(1,655,004)	-
<b>At 31 December 2022</b>	<b>13,742,205</b>	<b>53,421</b>	<b>994,747</b>	<b>14,790,373</b>
<b>Amortisation</b>				
<b>Year ended 31 December 2023</b>				
At 1 January	9,755,855	53,421	-	9,809,276
Amortisation for the year	1,619,602	-	-	1,619,602
<b>At 31 December 2023</b>	<b>11,375,457</b>	<b>53,421</b>	<b>-</b>	<b>11,428,878</b>
<b>Year ended 31 December 2022</b>				
At 1 January	8,502,048	53,421	-	8,555,469
Amortisation for the year	1,253,807	-	-	1,253,807
<b>At 31 December 2022</b>	<b>9,755,855</b>	<b>53,421</b>	<b>-</b>	<b>9,809,276</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>4,191,333</b>	<b>-</b>	<b>994,747</b>	<b>5,186,080</b>
At 31 December 2022	3,986,350	-	994,747	4,981,097

No items of intangible has been pledged as security for loan or have any restriction of use both at 31 December 2023 and 31 December 2022.

There are no Capital commitments in respect of intangible assets as at December 2023(2022: GH¢ 2,069,997).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**21. DEPRECIATION AND AMORTISATION**

The depreciation and amortisation charged to the year is as follows:

	2022	2022
Property and equipment (Note 19)	21,694,171	19,631,200
Intangible assets (Note 20)	1,619,602	1,253,807
	<b>23,313,773</b>	<b>20,885,007</b>

**22. DEFERRED INCOME TAX**

Movements in deferred income tax during the year is as follows:

	At 1 January	Recognised in profit or loss	Recognised in OCI	At 31 December	Deferred tax assets	Deferred tax liabilities
<b>Year ended 31 December 2023</b>						
Property, equipment and software	5,442,420	(349,861)	-	5,092,561	-	5,092,561
Leases	(1,345,379)	(36,729)	-	(1,382,108)	(1,382,108)	-
Loans and advances to customers	(4,527,530)	(5,812,634)	-	(10,340,164)	(10,340,164)	-
Investment securities	(135,170,886)	(22,118,462)	-	(157,289,349)	(157,289,349)	-
Bank balance	(1,411,408)	(1,340,034)	-	(2,751,442)	(2,751,442)	-
FVOCI instruments (OCI)	(408,420)		408,420	-	-	
	<b>(137,421,203)</b>	<b>(29,657,720)</b>	<b>408,420</b>	<b>(166,670,502)</b>	<b>(171,763,063)</b>	<b>5,092,561</b>
<b>Year ended 31 December 2022</b>						
Property, equipment and software	2,705,422	2,736,998	-	5,442,420	-	5,442,420
Leases	(1,369,789)	24,410	-	(1,345,379)	(1,345,379)	-
Loans and advances to customers	(2,299,720)	(2,227,808)	-	(4,527,530)	(4,527,530)	-
Investment securities	-	(135,170,886)	-	(135,170,886)	(135,170,886)	-
Bank balance	-	(1,411,408)	-	(1,411,408)	(1,411,408)	-
FVOCI instruments (OCI)	(462,981)	-	54,561	(408,420)	(408,420)	
	<b>(1,427,068)</b>	<b>(136,048,694)</b>	<b>54,561</b>	<b>(137,421,203)</b>	<b>(142,863,623)</b>	<b>5,442,420</b>

**23. OTHER ASSETS**

	2023	2022
E-Cash Accounts	234,505,044	534,628,632
Prepaid expenses	15,304,404	11,428,766
Stationery and stocks	5,373,256	2,458,402
Others*	22,394,392	12,007,435
	<b>277,577,096</b>	<b>560,523,235</b>
<b>Current</b>	<b>277,577,096</b>	<b>560,523,235</b>

\* These comprise mainly of e-cash balances which are held in a control account. These balances are short term in nature and settlement is within a month.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**24. DEPOSITS FROM CUSTOMERS**

	2023	2022
<b>By type of deposit</b>		
Current and call account	5,697,374,348	4,121,172,758
Savings account	899,123,407	629,895,556
Cash collateral	1,186,769,250	459,047,109
Term deposit	1,228,298,904	419,691,401
	<b>9,011,565,909</b>	5,629,806,824
Current	9,011,565,909	5,624,964,266
Non-current	-	4,842,558

The twenty largest depositors constitute 40.06% (2022: 44.44%) of total deposit.

	2023	2022
<b>By type of customer</b>		
Financial institutions	1,639,864,342	554,879,125
Individuals and other private enterprises	6,431,634,488	4,874,682,521
Public enterprises	940,067,079	200,245,178
	<b>9,011,565,909</b>	5,629,806,824

**25. OTHER LIABILITIES**

	2023	2022
Bankers' draft	4,991,318	6,787,015
Lease liability	52,306,998	43,896,662
Others*	91,828,721	110,708,807
	<b>149,127,037</b>	161,392,484
Current	96,820,039	117,495,822
Non-current	52,306,998	43,896,662

\* 'Others' largely relate to accounts payables (SSNIT, PAYE, ATM Acquirer Balance, E-zwich Account and other Product related payables). These are normally cleared as and when due with no overdue balance.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**26. STATED CAPITAL**

The authorised shares of the Bank are 15,000,000,000 equity shares of no par value of which 14,171,890,279 equity shares have been issued as follows:

	No. of shares	Proceeds
<i>Issued and fully paid</i>		
Issued for cash consideration	14,102,398,589	402,910,076
Issued for consideration other than cash	69,491,690	1,985,400
Stated Capital in Account	14,171,890,279	404,895,476

The equity shareholders are entitled to receive dividend as declared by the Board from time to time and are entitled to one vote per share at meetings of the Bank. The equity shares rank equally with regard to the Bank's residual assets.

There are no calls or instalments unpaid. There are no treasury shares (2022: Nil).

**Number of shareholders**

The company's shareholders at 31 December 2023 and 31 December 2022 are as follows:

Number of Equity shares	Shareholding	Percentage %
Guaranty Trust Bank (Nigeria) Limited	13,933,838,405	98.32%
Alhaji Yusif Ibrahim	238,051,874	1.68%
	14,171,890,279	100.00%

**27. OTHER RESERVES**

**i. Credit risk reserve**

Credit risk reserve represents the amounts set aside in respect of the excess impairment provision determined in accordance with of Bank of Ghana prudential guidelines over the total impairment provision recognised under the International Financial Reporting Standards framework. The movement is included in the statement of changes in equity.

**Credit Risk Reserve Reconciliation**

The below shows a reconciliation of IFRS 9 provision and Bank of Ghana provision.

Impairment	Bank		
	IFRS 9	BoG	Credit Risk Reserve
Opening Balance	18,110,123	44,343,516	26,233,393
Movement	23,250,538	43,704,321	20,453,783
Closing Balance Dec 2023	41,360,660	88,047,836	46,687,176

**ii. Statutory reserve fund**

Statutory reserve fund represents transfer from net profit for the year to reserve in accordance with requirements of Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

**iii. Income Surplus**

Income Surplus represents the free and undistributed accumulated reserves of the Bank available for distribution to shareholders in future periods. The movement is included in the statement of changes in equity.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**iv. Other reserves**

These comprise any other reserve other than those indicated above. In the case of the Bank, it consists of Revaluation reserves from FVOCI assets as shown below

	2023	2022
Opening Balance	(1,225,261)	(1,388,944)
Movement	1,225,261	163,683
<b>Closing Balance</b>	<b>-</b>	<b>(1,225,261)</b>

**28. DIVIDENDS**

At the next shareholders meeting on the financial performance for the year ended 31 December 2023, dividend of GH¢ 312,811,280 (2022: nil) will be tabled for shareholders' consideration and approval subject to regulator's approval.

Below is the analysis of distributable profit for 2023:

	2023	2022
Profit after tax	725,786,449	114,981,416
transfer to Statutory reserve fund	(181,446,612)	(28,745,354)
transfer from/ (to) Credit risk reserve	(20,453,783)	11,007,772
Income surplus at January 1	473,113,364	375,869,530
<b>Total distributable profit</b>	<b>996,999,417</b>	<b>473,113,364</b>

Dividend per share for the year is GHS Nil (2022: Nil)

**29. LEASES**

The Bank leases its premises and other facilities. The leases typically run for a period ranging from 1 to 50 years, with an option to renew the lease after the date. Lease payments are increased over a term agreed in the contract to reflect the market rentals. Short term leases refer to leases with lease terms less than a year and include siting of ATM's and other low value items

Information about leases for which the Bank is a lessee is presented below.

**i. Right-of-use assets**

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

<b>In Ghana Cedis</b>	<b>Land and Building</b>	
	2023	2022
Balance at 1 January	35,686,912	47,055,618
Depreciation charge for the year	(4,925,654)	(5,265,293)
Modifications to right-of-use assets	(588,194)	(6,672,437)
Additions to right-of-use assets	-	569,024
<b>Balance at 31 December</b>	<b>30,173,064</b>	<b>35,686,912</b>

(ii) Amounts recognised in profit or loss (in GH¢):

	2023	2022
Finance charges	3,926,680	3,846,883
Expenses relating to short term leases	1,545,061	924,609
Expenses relating to low-value assets, excluding short-term leases of low-value assets	739,422	751,057

(iii) Amounts recognised in statement of cash flows (in GH¢):

	2023	2022
Lease liability finance charges paid	1,805,758	1,743,364
Principal liability payments	3,950,708	5,918,852
<b>Total cash outflow for leases</b>	<b>5,756,466</b>	<b>7,662,216</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**29. LEASES (CONTINUED)**

(iii) Amounts recognised in statement of cash flows (in GH¢): (continued)

(iv) Reconciliation, in respect of lease liability, of opening amounts to closing amounts are detailed below:

	<b>2023</b>	<b>2022</b>
	<b>GH¢</b>	<b>GH¢</b>
Balance at 1 January	43,896,661	45,280,650
Modifications to leases	(588,194)	(6,672,437)
New leases	-	477,209
Finance charge	3,926,680	3,775,768
Lease payments	(5,756,466)	(7,662,216)
Foreign currency transactional loss	10,828,317	8,697,687
<b>Balance at 31 December</b>	<b>52,306,998</b>	<b>43,896,661</b>

(iv) **Extension options**

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

The Bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of GHS 725,000. (2022: GHS 405,000)

(v) **Lease commitments**

The Bank had no lease commitments as at 31 December 2023 and the prior year.

**30. CONTINGENCIES**

**i. Claims and Litigation**

The Bank has pending legal suits in respect of claims arising in the ordinary course of business as at 31 December 2023. It is anticipated that significant liabilities amounting to GH¢10,070,760 will arise from the claims and litigation against the bank at 31 December 2023 (2022: Nil).

**ii. Contingent liabilities and commitments**

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

**Nature of instruments**

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**ii. Contingent liabilities and commitments (continued)**

**Nature of instruments (continued)**

**30. CONTINGENCIES**

Other contingent liabilities include transaction related to performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

The following table summarises the amount of contingent liabilities and commitments with off-balance sheet risk.

	2023	2022
Contingent liabilities:		
<u>Bonds and guarantees</u>	<u>119,172,248</u>	<u>42,841,437</u>
Commitments:		
Clean line facilities for letters of credit	26,310,353	136,257,348
<u>Undrawn commitment</u>	<u>-</u>	<u>21,656</u>

**iii. Commitments for capital expenditure**

The Bank's commitments for capital expenditure as at 31 December 2023 amounts to GH¢951,773 (2022: GH¢2,069,997) and these relate to maintenance of property and equipment.

**31. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The ultimate controlling party is the parent company Guaranty Trust Bank (Nigeria) Limited, a bank licensed in the Federal Republic of Nigeria. All transactions except loans to staff and key management personnel are at arm's length.

*a. i. Parent company transactions*

As at 31 December 2023, the Bank had GH¢1,426,413 (2022: GH¢1,081,399) balances due from the Parent Company and they relate to general remittance for school fees paid by foreign students and other general remittance. This amount is payable on demand.

*ii. Fellow subsidiaries' transactions*

The Bank had nostro balance of GH¢ 18.46M (2022: GH¢ 50.99M) but had no placement (2022: Nil) and are used mainly for corresponding banking transactions. There was no interest expense on these deposits with no related impairment allowance as at December 31 2023 and 2022 respectively. This amount is payable on demand

*b. i. Related entities of shareholders*

Related entities of the minority shareholder had loan balances amounting to GH¢ 14,157,750 with GH¢ 5,745,092 related impairment allowance as at December 31 2023 (2022: GH¢509,729 and nil respectively) and corresponding interest income of GH¢1,500,263 (2022: GH¢ 24,494). There were no letters of credits outstanding at 31 December 2023 (2022: GH¢ 13M) for related entities. There were no bonds and guarantees outstanding. There were no undrawn loan commitments (2022: Nil). Deposit balances for the related entities were GH¢691,369 at 31 December 2023 (2022: GH¢652,703). There was interest expense of GH¢2,267 on these deposits (2022: Nil). The loans are payable within one year and the deposits are payable on demand.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

*ii. Related entities of directors*

Related entities of a director had Nil loan balances with nil related impairment allowance as at December 31 2023 (2022: GH¢ 1.6M) and zero corresponding interest income (2022: GH¢208,890). There were no letters of credits outstanding at 31 December 2023 (2022: nil) for related entities. There were no bonds and guarantees outstanding. There were no undrawn loan commitments (2022: nil). Deposit balances for the related entities were GH¢1,230,747 at 31 December 2023 (2022: GH¢332,307). Interest expense on these deposits amounted to GHS16,578 (2022: GH¢28,903). The deposits are payable on demand.

*c. Transactions with key management personnel and disclosures*

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the bank. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Bank. The loans to key management personnel are at staff rate offered by the bank and payable within one to ten years. The loans are fair valued, and the necessary adjustment passed to staff cost.

*(i) Directors and Key management personnel transaction*

Directors and Key management personnel transaction comprise the following:

	<b>2023</b>	2022
Secured loans	2,184,153	2,781,960
Impairment – ECL not credit-impaired	(22,205)	(10,050)
Net loans to directors and key management personnel	2,161,948	2,771,909
Interest income on loans to directors and key management personnel	63,999	142,332
Deposits balances	1,138,343	2,863,743
Interest expense on deposits from directors and key management personnel	9,509	25,087

*(ii) Key management personnel compensation*

The compensation paid to key management for employee services is shown below:

	<b>2023</b>	2022
Salaries (short term benefits)	5,100,703	4,209,727
Other short term benefits	2,707,744	2,703,066
Social Security Fund	558,176	341,195
Provident Fund	452,575	276,645
	<b>8,819,198</b>	<b>7,530,634</b>

**32. REGULATORY NON-COMPLIANCE**

The Bank was not penalised by the regulator for breach of regulations during the period ended 31 December 2023 (2022: GH¢ 144,000).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

**33. VALUE ADDED STATEMENT**

	2023	2022
Interest and other operating income	1,919,460,973	1,200,201,802
Direct cost of services	(573,462,864)	(347,501,263)
<b>Value added by banking services</b>	<b>1,345,998,109</b>	852,700,539
Non-banking income	2,132,936	269,214
Impairments	(115,363,809)	(557,020,333)
<b>Value added</b>	<b>1,232,767,236</b>	295,949,420
Distributed as follows:		
<b>To employees:-</b>		
Directors (without executives)	2,686,016	1,598,149
Executive directors	2,259,295	1,838,627
Other employees	86,009,711	80,588,541
<b>To government:</b>		
Income tax	392,711,992	76,057,680
<b>To providers of capital</b>		
Dividends to shareholders	-	-
<b>To expansion and growth</b>		
Depreciation	21,694,171	19,631,200
Amortisation	1,619,602	1,253,807
Income surplus	725,786,449	114,981,416

**APPENDIX I**

**FIVE-YEAR FINANCIAL HIGHLIGHT**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Statement of Comprehensive income (GH¢ 'm)</b>					
Revenue (Net Earnings)	1524	967	647	536	489
Profit before tax	1118	191	477	385	300
Profit after tax	726	115	315	269	208
Dividend paid		-	101	50	-
<b>Statement of financial position (GH¢ 'm)</b>					
Loans and advances to customers	1,790	2,026	1,648	1,058	570
Customer deposits	9,012	5,630	3,725	2,995	2,149
Total assets	11,224	7,133	5,035	4,081	3,253
Shareholders' equity	2,063	1,336	1,220	1,007	788
<b>Ratios</b>					
Dividend per share in pesewas	-	-	0.0070	0.0035	-
Earnings per share in pesewas	0.0512	0.0081	0.0223	0.0190	0.0147
ROAE (%) *	65.78%	15%	44%	43%	44%
ROAA (%) **	12%	3%	11%	10%	11%

\*ROAE - Return on Average Equity, computed as current year PBT divided by the average of total equity for the two most current years.

\*ROAA - Return on Average Assets, computed as current year PBT divided by the average of total assets for the two most current years.

## **APPENDIX II**

### **EXTRACT OF THE CODE OF PROFESSIONAL CONDUCT**

Standards, policies and procedures are described in the Code of Professional Conduct document and must be understood and observed by each employee of Guaranty Trust Bank (Ghana) Ltd to the extent that they are applicable to his /her situation.

Employees of GT Bank are required to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional life. By virtue of the obligations which their unique employment as Bankers imposes upon them, they are subject to standards of professional conduct which transcends the law.

The Code of Conduct stipulates the organisation's values and the minimum standards of good practices required of employees in their dealings within the Bank and with external parties maintaining relationships with the organisation. Employees of the Bank is required to aspire at all times to be excellent role models for the society. Staff are therefore required not to violate the laws of the land and/or the rules regulating the organisation's business.

Whenever the company's attention is drawn to any inadvertent violation of the law by its code of conduct, the necessary amendments will be made immediately. Where employees are uncertain about the applicability of any part of the standards to their particular situation, they shall consult the Bank's Company Secretary for guidance.