



**Guaranty Trust Bank (Ghana) Ltd**  
**CS406022014**

**GUARANTY TRUST BANK (GHANA) LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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

<b>CONTENTS</b>	<b>P a g e</b>
Corporate Information	1
Report of the Directors	2 - 6
Report of the Audit Committee	7
Corporate Governance Report	8 – 22
Bank Sustainability Report	23 - 32
Independent Auditor’s Report	33 – 38
Financial Statements:	
Statement of Comprehensive Income	39
Statement of Financial Position	40
Statement of Changes in Equity	41
Statement of Cash Flows	42
Notes to the Financial Statements	43 - 145
Appendices	146 - 147

## **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  
Kwasi M. Tagbor (resigned on 09, February 2022)

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  
J.P. Morgan Chase Bank  
Guaranty Trust Bank London  
Bank of Beirut  
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 2022.

### **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 2022 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 significant 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 International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants, Ghana and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized 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 2022 before tax is	191,039,096
from which is deducted taxation	(76,057,6 80)
giving a profit for the year after tax of	114,981,416
less transfer to statutory reserve	(28,745,354)
add write back of credit risk reserve	11,007,772
less payment of prior year dividends declared	-
leaving a balance of	97,243,834
when added to the balance brought forward on income surplus of	375,869,530
leaving a balance of	<b>473,113,364</b>

At the next shareholders meeting on the financial performance for the year ended 31 December 2022, no dividend (2021: nil) will be tabled for shareholders' consideration and approval.

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

The state of affairs of the Bank is as follows:

	<b>GH¢</b>
Profit before tax	191,039,096
Profit after tax	114,981,416
Total assets	7,132,786,508
Total liabilities	5,797,163,070
Total equity	1,335,623,438

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

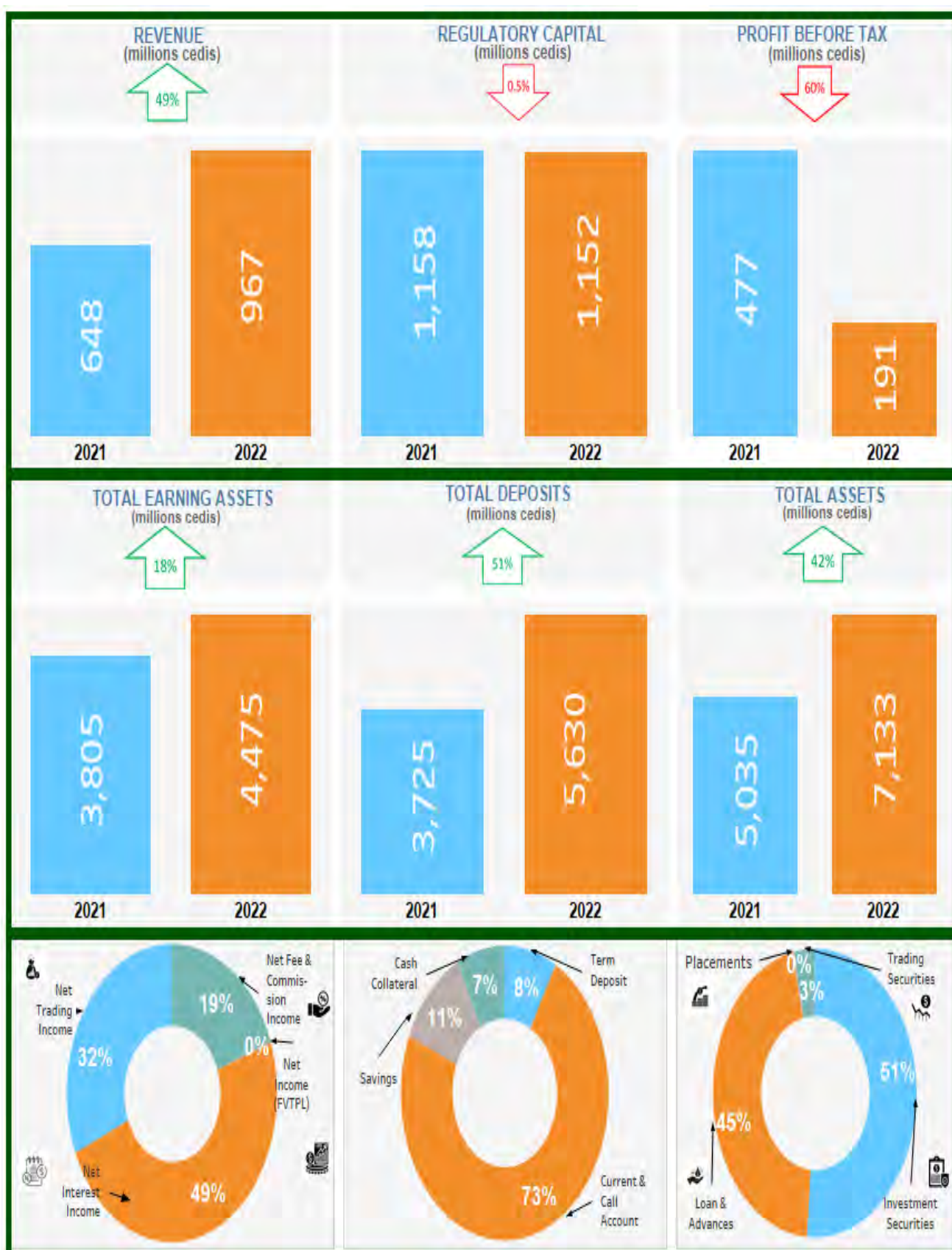
### **Particulars of entries in the Interests Register during the financial year**

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¢1,157,711 (2021: GH¢ 468,174) 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*

<b>Executive</b>	<b>Qualification</b>	<b>Outside Board and management position</b>
<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>Kwasi M. Tagbor (resigned on 09-Feb-22)</i>	B,Sc. Electrical Engineering, Post Graduate Diploma in Computer Science	N/A
<i>Adebanji Isola Adeniyi</i>	Doctor of Vet Medicine Degree, Associate and Fellow of the Institute of Chartered Accountants of Nigeria (ACA & FCA), MBA, Honorary Senior Member of the Chartered Institute of Bankers	Member of GTBank Nigeria Limited's Management Credit Committee, Criticized Assets Committee, Assets and Liabilities Management Committee, IT Steering Committee, observer member of the Bank's Statutory and Board Audit Committees
<i>Joseph K. Amoah-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	N/A
<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**

<b>Age category</b>	<b>Number of directors</b>
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 577,553. Audit fees for the year amounted to GHS 950,000.

### **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 April 2023 and are signed on their behalf by:



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



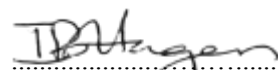
.....  
Thomas Attah John  
*Managing Director*



## **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 2022 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 11,007,772 has been set aside as at 31 December 2022 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 2022 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 April 2023

## **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. No director or key management personnel has any other interest in any shares or loan stock of the Company.

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 and 4 other non-executive directors, all of which 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 four (4) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Risk Committee, Board Credit Committee and the Board Nomination 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.

### **3.0 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.
- (iv) The required annual certification programme is being undertaken by all the directors in line with the directive.

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

### **4.0 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

### **5.0 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.

### **6.0 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.

### **7.0 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.

### **8.0 Succession Plan**

The Bank has put 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.

### **9.0 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.

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

### **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.

### **10.0 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.

### **11.0 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;
- (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 5 non-executive directors on the board who should all be classified as independent.

### **12.0 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.

### **13.0 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.

### **14.0 Alternate Director**

The Bank does not currently have any alternate directors.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 15.0 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 sub committees.

### 16.0 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.

### 17.0 Board Meetings

The Company holds a minimum of 4 Board meetings annually. In 2022 meetings were held in February, May, August and November. It also held one Annual General Meeting in May. 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:

		Quarterly	Quarterly	AGM	Quarterly	Quarterly	
No.	Name	09-Feb-22	11-May-22	11-May-22	17-Aug-22	11-Nov-22	% Attendance
1	Thomas Attah John	Yes	Yes	Yes	Yes	Yes	100%
2	Kwasi M. Tagbor	Yes	*N/A	*N/A	*N/A	*N/A	100%
3	Joseph Kofi Amoa-Awuah	Yes	Yes	Yes	Yes	Yes	100%
4	Adebanji Adeniyi	Yes	Yes	Yes	Yes	Yes	100%
5	Irene Baaba Hagan	Yes	Yes	Yes	Yes	Yes	100%
6	Rasheed Ibrahim	Yes	Yes	Yes	Yes	Yes	100%
7	Maidie Elizabeth Arkutu	**N/A	Yes	Yes	Yes	Yes	80%

\* N/A – Director resigned from appointment

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

### 18.0 Board Sub-Committees

There are currently Four (4) main committees through which the Board of Directors discharge its functions; Board Audit Committee, Board Credit Committee, the Board Risk Committee and the Board Nominations Committee. Their composition and functions are as follows:

#### 18.1 Board Audit Committee

This Committee is currently made up of three (3) non-executive Directors while the Company's Secretary serves as the secretary to the Committee. The membership comprise the following:

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

### **18.1 Board Audit Committee (continued)**

1. Irene B. Hagan – Chairperson
2. Maidie E. Arkutu – Member
3. Rasheed Ibrahim – Member

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 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.

### **18.2 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 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:

1. Adebajji Adeniyi – Chairman
2. Irene B. Hagan – Member
3. Thomas A. John – Member

The Committee meets at least four times a year. A report is provided to the full Board at each sitting.

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

1. Maidie E. Arkutu – Chairperson
2. Rasheed Ibrahim – Member
3. Adebajji Adeniyi – Member
4. Thomas A. John – Member

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

### **18.3 Board Risk Committee -continued**

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.

### **18.4 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 conducts due diligence and assessment of such candidates prior to appointment.

This Committee is currently made up of two (2) non-executive Directors. The membership comprise the following:

1. Adebajji Adeniyi – Chairperson
2. Joseph Amoa-Awuah – Member
3. Rasheed Ibrahim – Member

The Committee holds meetings as and when the need arises.

### **19.0 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.

## **CORPORATE GOVERNANCE (CONTINUED)**

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

More recently from July 2019 to date, Mr. Amoa-Awuah has been engaged by GIABA in two (2) key assignments. First, as a Financial Sector Expert to join other Legal and Law Enforcement Experts, to undertake the Mutual Evaluation of Sierra Leone in respect of the Effectiveness of that country's AML/CFT implementation. Second, he has been engaged as one of three (3) Experts to draft best practice guidance for the supervisors of the Designated Non-Financial Businesses and Professions (DNFBPs) for ECOWAS member States.

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.

#### **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.

#### **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 is the immediate past 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.



## **CORPORATE GOVERNANCE (CONTINUED)**

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

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

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 the Senior Vice President, New Business Development, Nutrifoods Ghana Limited.

#### **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 deliver high quality engagements on a range of risk assurance and audit services including IT, Internal and External audit, Controls reporting, Business process re-engineering, SOX 404 and Finance effectiveness advisory engagements.

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.

## **CORPORATE GOVERNANCE (CONTINUED)**

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

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

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 is a member of 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.

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.

### **20.0 Board Performance Evaluation**

The Board carries out regular evaluation, that is 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).

### **21.0 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;
- 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.

### **22.0 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 organisation.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **22.0 Chief Risk Officer -continued**

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.

### **23.0 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.

### **24.0 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.

### **25.0 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

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

### **25.1 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.

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.

### **25.2 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.

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

The Assets and Liability Management Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies.

The members of the Committee include the Managing Director, General Manager, the Treasurer, Head, Risk Management Group, the Head, Currency Trading Unit and relevant Management Staff of the Bank.

### **25.4 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.

## **26.0 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).

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

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

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

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 24 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 Affairs and Administration and 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.

Mr. Ofofu 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. Ofofu 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.

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

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

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

He holds a Bachelor of Science degree (Second Class Upper Division) in Physics from the Kwame Nkrumah University of Science and Technology and Masters 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 holds an EMBA in Finance from the University of Ghana, Legon.

Mr. Atchulo has over 15 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.

#### **Ernest Kumi (Divisional Head, Public Sector Banking 2)**

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.

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

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

#### **Ernest Kumi (Divisional Head, Public Sector Banking 2) -continued**

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 B. Sc. (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.

#### **Robert Allan Barnes (Divisional Head, SME Bank Division)**

Mr. Barnes is a Senior Executive of GTBank Ghana, possessing immense business experience in Sales, Relationship Management, Credit and Business Development. He is currently the Divisional Head of the Bank's SME Banking Business, managing all the institutional banking teams across Accra. He is directly in charge of identifying business opportunities for the bank, strategising, spearheading, diversifying and maximising the company's institutional portfolio under the areas that he oversees. Prior to his current role, Robert was the Branch Manager of the North Industrial Area Branch from June 2009 – July 2012, before which he had been the Unit Head of the bank's Import Desk from May 2008 – June 2009.

He retains a wealth of experience in Administration, Finance and Banking gathered through years of working in various companies within Ghana and the UK. He maintains just the right blend of innovation, tenacity, ingenuity and exceptional client relationship management skills, with a keen eye and ear for industry trends. In addition to all these qualities, he possesses an immeasurable wealth of experience in credit writing and analysis.

Robert graduated with honors from the University of Ghana with a Bachelor's Degree in Political Science and History (Combined Major). He also holds an MSc in Business Management from the University of Hull – UK and is an Alumnus of St. Augustine's College (Advanced and Ordinary Levels). In addition, he holds several certificates from a plethora of workshops and seminars including Project Loan Appraisal, Induction to Banking, Fundamentals of Credit Analysis and Management, Service Marketing as well as Credit Risk Management.

#### **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 Masters 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.

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

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

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

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 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.

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 10 years working experience covering external and internal audit and control. He has knowledge and understanding of applicable banking operations, regulations, International Standards for the Professional Practice of Internal Auditing.

### **27.0 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. 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.



## **2022 BANK'S SUSTAINABILITY REPORT**

### **Background**

Guaranty Trust Bank (Ghana) aims at creating long-term value for our esteemed stakeholders. We continue to develop and implement initiatives to enrich the lives of our stakeholders (investors, shareholders, customers, employees, suppliers, regulators, and communities). 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 IFC Performance Standards and Bank of Ghana's Sustainable Banking Principles.

We thrive on innovation to enhance our environmental, social, and economic footprints. Our banking practices prioritize resource efficiency, a healthy stakeholder relationship, effective risk management, and excellent experience. We partner with the International Finance Corporation (IFC) and the Bank of Ghana to advance the sustainability agenda. This Sustainability Report echoes our journey through the year 2022, highlighting various 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.

### **Chairperson's Message**

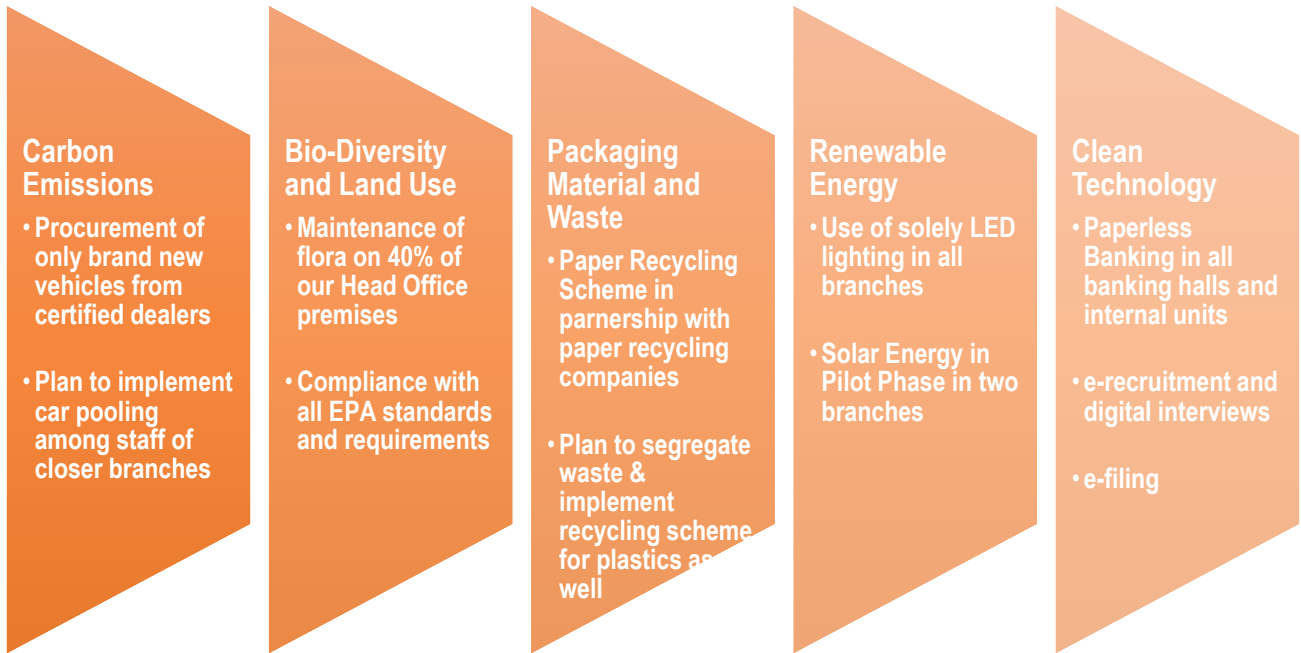
Sustainability has taken centre stage on the global business landscape and requires the contribution of all areas of economic endeavour. The role of banks in a developing economy like ours can therefore not be overemphasized, as we serve in a central fiduciary role to all other sectors and subsectors of the Ghanaian economy. As the lifeblood of the country's economy, our role in ensuring environmentally and socially sustainable operations, is therefore one that only promises to get bigger with time.

At Guaranty Trust Bank Ghana, we are fully committed to ensuring transparency, accountability, respect for human rights, compliance with labour standards, workplace health and safety, and equity while providing top-notch service that is easily accessible and affordable to all. Our social commitment also includes deploying user and environmentally friendly, cost-effective and scalable technology towards the enhancement of both employee and customer experience.

The advent of the COVID-19 pandemic and its attendant tactical tweaks and adjustments call for a rethink of the way we conduct business in the modern era. We at GTBank look forward to deeper and wider collaborations with all key stakeholders as we work arduously towards aligning with Bank of Ghana's Sustainable Banking Principles, in our bid to achieving the UN Sustainable Development Goals (SDGs). We therefore look forward to the support of all our employees, suppliers, customers, community, regulators and shareholders, as we strive towards achieving sustainability in all our business operations.

**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:



**Social Opportunity**

Guaranty Trust Bank (Ghana) Ltd, 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 2022, the Bank supported the following initiatives in the afore-mentioned areas:

#### **GTBank ICT Drive: Refurbishment of computer laboratories with PCs, projectors, printers and airconditioners**

- Wa Municipal Model Junior High School
- Ho Technical University Basic School
- Effiduase Presbyterian A&B Basic School
- Ayi Mensah Basic School
- Anunmle Cluster of Schools

#### **Di Asa Season 6: Title Sponsorship of Dance Reality Show for Plus-size Women**

- Partnership with Atinka Media Village
- Aimed at breaking the stereotype surrounding plus-size women and inspiring self-confidence about their physique
- Hosted 60 contestants were selected from across the 16 regions in Accra
- Included exercise routines and education on financial literacy

#### **SME Webinar**

- Maiden edition of SME Web Seminar to train SME owners and/or managers
- Two interactive sessions focussed on digital banking and Trade Finance

#### **Cyber Security Webinar**

- Web seminar to train customers on how to identify potential threats to their personal and/or business data
- Customers were also trained on how to avoid cyber-attacks

#### **Sponsorship of Rotary Club Annual Activities**

- Partnered with Rotary Club on initiatives aimed at combating hunger, improving health and sanitation
- Also involved job training and education, promoting peace and pursuing worthwhile causes such as construction of classroom blocks and renovation of hospital units.

#### **National Fire Service during the Annual Fire Safety Week**

- Partnering the Ghana National Fire Service to create nationwide awareness on the hazards of fire and;
- Heighten the role of the individual in the prevention of fire.

#### **Autism Awareness & Consultation Fair**

- 5-day program held at the Chartered Institute of Bankers auditorium, East Legon
- Over 150 families in attendance
- Specialists provided care to autistic children in the areas of speech and behaviour therapy
- Also created awareness on child psychology, dentistry and psychiatry

**2022 in pictures...**



### **Corporate Behaviour**

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” and these are Simplicity, Professionalism, Service, Friendliness, Excellence, Trustworthiness, Social Responsibility and Innovation.

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 made to feel special as they are warmly welcome 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 believe it is important to provide seamless service and get continuous feedback from the very people we serve in order to 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:

- **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 account** ([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 feedbacks 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.

### **Workplace**

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, oral health, mental health, pensions, and retirement matters, as well as how to manage pregnancy and work.

The Operational Risk Management (ORM) Group in conjunction with the HR Group also published several awareness slides on Health and Safety during the period in line with our commitment to support employees.

Periodic seminars and webinars are also organised for employees on wellness, security and health to improve their awareness and well-being. In line with our drive for capacity building, we trained 3,489 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 senior management positions is currently 45% and 47% respectively. The percentage of women on our Board of Directors is currently at 29%.

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

We are committed to complying with all regulatory requirements on sustainability and we strive to ensure that our business activities and operations are in line with the provisions of the seven (7) principles of Ghana Sustainable Banking Principles. Below shows our progress in the implementation of Bank of Ghana’s Sustainable Banking Principles for the year 2022:

**PRINCIPLE 1**

*Identify, measure, mitigate and monitor environmental and social risks in our business activities. Identify environmental and social opportunities in our business activities.*

At Guaranty Trust Bank Ghana, we ensure our customers comply with applicable laws, regulations, and contract terms, but also conduct themselves with the highest standards of ethical business practices, environmental stewardship, and community investment.

**Key Highlights in 2022**

<b>KPI'S</b>	<b>Number of loan portfolio screened for E&amp;S risks</b>	<b>Hours or days of employee training on E&amp;S risk management policy and procedures</b>	<b>Percentage of employees trained on the E&amp;S risk management policy and procedures</b>	<b>Number of new products and/or services introduced that are intended to encourage good E&amp;S performance by clients</b>	<b>Uptake of new products and/or services intended to encourage good E&amp;S performance by clients (number of products and/or services sold)</b>
<b>ACTIVITIES</b>	91 and ESG enhanced due diligence was conducted on 18 customers in high-risk sectors constituting 20% of loan book.	Constant training on the Bank’s electronic notice Board (Intranet) and periodical training meetings	46% of Staff have had personal training; circulars are published on daily basis to create awareness	2	""Efiadadwa" is key initiative introduced to increase financial inclusions at various markets in Ghana. This enhanced account opening drive has attracted free banking services to several market women

**PRINCIPLE 2**

*Promote good environmental, social and governance practices in our internal business operations.*

At Guaranty Trust Bank environmental sustainability is embedded in our operations and we continue to work hard to reduce the emissions, water and energy consumption, and waste associated with our operations.

**Key Highlights in 2022**

<b>KPI'S</b>	<b>Electricity consumption per annum</b>	<b>Paper consumption per annum</b>	<b>Water consumption per full time employee</b>	<b>Number of employee health and safety incident</b>	<b>Number of employee sick days</b>	<b>Hours of employee training around health and safety</b>	<b>Workplace diversity</b>	<b>Community engagement</b>
<b>ACTIVITIES</b>	1,742,695.56kw /h	2,725 reams	5litres per day for each employee	Nil	3 months with full pay	Once every quarter	A highly diversified workplace with zero discrimination policy.	Refurbis’hed and fully stock the computer laboratory of various schools across the country.

**PRINCIPLE 3**

*Promote good corporate governance and ethical standards.*

Guaranty Trust Bank Ghana is committed to promote sound and effective corporate governance.

Below are our key highlights for 2022

<b>KPI'S</b>	<b>Hours of employee training on good governance and ethical standards</b>	<b>Number of ongoing lawsuits related to governance issues</b>	<b>Percent of total employees for whom bribery and corruption is a relevant issue</b>
<b>ACTIVITIES</b>	3hrs per employee each year	Nil	No active staff member has been identified as being related to any corruption or bribery scheme

**PRINCIPLE 4**

*Promote gender equality.*

Guaranty Trust Bank Ghana prides itself as being an equal employer for all gender and this is evidenced at every level of the organization structure from the Board to Entry level Staff. We also encourage our client to promote gender equality.

Below are our key highlights for 2022

<b>KPI'S</b>	<b>Gender Pay gap Percent of FTEs who are women</b>	<b>Percent of FTEs who are women</b>	<b>Percentage of women in senior leadership roles</b>	<b>Number of business relationships with women-owned</b>	<b>Percentage of women FTEs recruited in the last 12 months</b>	<b>Employee time invested in philanthropic programmes that support gender equality</b>
<b>ACTIVITIES</b>	Equal pay for all FTE's across all levels	45%	38% of women constitute management	121,801 representing 32% of small businesses.	41.35% of women have been recruited over the last 12 months period.	3hrs a week is dedicated to implementing initiatives that drives gender equality through financial inclusion programmes.

**PRINCIPLE 5**

*Promote financial inclusion.*

Guaranty Trust Bank Ghana prides itself as being an equal employer for all gender and this is evidenced at every level of the organizational structure from the Board to Entry level Staff. We also encourage our clients to promote gender equality.

Below are our key highlights for 2022

<b>KPI'S</b>	<b>Number of new basic bank accounts opened over tech platforms</b>	<b>Number of transactions conducted over tech platforms</b>	<b>Uptake of new financial products and/or services targeted at the financially underserved (number of new accounts opened or number of products sold)</b>	<b>Number of new financial products and/or services introduced that are targeted at the financially underserved</b>
<b>ACTIVITIES</b>	60,054 accounts were opened on Tech platforms for the year	4.1M transaction on all digital channels from for the year	"Efiadadwa" promo that aggressively pushed for financial inclusion in the various market's places. A branch set up in WA, piloting of agency banking	2

**PRINCIPLE 6**

*Promote resource efficiency and sustainable consumption and production.*

Guaranty Trust Bank Ghana prides itself as being an equal employer for all gender and this is evidenced at every level of the organization structure from the Board to Entry level Staff. We also encourage our client to promote gender equality.

Below are our key highlights for 2022

<b>KPI'S</b>	<b>Amount lent targeted at improving resource efficiency.</b>	<b>Number of new products and/or services introduced that are intended to encourage resource efficiency by clients</b>	<b>Uptake of new financial products and/or services intended to encourage resource efficiency by clients (number of products and/or services sold)</b>
<b>ACTIVITIES</b>	GHS 700M lent to various customers in support for environmentally friendly solutions.	3	The Bank commenced a business promo tagged "Efiadadwa" that aggressively pushed for financial inclusion in the various market places.

**PRINCIPLE 7**

*Reporting*

Guaranty Trust Bank Ghana ensures that timely and accurate reports are shared with regulatory bodies and interested stakeholders.



Below are our key highlights for 2022

KPI'S	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
ACTIVITIES	Semi-annual	2	Quarterly	4	Monthly	12

**THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

At GTBank, we continue to support the government efforts at achieving Sustainable Development Goals (SDGs) through our lending to the critical sectors, our CSR and product development initiatives. The 17 SDGs represent an ambitious agenda to achieve a sustainable future by 2030. The Bank is directly and indirectly achieving all the 17 interrelated goals, yet we feel our business directly impacts the 8 highlighted goals below:



**SDG 1: NO POVERTY**

The bank seeks to curb poverty by embarking on yearly mass recruitment of fresh graduates by employing an average of 80 fresh graduates annually, Introduction of accessible credits for low-income people and SMEs such as Quick Credit, Max Advance, and SME loans.



**SDG 2: ZERO HUNGER**

In our quest to eradicate hunger we provide lending to agri-businesses like Olam Agri Ghana Limited, Wilmar Africa, Sarah Foods among others. We also make regular donations to motherless babies’ home to Support daily upkeep of the Babies and utility bills payment for the Home.



**SDG 3: GOOD HEALTH AND WELL-BEING**

High Grade health Insurance Scheme is provided for all staff and two dependents to improve on wellbeing as well as health talks to provide counselling on wellbeing. Also, provision of protective armour to provide security to Police officers who escort bullion vans in transit duties. Organization of autism week to provide healthcare for people with autism nationwide.



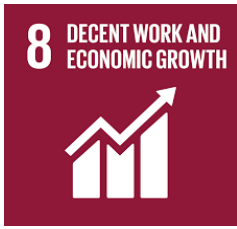
**SDG 4: QUALITY EDUCATION**

The bank refurbished and fully stock the computer laboratory of the Atonsu M/A Cluster of Schools, Effiduase Presby Basic School, Ho Technical University Basic to provide quality education to all pupils in the said schools.



**SDG 5: GENDER EQUALITY**

The bank provides equal employment opportunity for all gender and has 45% of its staff being women, spread across various level of the organization structure from the Board to Entry level Staff.



**SDG 8: DECENT WORK AND ECONOMIC GROWTH**

The Bank continues to promote sustainable economic growth and decent work through lending to businesses specifically to meet working capital requirements of our customers. Through this, we are able to indirectly provide jobs for people. This is in addition to the direct job that we create through recruitment of staff to meet the needs of our customers. We continue to offer competitive salary and benefits to promote decent living for all our employees. In view of the hardship created by the COVID-19 Pandemic, we provided moratorium and interest reduction for SME loans.



**SDG 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE**

We remain committed to using our value-adding banking products and services to improve the condition of Ghana's social infrastructure. We ensure that our investments in infrastructure is environmentally sensitive and respond to the needs of low-income users, women, and other marginalized groups (including persons with disabilities, the indigenous).

**Summary**

We continue to strive towards meeting and exceeding the expectations of our stakeholders. Our strides are and would continue to be anchored by access to and affordability of our services, compliant labour practices, a fully engaged workforce, data security and customer privacy, innovation, environmentally friendly products and services, and systematic risk management.



**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 as at 31 December 2022, 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 significant accounting policies and other explanatory notes, as set out on pages 39 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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¢ 17.59m*  
Refer to Note 17 (ii) to the financial statements

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans and advances to customers amounted to GH¢2,043 million at 31 December 2022 (GH¢ 1,655 million at 31 December 2021), and the total impairment allowance account for the Bank amounted to GH¢ 17.6 million at 31 December 2022 (GH¢ 7.8 million at 31 December 2021).</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>Our procedures included the following:</p> <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> <li>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</li> </ul>



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

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 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)**

*Valuation of Investment Securities and Trading Assets GH¢142.76million*

*Refer to Note 18 to the financial statements*

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Investments in government securities measured at fair value (government bonds and bills) amounted to GH¢142.76 million at 31 December 2022, which represent 2% 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 for 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 following the announcement of the Ghana Domestic Debt Exchange Programme (GDDEP) given that trading is currently done at significant discounts and in very low volumes. This is further compounded by market participants view of the uncertain economic and market conditions arising from high inflation, exchange rate volatilities and increasing debt stock amongst other unfavourable economic trends.</p> <p>The disclosures required by IFRS 13 Fair Value Measurements are complex and need to provide insights to the key judgments and material inputs into the determination of fair values.</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 our valuation specialists to perform an independent assessment of the fair value of the government securities measured at fair value through the construction of yield curves, indicative broker codes and evaluated prices.</li> <li>-Assessing whether the disclosure of the key judgements and assumptions made including GDDEP related disclosures were reasonable.</li> </ul>

*Impairment of Investment Securities GH¢ 540m*

*Refer to Note 18 to the financial statements*

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Investments in government securities (government bonds and bills) amounted to GH¢2,675 million at 31 December 2022, which represent 37.5% of the total amount of the Bank's total assets. The Bank recognised an impairment loss of GH¢540 million on these balances as of 31 December 2022.</p> <p>The government securities have become credit-impaired due to adverse macroeconomic conditions and unsustainable debt levels of the country. These conditions prompted the rollout of the Ghana Domestic Debt Exchange Programme (GDDEP) by the government of Ghana to achieve debt sustainability.</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> </ul>



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

The impairment testing of government securities is considered to be a key audit matter due the complexities involved in determining the estimated future cashflows arising from these instruments.

- The future cashflows of the eligible bonds to be issued under the GDDEP is based on the estimated fair value of the new bonds to be issued on 21 February 2023. The fair value is based on the cashflows as outlined in the exchange memorandum discounted using an estimated yield to maturity at 21 February 2023.
- The future cashflows of government securities not included in the GDDEP is based on the assumption of estimated cash short falls to be experienced.

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.

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.

- Remaining alert to the most recent government communication on the GDDEP, the bank's communication as to whether it will participate in the programme and meeting minutes of board [relevant committees such as critical assets committees] to assess whether the bank have applied the right terms of the in the valuation and impairment of these instruments.
- Assessing the appropriateness of staging for eligible investments to be exchanged under the GDDEP (qualifying investments) and other sovereign-related exposures.
- Involving our valuation specialist in assessing the appropriateness of the yield-to-maturities applied in determining the fair value of the new bonds under the GDDEP.
- Using Financial Risk Management team to evaluate the appropriateness of the cashflows of government securities not included in the GDDEP.
- 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
- Assessing whether the disclosure of the key judgements and assumptions made including GDDEP related disclosures were reasonable.

### 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) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Report of the Audit Committee; Corporate Governance Report; Bank Sustainability Report; corporate Information and Appendices which we obtained prior to the date of this auditor's report date and the Chairman's Statement and the Managing Director's statement which is expected to be made available to us after that date 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 on the other information that we obtained prior to the date of this auditor's report, 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 International Financial Reporting Standards 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.

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.



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

### 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 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 their powers and the Group and Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).
- The Bank have generally complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations.

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

*KPMG*

FOR AND ON BEHALF OF:  
KPMG: (ICAG/F/2023/038)  
CHARTERED ACCOUNTANTS  
13 YIYIWA DRIVE, ABELINKPE  
P O BOX GP 242  
ACCRA

*27 April* ..... 2023



**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are in Ghana Cedis)

	Note	Year ended 31 December	
		2022	2021
Interest income calculated using the effective interest method	6	649,144,881	443,714,913
Interest expense	6	(176,231,503)	(140,109,743)
<b>Net interest income</b>		<b>472,913,378</b>	<b>303,605,170</b>
Fee and commission income	7	244,472,229	136,725,693
Fee and commission expense	7	(57,464,216)	(32,836,602)
<b>Net fee and commission income</b>	7	<b>187,008,013</b>	<b>103,889,091</b>
Net trading income	8	304,813,468	189,146,367
Net income from other financial instruments carried at fair value	9	1,771,224	51,036,827
<b>Net trading and other income</b>		<b>493,592,705</b>	<b>344,072,285</b>
<b>Revenue</b>		<b>966,506,083</b>	<b>647,677,455</b>
Other income	10	269,214	435,912
Net impairment on financial instruments	17/18(ii)	(557,020,333)	(14,825,657)
Personnel expenses	11	(81,808,976)	(63,296,654)
Amortisation of prepaid leases	12	(1,675,665)	(1,924,206)
Depreciation and amortisation	21	(20,885,007)	(19,594,982)
Finance charge	29(iv)	(3,775,768)	(4,178,151)
Other operating expenses	13	(110,570,452)	(67,051,523)
<b>Profit before income tax expense and national fiscal stabilisation levy</b>		<b>191,039,096</b>	<b>477,242,194</b>
National fiscal stabilisation levy	14	(9,551,955)	(23,862,110)
Financial sector recovery levy	14	(9,551,955)	(17,896,582)
Income tax expense	14	(56,953,770)	(120,037,410)
<b>Profit for the year</b>		<b>114,981,416</b>	<b>315,446,092</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be subsequently reclassified to profit or loss:</i>			
Movement in fair value reserve of FVOCI debt instruments	18	(1,265,279)	(1,851,925)
Impairment loss/(reversal) on investment at FVOCI	17	1,483,523	-
Related tax		(54,561)	462,981
<b>Total other comprehensive income</b>	27(iv)	<b>163,683</b>	<b>(1,388,944)</b>
<b>Total comprehensive income</b>		<b>115,145,099</b>	<b>314,057,148</b>

The notes on pages 43 to 145 are an integral part of these financial statements.

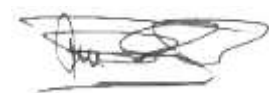
**STATEMENT OF FINANCIAL POSITION**

(All amounts are in Ghana Cedis)

	Note	As at 31 December	
		2022	2021
<b>Assets</b>			
Cash and cash equivalents	15	1,779,275,749	894,166,791
Non-pledged trading assets	18(iii)	142,756,276	727,388,438
Pledged assets	16	158,627,720	160,120,902
Loans and advances to customers	17(i)	2,026,344,662	1,647,640,588
Investment securities	18(i)	2,134,381,588	1,050,574,111
Current tax assets	14	44,370,199	-
Property and equipment	19	138,662,359	117,207,705
Intangible assets	20	4,981,097	9,249,102
Deferred tax assets	22	142,863,623	4,132,489
Other assets	23	560,523,235	424,971,343
<b>Total assets</b>		<b>7,132,786,508</b>	<b>5,035,451,469</b>
<b>Liabilities</b>			
Deposits from customers	24	5,629,806,824	3,725,426,725
Current tax liabilities	14	-	2,751,392
Deferred tax liabilities	22	5,442,420	2,705,422
Provision on off balance sheet Items	3.3.2	521,342	1,396,338
Other liabilities	25	161,392,484	82,693,253
<b>Total liabilities</b>		<b>5,797,163,070</b>	<b>3,814,973,130</b>
<b>Equity</b>			
Stated capital	26	404,895,476	404,895,476
Credit risk reserve	27	26,233,393	37,241,165
Statutory reserve fund	27	432,606,466	403,861,112
Other reserves	27	(1,225,261)	(1,388,944)
Income surplus	27	473,113,364	375,869,530
<b>Total equity</b>		<b>1,335,623,438</b>	<b>1,220,478,339</b>
<b>Total liabilities and equity</b>		<b>7,132,786,508</b>	<b>5,035,451,469</b>

*The notes on pages 43 to 145 are an integral part of these financial statements.*

The financial statements were approved by the Board on 27 April 2023 and signed on its behalf by:



Joseph K. Amoa-Awuah  
Chairman



Thomas Attah John  
Managing Director

**Guaranty Trust Bank (Ghana) Ltd**  
Annual Report and Financial Statements  
for the year ended 31 December 2022

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts are in Ghana Cedis)

	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Other Reserves	Income Surplus	Total
<b>Balance at 1 January 2022</b>	<b>404,895,476</b>	<b>403,861,112</b>	<b>37,241,165</b>	<b>(1,388,944)</b>	<b>375,869,530</b>	<b>1,220,478,339</b>
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,683</b>	<b>114,981,416</b>	<b>115,145,099</b>
<b>Transfers</b>						
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>
	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Other Reserves	Income Surplus	Total
Balance at 1 January 2021	404,895,476	324,999,589	16,244,825	-	261,280,353	1,007,420,243
Profit for the year					315,446,092	315,446,092
Other comprehensive income				(1,388,944)	-	(1,388,944)
Total comprehensive income	-	-	-	(1,388,944)	315,446,092	314,057,148
<b>Transfers</b>						
Transfer to credit risk reserve			20,996,340	-	(20,996,340)	-
Transfer to statutory reserve fund		78,861,523	-	-	(78,861,523)	-
<b>Total Transfers</b>	<b>-</b>	<b>78,861,523</b>	<b>20,996,340</b>	<b>-</b>	<b>(99,857,863)</b>	<b>-</b>
Transaction with shareholders						
Dividends	-	-	-	-	(100,999,052)	(100,999,052)
	-	-	-	-	(100,999,052)	(100,999,052)
<b>Balance at 31 December 2021</b>	<b>404,895,476</b>	<b>403,861,112</b>	<b>37,241,165</b>	<b>(1,388,944)</b>	<b>375,869,530</b>	<b>1,220,478,339</b>

The notes on pages 43 to 145 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts are in Ghana Cedis)

	Note	2022	2021
<b>Cash flows from operating activities</b>			
Profit for the year		114,981,416	315,446,092
Adjustments for:			
Depreciation and amortisation	21	20,885,007	19,594,982
Impairment on financial instruments	17(ii)	558,181,852	15,259,860
Profit on disposal of property and equipment	10	(269,214)	(435,912)
Write-off of item in capital work-in-progress	19	180,532	7,000
Net trading income		(304,813,468)	(189,146,367)
Net income from other financial instruments carried at fair value	9	(1,771,224)	51,036,827
Net interest income	6	(472,913,378)	(303,605,170)
Income tax expense	14	76,057,680	161,796,102
Lease liability finance charges	29(ii)	3,775,768	4,178,151
		<b>(5,705,029)</b>	<b>27,942,089</b>
Change in:			
loans and advances		(288,697,692)	(554,614,807)
trading assets and investment securities		(1,048,628,179)	279,896,432
Pledged assets		1,493,182	(160,120,902)
other assets	23	(135,551,892)	(206,389,254)
deposits from customers	24	1,902,879,718	729,966,801
other liabilities	25	82,585,679	22,659,155
Interest received		507,074,969	424,352,267
Interest paid		(174,731,122)	(140,043,186)
Income received from trading gains		253,610,321	184,872,907
Income received from other financial instruments carried at fair value		70,234,973	9,715,494
Finance charges on lease liability paid	29(iii)	(1,743,364)	(2,573,054)
Cash generated from operations		<b>1,162,821,564</b>	<b>599,779,764</b>
Income tax paid	14	(188,701,679)	(124,880,986)
Financial sector recovery levy paid	14	(35,226,616)	(17,677,125)
National fiscal stabilisation levy paid	14	(35,299,672)	(25,039,692)
<b>Net cash generated from operating activities</b>		<b>903,593,597</b>	<b>432,181,961</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	19	(36,100,215)	(31,498,307)
Purchase of intangible assets	20	(2,202,423)	(6,754,576)
Proceeds from sale of property and equipment		319,664	885,446
<b>Net cash used in investing activities</b>		<b>(37,982,974)</b>	<b>(37,367,437)</b>
<b>Cash flows from financing activities</b>			
Lease liability payments	29(iii)	(5,918,852)	(9,602,163)
Dividends paid	28	-	(100,999,052)
<b>Net cash used in financing activities</b>		<b>(5,918,852)</b>	<b>(110,601,215)</b>
<b>Net increase in cash and cash equivalents</b>		<b>859,691,771</b>	<b>284,213,309</b>
Cash and cash equivalents at 1 January	15	894,166,791	612,254,727
Effect of exchange rate fluctuations	8	31,062,818	(2,301,245)
<b>Cash and cash equivalents at end of period</b>	15	<b>1,784,921,380</b>	<b>894,166,791</b>

The notes on pages 43 to 145 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 SIGNIFICANT 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**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

#### **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 effective from 1 January 2022***

The bank has no transactions that are affected by newly effective requirements.

## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(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 2022 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank is yet to assess the impact of the standards on the financial statements.

##### **a. 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.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

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.

The Bank is yet to determine the impact of this standard on its financial statements.

##### **b. 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).

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 significant 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;

## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Bank is yet to determine the impact of this standard on its financial statements.

#### ***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 Bank is yet to determine the impact of this standard on its financial statements.

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

#### ***d. 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. 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 is 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.

**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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

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.

***f. 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 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.



## **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 SIGNIFICANT 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.

##### **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)

**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

**2.5 Interest income and expense – continued**

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

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 trading assets and liabilities, and it includes all fair value changes, dividends and foreign exchange differences.

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

Net income from other financial instruments at fair value through profit or loss relates to gains less losses on trading assets and liabilities as well as interest on those instruments, and it includes all fair value changes.

The line item includes fair value changes, interest, dividends and foreign exchange differences.

### **2.10 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:

#### **2.10.1 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)

**2.10.1 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 PPE 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)

### **2.11.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.

**2.12 Financial instruments**

**2.12.1 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.

**2.12.2 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)

**2.12.2 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 Other Income in the 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 from other financial instruments at FVTPL.



**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)**

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

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

### **2.12.3 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 2018, the reclassification date will be 1 April, 2019 (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, 2018. Gains, losses or interest previously recognised are not restated when reclassification occurs.

### **2.12.4 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.

**2.12.5 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 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.12.5 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 two scenarios for the Probability of Default (PD) risk parameter– 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)

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 perform 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.12.5 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.12.5 Impairment of financial assets – continued**

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 26). The Bank presents a gains 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 IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.



## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.12.6 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.

#### **2.12.7 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.

## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.13 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.

#### **2.14 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 of the 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.

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 20.

**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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.14 Property and equipment - continued**

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.

Cost of leasehold land is amortised over the remaining life of the lease as stated in the certificate of occupancy issued by government.

**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 on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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.

**2.15 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.

## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.15 Intangible assets - continued**

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.

#### **2.16 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 asset that generates cash flows that are largely independent from other 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.

#### **2.17 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.

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.

## **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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.17 Provisions - continued**

##### **(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 on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

#### **2.18 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 the 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.

#### **2.19 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 of the equity instruments.

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

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

### **2.21 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.

### **2.22 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.

### **2.23 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.

## **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.

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

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

### **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.

#### ***Accounting policy for 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.

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

Ghana is facing a very challenging economic situation amid an increasingly difficult global economic environment. These adverse developments have exposed Ghana to a surge in inflation, a significant exchange rate depreciation and increased stress on the financing of the government's budget. The latest debt sustainability analysis demonstrated that Ghana is faced with a significant financing gap over the coming years and that the country's public debt is unsustainable. The country was downgraded by ratings agencies several times in 2022. During the last quarter of 2022, negotiations took place between the government of Ghana and the International Monetary Fund (IMF) to establish a support programme. According to the IMF's press release No. 22/427, a staff level agreement was reached in mid-December of 2022. However, the execution of this support programme is contingent on the implementation of a debt restructuring plan, which is intended to restore Ghana's macroeconomic stability. In response, the Government of Ghana on 5 December 2022 launched the Ghana Domestic Debt Exchange Programme (GDDEP).

The GDDEP is an arrangement through which registered bondholders in Ghana exchanged their eligible domestic bonds (all locally issued bonds and notes of the Government and E.S.L.A. Plc and Daakye Trust Plc bonds excluding Treasury bills (T-bills)) for new benchmark bonds with the same aggregate principal amount (plus applicable capitalized accrued and unpaid interest).

The terms of the exchange are set out in the GDDEP memorandum issued on 5 December 2022 which was updated several times with changes to the number of bonds, maturity, and coupon rates of the new "replacement" bonds. The final exchange memorandum was issued on 3 February 2023 with the final offer expiration date set to 10 February 2023 and the final Settlement Date to 21 February 2023.

**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**

Only Eligible Bonds listed under “Eligible Bonds” in the Exchange Memorandum were eligible for exchange for New Bonds in the Invitation to Exchange. This includes bonds issued by the Republic of Ghana and bonds issued by E.S.L.A. Plc (‘ESLA’) and Daakye Trust Plc (‘Daakye’), which are both special purpose entities set up by the government of Ghana.

Eligible Holders were split into three different categories depending on whether they are Collective Investment Schemes (CIS) Holders or Individual Holders below the age of 59 years eligible as of 31st January 2023 (Category A), Individual Holders aged 59 years or older as of 31st January 2023 (Category B) or other Eligible Holders (General Category). The Bank falls within the General Category.

In exchange for Eligible bonds maturing in 2023, General Category Holders received seven (7) New General Bonds, maturing one per year consecutively from and including 2027 through to and including 2033. Similarly, in exchange for Eligible bonds maturing after 2023, General Category Holders received twelve (12) New General Bonds, maturing one per year consecutively from and including 2027 through to and including 2038.

The amount eligible for the exchange was the principal amount of the eligible bonds outstanding after 31 January 2023 and accrued interest up to the Settlement Date which was due for payment after 31 January 2023.

Interest on the New Bonds will be paid in cash (“Cash Interest”), 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 (the “PIK Interest”) 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%.

Coupon rates for all eligible bonds were substantially changed, and the maturity of the new bonds (replacing the respective old bonds) were significantly extended compared to the old bonds.

**Bonds eligible for exchange**

The Bank participated in the exchange programme on 14 Feb 2023 and received the new bonds on 21 February 2023. The Bank tendered an offer for exchange for GHS 1,134,113,132 worth of eligible bonds and received the equivalent amount of twelve new bonds on the settlement date.

The table below details the bonds held by the bank which were eligible for the exchange programme. There were no maturities up to the date of exchange.

<b>Bond Type</b>	<b>Maturity Bucket</b>	<b>Value of Bonds Exchanged at 21 Feb 2023</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>
GOG Bond	2023	66,445,510	64,853,023
GOG Bond	Post 2023	998,953,815	973,059,710
ESLA Bond	Post 2023	63,607,022	61,936,906
Daakye Bond	Post 2023	5,106,785	4,965,834
		<b>1,134,113,132</b>	<b>1,104,815,473</b>

The table below details the bonds held by the Bank which were eligible for the exchange programme based on the classification at which they are held in these financial statements. This table includes the carrying amounts held as at 31 December 2022, the impairment losses arising from the exchange programme (refer to Note 18) and fair value changes (refer to Note 9) recognised for the year ended 31 December 2022.



**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**

<b>Bond</b>	<b>Value of Bonds Exchanged at 21 Feb 2023</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>	<b>Impairment Allowance at 31 Dec 22</b>	<b>Carrying Amount at 31 Dec 2022</b>	<b>Impairment Charge for the y.e. 31 Dec 22</b>
Amortised Cost	1,006,234,553	1,002,933,036	(306,507,969)	696,425,067	(306,507,969)

<b>Bond</b>	<b>Value of Bonds Exchanged at 21 Feb 2023</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>	<b>Carrying Amount at 31 Dec 2022</b>	<b>Fair Value Changes for the y.e. 31 Dec 22</b>
FVTPL	55,538,931	105,762,848	105,762,848	(48,421,469)

*Impairment of eligible bonds measured at amortised cost*

As at 31 December 2022, it is 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 evidences 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 is 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 (see accounting policy under Note 4).

The fair value of the new bonds is 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 is 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 is 19.63%.

*Sensitivity of ECL on Eligible Bonds to Yield-to-Maturity Rates*

The ECL on the eligible bonds are sensitive to judgements and assumptions made regarding the choice of yield-to-maturity rate applied in discounting the cashflows of the new bonds to be issued under the exchange programme. Management performs a sensitivity analysis on the ECL recognised on these assets. A 100bp parallel rise in the yield curve at the measurement date, holding other assumptions constant, would have increased the loss allowance on the eligible bonds by GHS 34.9 million. A 100bp fall in the yield curve would have decrease the loss allowance on the eligible bonds by GHS 37.7 million.

*Fair values of eligible bonds measured at FVTPL*

The fair value of eligible bonds measured at FVTPL is based on observable market data as at 31 December 2022. Further details on the fair value measurement of these assets is presented in Note 5.

*Subsequent events*

The exchange will be considered a substantial modification of the eligible bonds requiring derecognition at the settlement date of these assets for the following reasons:

- Each individual bond eligible and participating in the exchange programme will be replaced by a uniform series of identical new bonds with the same relative proportion in terms of maturities and in sum the same aggregate amount of the respective old bond.

**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**

- Coupon rates for all eligible bonds will be substantially changed; and
- The maturity of the new bonds (replacing the respective old bonds) will be significantly extended compared to the old bonds

Subsequent to the year-end but before the financial statements were authorised for issue, the Bank derecognised the existing bonds eligible for exchange and recognised the new bonds at fair value in its 2023 financial period. The Bank is yet to assess impact of the derecognition with respect to additional/ a reversal of impairment losses on bonds classified at amortised cost.

**Other Government Exposures**

The Bank also held other government exposures such as treasury bills, USD denominated local notes, cocoa 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.

The Government in a public statement (through an FAQ related to the GDDEP) intends to exchange domestic non-marketable debt and Cocoa bills, under comparable terms at a later stage. The Government also intends to exchange USD denominated local notes at a later stage. External debt restructuring parameters will be renegotiated in due course.

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.

On 23 January 2023, the Bank of Ghana unilaterally rolled over cocoa bills that were due to mature. These events, in addition to the announcement of the GDDEP and the downgrade of the country, provide evidence that other government exposures are credit-impaired.

**Other direct government exposures held at amortised cost**

<b>Instrument Type</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>	<b>Impairment Allowance at 31 Dec 22</b>	<b>Carrying Amount at 31 Dec 2022</b>	<b>Impairment Charge for the y.e. 31 Dec 22</b>
Eurobonds	634,612,894	(138,012,872)	496,600,022	(138,012,872)
Cocoa Bills	125,037,237	(4,605,333)	120,431,904	(4,605,333)
Treasury Bills	482,999,804	(13,815,999)	469,183,805	(13,815,999)
USD denominated local notes	585,891,076	(77,741,370)	508,149,706	(77,741,370)
	<b>1,828,541,011</b>	<b>(234,175,574)</b>	<b>1,594,365,437</b>	<b>(234,175,574)</b>

**Other direct government exposures held at FVOCI**

<b>Instrument Type</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>	<b>Impairment Allowance at 31 Dec 22</b>	<b>Carrying Amount (Fair Value) at 31 Dec 2022</b>	<b>Impairment Charge for the y.e. 31 Dec 22</b>	<b>Fair Value Changes for the y.e. 31 Dec 22</b>
Eurobonds	5,336,009	1,483,523	2,218,804	1,483,523	(1,265,279)
	<b>5,336,009</b>	<b>1,483,523</b>	<b>2,218,804</b>	<b>1,483,523</b>	<b>(1,265,279)</b>

**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 direct government exposures held at FVTPL*

<b>Instrument Type</b>	<b>Gross Carrying Amount at 31 Dec 2022</b>	<b>Carrying Amount (Fair Value) at 31 Dec 2022</b>	<b>Fair Value Changes for the y.e. 31 Dec 2022</b>
Treasury Bills	60,163,073	57,039,966	(1,1075,558)
	<b>60,163,073</b>	<b>57,039,966</b>	<b>(1,1075,558)</b>

***Impairment of other government exposures measured at amortised cost and FVOCI***

Other direct government exposures are assessed to be credit-impaired and thus assigned a PD of 100%.

The determination of the LGD is based on an empirical analysis of recovery rates observed at the African level on the sovereign debt of countries that have defaulted. This analysis was based on the report produced by Moody's Investors Service, Sovereign default and recovery rates, 1981-2021. We have considered default events over the last 10 years (2011 – 2021). Beyond this period, we consider that recovery rates would not be indicative of current recovery potential because the economic context is very different.

For treasury bills issued in local currency that have reached maturity at the date of authorisation of these financial statements and have been settled by the Government of Ghana, having observed a 100% recovery rate was assigned an LGD of 0%.

The probability weightings applied to these scenarios are as follows:

<b>Instrument</b>	<b>Scenario where a loss occurs</b>	<b>Scenario where no loss occurs</b>
Treasury Bills	12.35%	87.65%
Cocoa Bills	12.35%	87.65%
USD denominated local notes	12.35%	87.65%

***Indirect government exposures***

The Bank had indirect exposure to the Government of Ghana through loans and other credit exposures to the Ministry of Finance which significantly depend on income sources from the Government. Loans and advances amounting to GHS 33,468,066 was considered to have a significant increase in credit risk. There was no impairment as the exposure was adequately covered by its collateral.

## **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 2.12.5.

	2022				2021			
	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	1,958,114,598	-	-	1,958,114,598	1,603,964,936	-	-	1,603,964,936
Grade 4 OLEM: Fair risk	-	36,263,468	-	36,263,468	-	25,215,799	-	25,215,799
Grade 5 Substandard: Impaired	-	-	18,486,906	18,486,906	-	-	2,523,570	2,523,570
Grade 5 Doubtful: Impaired	-	-	7,679,345	7,679,345	-	-	-	-
Grade 6 Loss: Impaired	-	-	23,389,126	23,389,126	-	-	23,738,832	23,738,832
<b>Gross amount</b>	<b>1,958,114,598</b>	<b>36,263,468</b>	<b>49,555,377</b>	<b>2,043,933,443</b>	1,603,964,936	25,215,799	26,262,402	1,655,443,137
Loss allowance	(9,429,078)	(5,943,715)	(2,215,989)	(17,588,781)	(4,577,057)	(1,998,802)	(1,226,690)	(7,802,549)
Carrying amount	<b>1,948,685,520</b>	<b>30,319,753</b>	<b>47,339,389</b>	<b>2,026,344,662</b>	1,599,387,879	23,216,997	25,035,712	1,647,640,588

**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)**

<b>Cash and cash equivalent</b>										
Grade 1-3 Current: Low risk		278,766,264	-	-	278,766,264		432,182,311	-	-	432,182,311
Grade 4 OLEM: Fair risk							-	-	-	-
<b>Gross amount</b>		<b>278,766,264</b>	-	-	<b>278,766,264</b>		432,182,311			432,182,311
Loss allowance		(5,645,631)			(5,645,631)					
Carrying amount		<b>273,120,633</b>	-	-	<b>273,120,633</b>		432,182,311			432,182,311

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Lending commitments and Financial guarantee contracts</b>								
Grade 1-3 Current: Low risk	179,120,441	-	-	179,120,441	311,354,939			311,354,939
<b>Gross amount</b>	<b>179,120,441</b>	-	-	<b>179,120,441</b>	<b>311,354,939</b>			<b>311,354,939</b>
Loss allowance	(521,342)	-	-	(521,342)	(1,396,338)			(1,396,338)

**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)**

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt securities at amortised cost</b>								
Grade 1-3 Current: Low risk	171,990,178	-	2,659,483,869	2,831,474,047	1,013,536,734	-	-	1,013,536,734
<b>Gross amount</b>	<b>171,990,178</b>	<b>-</b>	<b>2,659,483,869</b>	<b>2,831,474,047</b>	<b>1,013,536,734</b>	<b>-</b>	<b>-</b>	<b>1,013,536,734</b>
Loss allowance	(904,240)	-	(539,779,303)	(540,683,543)	-	-	-	-
<b>Carrying amount</b>	<b>171,085,938</b>		<b>2,119,704,566</b>	<b>2,290,790,504</b>	<b>1,013,536,734</b>	<b>-</b>	<b>-</b>	<b>1,013,536,734</b>

	2022				2021			
	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	-	-	5,336,009	5,336,009	54,116,827	-	-	54,116,827
Loss allowance	-	-	(1,483,523)	(1,483,523)	-	-	-	-
<b>Carrying amount- fair value</b>	<b>-</b>	<b>-</b>	<b>2,218,804</b>	<b>2,218,804</b>	<b>52,315,112</b>	<b>-</b>	<b>-</b>	<b>52,315,112</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 grew by 23% and this was mainly attributable to significant volumes of new loans advanced to corporate customers in the period (2021 growth was 56%). This growth is attributable to the Bank's overall drive to boost its loans-to-deposit ratio. Whereas this growth in loan book increased stage 1 loss allowances by GHS4.8M 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 increased significantly in 2021 due to new loans and advances disbursed to customers during the year. This growth which, resulted in the overall ECL increment at year end, was observed more on the retail portfolio which saw an ECL stock growth by 30%. Although a much higher portfolio growth was observed on the Corporate book, there was equally some significant loan settlements in this portfolio which resulted in a net ECL stock reduction of 11% 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.

Impairment has been recognised on investment securities because these are government securities denominated in cedis on which the government has introduced the domestic debt exchange programme under which existing bonds have been exchanged for new bonds with lower interest rates. As such, for the 2022 financial year, Investment securities were categorized as Stage 3 as such and appropriate credit losses taken .

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:

	2022	2021
<b>Concentration by product</b>		
Bonds and Guarantees	42,841,437	71,344,653
Letters of Credit	136,257,348	178,955,831
	<b>179,098,785</b>	250,300,484
Less: impairment	(521,342)	(596,759)
	<b>178,577,443</b>	249,703,725
Undrawn loan commitment	21,656	61,054,455
Less: impairment	-	(799,579)
	<b>178,599,099</b>	309,958,601

*Key ratios on loans and advances*

The total loans loss provision made by the bank constitutes 0.86% (2021: 0.47%) of the gross loans.

As at the reporting date, gross non-performing loans classified under the Bank of Ghana Prudential Guideline constitute 2.42% (2021: 1.59%) of total gross loans and advances.

The total non-performing loans and advances amounts to GH¢49.55 million (2021: GH¢26.3 million) and the gross loan book was GH¢2.044 billion at 31 December 2022 (2021: GH¢1.655 billion).

The fifty largest loan and advances exposure (gross) to total exposure is 87.68% (2021: 81.79%).

*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.



**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)**

*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 2022, the Bank had a write-off of GH¢1.46 million (2021: nil) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). These amounts are still subject to enforcement activities.

*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.

During the period, there was no change in the Bank's collateral policies.

*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 2022 (2021: 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.

**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 2022:	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	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)

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Credit risk exposure (continued)**

*Credit collateral (continued)*

AS AT 2021:	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	385,684	1,096,491	65,910	357,644	451,594	1,454,135
Equities	-	-	-	-	-	-
Cash	950,660	1,384,192	3,961	8,198	954,621	1,392,390
Guarantees	-	-	190	75	190	75
Others #	-	-	34,136	8,324	34,136	8,324
<b>Total</b>	<b>1,336,344</b>	<b>2,480,683</b>	<b>104,197</b>	<b>374,240</b>	<b>1,440,541</b>	<b>2,854,923</b>
<b>Total carrying value</b>	<b>1,435,674</b>		<b>163,714</b>		<b>1,599,388</b>	
<b>% cover by collateral</b>	<b>93%</b>		<b>64%</b>		<b>90%</b>	
<b>Against Stage 2 Loans and Advances:</b>						
Property	-	-	22,201	99,093	22,201	99,093
Cash	-	-	1,011	1,401	1,011	1,401
Guarantees	-	-	4	7	4	7
<b>Total</b>	<b>-</b>	<b>-</b>	<b>23,216</b>	<b>100,501</b>	<b>23,216</b>	<b>100,501</b>
<b>Total carrying value</b>	<b>0</b>		<b>23,217</b>		<b>23,217</b>	
<b>% cover by collateral</b>	<b>0%</b>		<b>100%</b>		<b>100%</b>	
<b>Against Stage 3 Loans and Advances:</b>						
Property	24,714	161,793	-	-	24,714	161,793
<b>Total</b>	<b>24,714</b>	<b>161,793</b>	<b>-</b>	<b>-</b>	<b>24,714</b>	<b>161,793</b>
<b>Total carrying value</b>	<b>25,036</b>		<b>-</b>		<b>25,036</b>	
<b>% cover by collateral</b>	<b>99%</b>		<b>0%</b>		<b>99%</b>	
<b>Grand total</b>	<b>1,361,058</b>	<b>2,642,476</b>	<b>127,413</b>	<b>474,741</b>	<b>1,488,471</b>	<b>3,117,217</b>
<b>Total carrying value</b>	<b>1,460,710</b>		<b>186,931</b>		<b>1,647,641</b>	
<b>% cover by collateral</b>	<b>93%</b>		<b>68%</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>2022</b>	<b>Carrying amount</b>	<b>Fair value of collateral held</b>
<b>Past due but not impaired</b>		
Loans and advances to customers	46,630,348	356,082,928
	<b>46,630,348</b>	<b>356,082,928</b>
<b>2021</b>		
<b>Past due but not impaired</b>		
Loans and advances to customers	24,686,393	114,897,577
	<b>24,686,393</b>	<b>114,897,577</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:

	2022	2021
Carrying amount	2,026,344,662	1,647,640,588
<b>Concentration by product</b>		
Overdraft	157,172,081	190,540,048
Term loan	1,886,761,362	1,464,903,089
Gross	2,043,933,443	1,655,443,137
Less: impairment	(17,588,781)	(7,802,549)
Net	2,026,344,662	1,647,640,588
<b>Concentration by industry</b>		
Manufacturing	260,546,004	215,076,489
Construction	59,326,153	137,372,716
Electricity, gas and water	58,826,754	80,913,214
Commerce and finance	555,214,991	85,151,796
Transport, storage and communication	183,296,633	189,997,294
Services	813,772,346	866,296,334
Miscellaneous	112,950,563	80,635,294
Gross	2,043,933,443	1,655,443,137
Less: impairment	(17,588,781)	(7,802,549)
Net	2,026,344,662	1,647,640,588
<b>Concentration by customer</b>		
Individuals	112,950,563	80,635,294
Public sector institutions and enterprises	315,487,952	204,796,242
Private enterprises	1,615,494,928	1,370,011,601
Gross	2,043,933,443	1,655,443,137
Less: impairment	(17,588,781)	(7,802,549)
Net	2,026,344,662	1,647,640,588

## **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 2022, the gross staff loans amount to GH¢4.7 million (2021: GH¢8.3 million) comprising various types of loans granted to staff at concessionary rates.

##### *Investments securities*

Investment securities amounting to GH¢2.134billion (2021: GH¢1.050 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¢541 million (2021: nil) taken.

##### *Non-pledged trading securities*

Investment securities amounting to GH¢142 million (2021: GH¢727 million) are held in Government of Ghana Treasury Bills and bonds.

##### *Pledged assets*

Investment securities amounting to GH¢159 million (2021: GH¢160 million) are held in Government of Ghana Treasury Bills and bonds. Impairment amounting to GH¢ 48 million (2021: GH¢ nil) was assessed on the total amount pledged.

##### *Due from banks and other financial institutions*

Amount due from local banks of GH¢405,321 (2021: GH¢653,884) and foreign banks of GH¢272.5million (2021: GH¢432.2 million) 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¢5.6 million (2021: nil). 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*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by economic sectors by type of product and borrower as well as by credit risk grading.

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.

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. 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 2022 included the following ranges of key indicators for Ghana for the years ending 31 December 2022 and 2021.

	2022	2021
US Exchange rate	Base 54% Range between 49% and 76%	Base 12% Range between 10% and 40%
Interest rates	Base 11% Range between 9% and 15%	Base 3% Range between 20% and 30%

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 30% and 20% change for interest rate and 40%, and 10% change exchange rates for the macroeconomic scenarios considered in their 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 depreciation)

Increase in Interest rate			Decrease in Interest rate		
Change	TOTAL ECL	GAP	Change	TOTAL ECL	GAP
Down-side 30%	18,088,512.87	0.00%	Upside 20%	18,088,512.87	0.00%
10%	18,017,910.57	0.39%	0%	18,095,573.10	-0.04%
20%	18,053,211.72	0.20%	10%	18,092,042.99	-0.02%
40%	18,123,814.02	-0.20%	30%	18,084,982.76	0.02%
50%	18,159,115.17	-0.39%	40%	18,081,452.64	0.04%

Cedi appreciation			Cedi depreciation		
Change	TOTAL ECL	GAP	Change	TOTAL ECL	GAP
Upside 10%	18,088,512.87	0.00%	Down-side 40%	18,088,512.87	0.00%
0%	18,105,355.50	-0.09%	20%	17,819,030.85	1.49%
20%	18,071,670.24	0.09%	30%	17,953,771.86	0.74%
30%	18,054,827.62	0.19%	50%	18,223,253.88	-0.74%
40%	18,037,984.99	0.28%	60%	18,357,994.89	-1.49%

*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:

	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)*

	2021			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
Loans and advances to customer at amortised cost – corporate customers				
Balance at 1 January	164	2,049	782	2,995
Transfer to Stage 1				
Transfer to Stage 2				
Transfer to Stage 3		(445)	445	-
Net remeasurement of loss allowance	(1,767)	(556)	(766)	(3,089)
New financial assets originated, purchased or reclassified	5,200	-	-	5,200
Write-offs	-	-	-	-
Balance at 31 December	3,597	1,048	461	5,106



**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>

*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)*

	2021			Total
	Stage 1	Stage 2	Stage3	
<i>In thousands of Ghana Cedis</i>				
Loans and advances to customer at amortised cost – retail customers				
Balance at 1 January	1,114	-	128	1,242
Transfer to Stage 1				
Transfer to Stage 2				
Transfer to Stage 3	-	(126)	126	-
Net remeasurement of loss allowance	(143)	1,077	512	1,446
New financial assets originated, purchased or reclassified	9	-	-	9
Write-offs				
Balance at 31 December	980	951	766	2,697

**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 – 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>5,944</b>	<b>2,216</b>	<b>17,589</b>

	2021			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	1,278	2,049	910	4,237
Transfer to Stage 1				
Transfer to Stage 2				
Transfer to Stage 3		(571)	571	-
Net remeasurement of loss allowance	(1,910)	521	(254)	(1,643)
New financial assets originated, purchased or reclassified	5,209	-	-	5,209
Write-offs				
Balance at 31 December	4,577	1,999	1,227	7,803

**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>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>

	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>

**NB:** Assessment for cash and cash equivalents and investment securities as at 2021 resulted in immaterial impairments as such nothing was taken for the year under review.

**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>Investment securities at FVOCI</b>				
<b>– 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.

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%.

**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**

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>	2022	2021
<b>Impairment on off-balance sheet items</b>		
Balance at 1 January	1,396	460
Net re-measurement of loss allowance	(875)	936
<b>Balance at 31 December</b>	<b>521</b>	<b>1,396</b>

<i>In thousands of Ghana Cedis</i>	2022	2021
<b>Loan commitments and financial guarantee contracts (Gross exposure)</b>		
Balance at 1 January	309,959	130,356
New financial assets	(130,861)	179,603
<b>Balance at 31 December</b>	<b>179,098</b>	<b>309,959</b>

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.

	Loans and advances to customers at amortised cost	Letters of credit, undrawn commitment s and guarantee	Cash and cash equivalent s	Investmen t securities	Total
<b>In thousands of Ghana Cedis</b>					
<b>2022</b>					
Net remeasurement of loss allowance	(2,578)	(875)	5,646	542,168	<b>544,361</b>
Loss allowance on new financial assets originated	13,822	-	-	-	<b>13,822</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>542,168</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)**

	<b>Loans and advances to customers at amortised cost</b>	<b>Letters of credit, undrawn commitments and guarantee</b>	<b>Cash and cash equivalents</b>	<b>Investment securities</b>	<b>Total</b>
<b>2021</b>					
Net remeasurement of loss allowance	(1,643)	936	-	-	<b>(707)</b>
Loss allowance on new financial assets originated	5,208				<b>5,208</b>
Recoveries of amounts previously written off	(434)	-	-	-	<b>(434)</b>
	<b>3,131</b>	<b>936</b>	-	-	<b>4,501</b>

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>2022</b>	2021
Credit-impaired loans and advances to customers at 1 January	<b>25,036</b>	9,504
Change in allowance for impairment	<b>(989)</b>	(317)
Classified as credit-impaired	<b>43,865</b>	15,849
Net repayments	<b>(19,115)</b>	-
Write off	<b>(1,458)</b>	-
<b>Balance at 31 December</b>	<b>47,339</b>	25,036

**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>2022</b>	<b>2021</b>
<b>Liquid assets</b>		
Cash on hand	189,423,123	167,395,480
Balance with banks	260,247,343	212,943,678
Due from bank of Ghana	1,316,731,992	294,589,000
Placements with banks	12,873,290	219,238,633
Treasury bills and notes maturing 1 year	600,173,120	256,487,823
Government bonds maturing in 1 year	<u>858,442,149</u>	<u>1,083,078,700</u>
<b>Total liquid assets</b>	<b><u>3,237,891,017</u></b>	<b><u>2,233,733,314</u></b>
<b>Deposits</b>		
Demand	4,121,172,758	2,480,607,316
Savings	629,895,556	434,522,324
Time/Term	419,691,401	645,269,646
Security deposits	<u>459,047,109</u>	<u>165,027,439</u>
<b>Total deposit liabilities</b>	<b><u>5,629,806,824</u></b>	<b><u>3,725,426,725</u></b>
<b>Liquid ratio</b>	<b>57.51%</b>	<b>60.60%</b>

The Bank's ratio of net liquid assets to deposits at 31 December 2022 and during the reporting period then ended are as follows:

	<b>2022</b>	<b>2021</b>
	<b><u>%</u></b>	<b><u>%</u></b>
At 31 December	<b>57.51%</b>	60.60%
Average for the period	<b>58.65%</b>	62.71%
Maximum for the period	<b>59.58%</b>	70.16%
Minimum for the period	<b>55.65%</b>	58.03%

*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.

**Guaranty Trust Bank (Ghana) Ltd**  
Annual Report and Financial Statements  
for the year ended 31 December 2022

**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 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	1,795,808,190	643,717,266	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>8,313,142,680</b>	<b>3,555,680,439</b>	<b>499,154,975</b>	<b>1,083,371,424</b>	<b>2,449,615,467</b>	<b>725,320,375</b>
<b>Liquidity Excess/(gap)</b>	<b>994,693,114</b>	<b>2,464,432,089</b>	<b>(2,151,573,581)</b>	<b>456,781,430</b>	<b>1,071,664,409</b>	<b>2,403,718,914</b>	<b>683,840,917</b>
<b>Financial guarantees</b>	<b>42,841,437</b>	<b>42,841,437</b>	<b>42,841,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Letters of Credit</b>	<b>136,257,348</b>	<b>136,257,348</b>	<b>136,257,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loan commitment</b>	<b>8,795,566</b>	<b>8,795,566</b>	<b>8,795,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<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 table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

	<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 2021</b>							
<b>Financial liability by type</b>							
Deposits from customers	3,725,426,725	3,730,851,021	3,697,515,991	28,039,956	4,132,492	1,162,581	-
Other liabilities	37,412,603	37,412,603	37,412,603	-	-	-	-
Lease liability	45,280,650	321,527,493	6,288,083	6,288,083	11,968,220	106,984,570	189,998,537
<b>Total Liabilities</b>	<b>3,808,119,978</b>	<b>4,089,791,117</b>	<b>3,741,216,677</b>	<b>34,328,039</b>	<b>16,100,712</b>	<b>108,147,151</b>	<b>189,998,537</b>
<b>Financial assets by type</b>							
Cash and bank balances	461,984,480	461,984,480	461,984,480	-	-	-	-
Non-pledged trading assets	727,388,438	727,388,438	727,388,438	-	-	-	-
Pledged assets	160,120,902	160,120,902	-	64,115,000	-	96,005,902	-
Due from banks and other financial institutions	432,182,311	441,134,732	441,134,732	-	-	-	-
Loans and advances	1,647,640,588	1,660,189,136	523,412,781	249,666,577	219,091,238	564,846,709	103,171,831
Investment securities	1,050,574,111	1,911,949,708	215,411,653	179,304,947	400,624,850	822,049,780	294,558,478
Other assets	408,618,728	408,618,728	408,618,728	-	-	-	-
<b>Assets held for managing liquidity risk</b>	<b>4,888,509,558</b>	<b>5,571,386,125</b>	<b>2,777,950,812</b>	<b>353,086,524</b>	<b>619,716,088</b>	<b>1,422,902,391</b>	<b>397,730,309</b>
<b>Liquidity Excess/(gap)</b>	<b>804,142,737</b>	<b>1,481,595,008</b>	<b>(963,265,865)</b>	<b>318,758,485</b>	<b>603,615,376</b>	<b>1,314,755,240</b>	<b>207,731,772</b>
Financial guarantees	71,344,653	71,344,653	3,949,252	42,147,352	17,228,889	8,019,160	-
Letters of credit	178,955,830	178,955,830	97,429,201	22,031,015	49,259,269	10,236,345	-
Loan commitment	61,054,455	61,054,455	37,065,072	6,482,673	14,494,644	3,012,066	-
<b>Total</b>	<b>311,354,938</b>	<b>311,354,938</b>	<b>138,443,525</b>	<b>70,661,040</b>	<b>80,982,803</b>	<b>21,267,571</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 has reduced Cash Reserve Requirement ratio (CRR) from 14% to 12% on both local and foreign currency denominated deposits. CRR on foreign denominated currency deposits are also to be held in foreign currency. The 2% reduction in the CRR gives banks access to more local currency for reinvestment to generate revenue and lessen the effect of the DDE programme on revenue and liquidity

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, Non-pledged trading assets, and Pledged assets" 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 2022. 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.

On 14 February 2023, the Bank participated in the GDDEP. The GDDEP resulted in the Bank exchanging its eligible bonds for a set of new bonds with a significantly different cash flow pattern. If the contractual cash flows of the new bonds had been considered in determining the contractual maturities of the eligible bonds reported under "Investment securities, Non-pledged trading assets, and Pledged assets" the cash flows maturities for these bonds will be included in the one to five years and over five years time bands.

**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 2022</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	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>
<b>31 December 2021</b>			
<b>Assets subject to market risk</b>			
Cash and cash equivalents	894,166,791	-	894,166,791
Non-pledge trading assets	727,388,438	727,388,438	-
Pledged assets	160,120,902	88,217,828	71,903,074
Loans and advances to customers	1,647,640,588	-	1,647,640,588
Investment securities	1,050,574,111	-	1,050,574,111
<b>Total</b>	<b>4,479,890,830</b>	<b>815,606,266</b>	<b>3,664,284,564</b>
<b>Liabilities subject to market risk</b>			
Deposits from customers	3,725,426,725	-	3,725,426,725
<b>Total</b>	<b>3,725,426,725</b>	<b>-</b>	<b>3,725,426,725</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.

#### *GDDEP considerations*

On 14 February 2023, the Bank participated in the GDDEP. The GDDEP resulted in the Bank exchanging its eligible bonds for a set of new bonds with a significantly different cash flow pattern. If the maturity profiles of the new bonds had been considered in determining the interest rate repricing dates reported under "Investment securities, pledged assets and trading assets" in the table below, most of the cash flows maturities for these bonds will be included in the one to five years and over five years time bands.

**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)**

	<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 2022</b>						
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**

**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 2021						
Cash and bank balance	674,928,158	674,928,158	-	-	-	-
Due from other bank and other financial inst.s	219,238,633	219,238,633	-	-	-	-
Investment securities and trading assets	1,938,083,451	816,481,638	393,175,547	129,909,338	598,492,868	24,060
Loans and advances to customers	1,647,640,588	356,770,593	57,309,832	131,942,650	1,007,869,462	93,748,051
Other assets	391,255,809	391,255,809				
<b>Total financial assets</b>	<b>4,871,146,639</b>	<b>2,458,674,831</b>	<b>450,485,379</b>	<b>261,851,988</b>	<b>1,606,362,330</b>	<b>93,772,111</b>
Deposits from customers	3,725,426,725	3,640,982,832	65,814,111	14,559,888	4,069,894	-
Other liabilities	2,241,865	2,241,865	-	-	-	-
<b>Total financial liabilities</b>	<b>3,727,668,590</b>	<b>3,643,224,697</b>	<b>65,814,111</b>	<b>14,559,888</b>	<b>4,069,894</b>	<b>-</b>
<b>Total interest repricing excess/(gap)</b>	<b>1,143,478,049</b>	<b>(1,184,549,866)</b>	<b>384,671,268</b>	<b>247,292,099</b>	<b>1,602,292,436</b>	<b>93,772,111</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 2022</b>	December 2021
Interest income impact	<b>6,491,449</b>	4,437,149
Interest expense impact	<b>(1,762,315)</b>	(1,401,097)
Net impact on profit before tax	<b>4,729,134</b>	3,036,052

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 2022:

	<b>2022</b>	2021
USD	<b>8.5760</b>	6.0061
GBP	<b>10.3118</b>	8.1272
EUR	<b>9.1457</b>	6.8271
CNY	<b>1.2397</b>	0.9448
NAIRA	<b>0.0186</b>	0.0141
RAND	<b>0.5044</b>	0.3757

**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 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

<b>At 31 December 2022</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	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>
<b>Credit commitments</b>	<b>57,082,655</b>	<b>-</b>	<b>84,337,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Guaranty Trust Bank (Ghana) Ltd**  
Annual Report and Financial Statements  
for the year ended 31 December 2022

**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 2021	USD	GBP	EUR	CNY	NAIRA	RAND	TOTAL
<b>Assets</b>							
Cash and bank balances	241,560,385	38,298,549	56,944,161	296,368	48,867	-	337,148,330
Due from banks	219,238,633	-	-	-	-	-	219,238,633
Investment securities and trading assets	500,574,793	-	-	-	-	-	500,574,793
Loans and advances to customers	151,915,292	103	746	-	-	-	151,916,141
Other assets	26,069,446	5,603	1,292,621	4,225	-	1,156	27,373,051
<b>Total financial assets</b>	<b>1,139,358,548</b>	<b>38,304,255</b>	<b>58,237,528</b>	<b>300,593</b>	<b>48,867</b>	<b>1,156</b>	<b>1,236,250,948</b>
<b>Liabilities</b>							
Deposits from customers	988,078,237	36,359,133	57,803,053	86,058	-	1,156	1,082,326,481
Other liabilities	153,204,065	1,672,188	298,396	-	-	-	155,174,649
<b>Total financial liabilities</b>	<b>1,141,282,302</b>	<b>38,031,321</b>	<b>58,101,449</b>	<b>86,058</b>	<b>-</b>	<b>1,156</b>	<b>1,237,501,130</b>
<b>Net on-balance sheet financial position</b>	<b>(1,923,754)</b>	<b>272,934</b>	<b>136,079</b>	<b>214,535</b>	<b>48,867</b>	<b>-</b>	<b>(1,251,339)</b>
<b>Credit commitments</b>	<b>178,221,266</b>	<b>-</b>	<b>1,353,193</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)**

#### **3.5.2 Foreign exchange risk (continued)**

##### *Sensitivity analysis*

A 5% strengthening of the cedi against foreign currencies at 31 December 2022 would have increased equity and profit/(loss) by GH¢ 747,943 (December 2021: GH¢ 62,567).

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2022 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 2021.

#### **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)*

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid equity share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after-tax profit, income surplus and general statutory reserves.
- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

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 2021 (400 million in 2021).

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 2022 (without applying the reliefs above provided by the regulator) and 2021. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

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

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

**3.6 Capital management (continued)**

*Capital adequacy ratio (continued)*

	2022	2021
<b>Tier 1 capital</b>		
Equity issued shares	404,895,476	404,895,476
Disclosed reserves (excluding credit risk reserve)	904,494,569	779,730,647
Shareholders' fund	1,309,390,045	1,184,626,123
<b>Less:</b>		
Intangible and deferred assets as per Bank of Ghana guideline	4,981,097	9,249,102
Prepayment	11,428,766	13,524,750
Fair value loss for hold-collect-and-sell securities	1,225,261	1,851,926
Deferred tax on loans	141,109,824	2,299,720
<b>Total qualifying tier 1 capital</b>	<b>1,151,870,358</b>	<b>1,157,700,625</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>1,151,870,358</b>	<b>1,157,700,624</b>
Total Credit Risk Equivalent Weighted Asset	2,301,820,474	1,580,432,973
Total Operational Risk Equivalent Weighted Asset	1,106,455,347	1,106,737,482
Total Market Risk Equivalent Weighted Asset	38,600,341	317,640,013
<b>Risk-weighted assets</b>	<b>3,446,876,161</b>	<b>3,004,810,468</b>
Total regulatory capital expressed as a percentage of total risk-weighted assets	33.42%	38.53%



## **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
	2022	2021	2022	2021	2022	2021
<b>Financial assets classification</b>						
Cash and cash equivalents	1,779,276	894,167	-	-	-	-
Non-pledged trading securities		-	-	-	142,756	727,388
Pledged assets	158,628	71,903		88,218		-
Loans and advances to customers	2,026,345	1,647,641		-		-
Investment securities	2,132,163	1,013,537	2,219	37,037		-
Other assets (excluding prepayments & inventory)	546,636	408,619		-		-
<b>Total</b>	<b>6,643,048</b>	<b>4,035,867</b>	<b>2,219</b>	<b>125,255</b>	<b>142,756</b>	<b>727,388</b>
<b>Financial liabilities classification</b>						
Deposits from customers	5,629,807	3,725,427		-		
Other liabilities	117,496	82,693		-		
<b>Total</b>	<b>5,794,535</b>	<b>3,808,120</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)**

An explanation of each level is as follows:

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: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible in entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The inputs used include the Bank of Ghana published rates and discounted cash flow techniques.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**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: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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 judgment 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 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>144,975,080</b>	-	<b>144,975,080</b>

**31 December 2021**

<i>In Ghana cedis</i>	Level 1	Level 2	Level 3	Total
Non pledged trading assets				
- Government bonds	-	727,388,438	-	727,388,438
Pledged assets				
- Government bonds	-	88,217,828	-	88,217,828
<b>Total</b>	-	<b>815,606,266</b>	-	<b>815,606,266</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 2022**

<i>In Ghana Cedis</i>	Level 1	Level 2	Level 3	Total Fair values	Total Carrying values
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>

**31 December 2021**

<i>In Ghana Cedis</i>	Level 1	Level 2	Level 3	Total Fair values	Total Carrying values
Cash and cash equivalents	-	894,166,791	-	894,166,791	894,166,791
Loans and advances	-	1,647,640,588	-	1,647,640,588	1,776,169,550
Investment securities (pledged and non-pledged)	-	1,085,439,808	-	1,085,439,808	1,085,439,808
Other assets	-	408,618,728	-	408,618,728	408,618,728
<b>Total financial assets</b>	-	<b>4,035,865,915</b>	-	<b>4,035,865,915</b>	<b>4,164,394,877</b>
Deposits from customers	-	681,328,984	-	681,328,984	674,821,864
Other Liabilities	-	82,693,253	-	82,693,253	82,693,253
<b>Total financial liabilities</b>	-	<b>764,022,237</b>	-	<b>764,022,237</b>	<b>757,515,117</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**

	2022	2021
<b>Interest income calculated using the effective interest method</b>		
Money market placements	7,857,939	1,915,231
Loans and advances to customers	365,551,993	259,038,509
Investment securities	256,465,096	173,249,513
<b>Financial assets measured at amortised cost</b>	<b>629,875,028</b>	<b>434,203,253</b>
Investment securities as FVOCI	19,269,853	9,511,660
<b>Total interest income calculated using the effective interest method</b>	<b>649,144,881</b>	<b>443,714,913</b>
<b>Interest expense</b>		
Deposits from banks	(10,636,397)	(11,429,923)
Deposits from customers	(165,595,106)	(128,679,820)
<b>Financial liabilities at amortised cost</b>	<b>(176,231,503)</b>	<b>(140,109,743)</b>
	472,913,378	303,605,170
<b>Net interest income</b>		

**7. NET FEE AND COMMISSION INCOME**

	2022	2021
Commission income	41,049,401	26,144,275
Other fees and commission*	203,422,828	110,581,418
<b>Fee and commission income</b>	<b>244,472,229</b>	<b>136,725,693</b>
Card-related expenses	(56,595,103)	(32,323,610)
Other fees and commission expense	(869,113)	(512,992)
<b>Fee and commission expense</b>	<b>(57,464,216)</b>	<b>(32,836,602)</b>
<b>Net fee and commission income</b>	<b>187,008,013</b>	<b>103,889,091</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 GHS244,472,229 (2021: GHS136,725,693) and GHS187,008,013 (2021: GHS103,889,091) 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**

	2022	2021
Net trading gain	253,610,321	184,872,907
Other foreign exchange gains	51,203,147	4,273,460
	<u>304,813,468</u>	<u>189,146,367</u>

*Foreign exchange gains in statement of cash flow comprises:*

Effect of FX rate fluctuation on cash and cash-equivalent	31,062,818	(2,301,245)
Foreign exchange gains on non-cash and cash-equivalent	<u>20,140,329</u>	<u>6,574,705</u>
	<u>51,203,147</u>	<u>4,273,460</u>

**9. NET INCOME FROM OTHER FINANCIAL INSTRUMENTS  
AT FVTPL**

	2022	2021
Interest income: Financial assets measured as FVTPL	50,192,693	51,036,827
Mark-to-market loss on trading assets	(48,421,469)	-
	<u>1,771,224</u>	<u>51,036,827</u>

**10. OTHER INCOME**

	2022	2021
Profit on disposal of property and equipment	269,214	435,912
	<u>269,214</u>	<u>435,912</u>

**11. PERSONNEL EXPENSES**

	2022	2021
Employee's Wages and salaries	51,715,205	41,068,145
Employer's pension contributions	3,503,589	2,812,278
Employer's provident fund contributions	2,695,054	2,163,572
Other staff related expenses *	23,895,128	17,252,659
	<u>81,808,976</u>	<u>63,296,654</u>

The number of permanent persons employed by the bank during the period ended 31 December 2022 was 532 (December 2021: 506). 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**

	2022	2021
Expense relating to short term leases – staff houses	924,609	788,065
Expense relating to leases of low value items	751,057	1,136,141
	<b>1,675,665</b>	<b>1,924,206</b>

**13. OTHER OPERATING EXPENSES**

	2022	2021
Advertising and marketing expenses	9,514,425	6,929,289
Administrative expenses	78,347,529	37,050,836
Contract services	11,407,122	8,585,021
Software licensing	7,595,516	7,092,341
Directors' emoluments	1,598,149	6,205,862
Auditor's remuneration	950,000	720,000
Corporate social responsibility costs	1,157,711	468,174
	<b>110,570,452</b>	<b>67,051,523</b>

The Administrative expenses relate to repairs and maintenance, occupancy costs, bank charges among others.

**13.1 Breakdown of Corporate social responsibility costs**

	2022	2021
GTBank Autism Program	454,490	-
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	44,444	-
Sallah Donation to the Muslim community	71,167	-
GTBank refurbishment of computer lab for Effiduase Presby Sch.	-	103,970
Contribution to Keta flood relief fund	-	100,000
GTBank refurbishment of computer lab for Atonsu M/A Sch.	-	94,030
Contribution in support of Ghana Association of Bankers resolution	-	45,754
GTBank ICT project and Renovation works at Ayi Mensah School	-	-
Sponsorship of 5th Ghana CEO summits	-	20,000
Sponsorship of 2021 Accountants Conference	-	15,000
Donation To Osu Police Command	-	21,500
Refurbishment of Anumle Computer Lab	-	-
Others	<u>324,151</u>	<u>67,920</u>
	<b><u>1,157,711</u></b>	<b><u>468,174</u></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**

	2022	2021
Corporate Income tax	187,853,872	122,083,257
Change in estimate related to prior years	5,148,594 <sup>1</sup>	-
Deferred income tax (Note 22)	(136,048,696)	(2,045,847)
<b>Income tax expense</b>	<b>56,953,770</b>	<b>120,037,410</b>
National fiscal stabilization levy	9,551,955	23,862,110
Financial sector recovery levy	9,551,955	17,896,582
<b>Total</b>	<b>76,057,680</b>	<b>161,796,102</b>

The National fiscal stabilisation Levy is a 5% levy applied on profit before tax for certain companies including financial institutions operating in Ghana. The Financial Sector Recovery Levy is applied on the profit before tax of financial institutions operating in Ghana.

**Current income tax**

2022	Balance at 1 January	Payments during year	Charge for the year	Balance at 31 December
<b>Year of assessment</b>				
Up to 2021 (31 December)	2,239,422	-	-	2,239,422
December 2022	-	(188,701,579)	193,002,366 <sup>1</sup>	4,300,787
	<b>2,239,422</b>	<b>(188,701,679)</b>	<b>193,002,366</b>	<b>6,540,209</b>

**National fiscal stabilisation levy**

Year of assessment	Balance at 1 January	Payments during year	Charge for the year	Balance at 31 December
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**

Year of assessment	Balance at 1 January	Payments during year	Charge for the year	Balance at 31 December
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>(259,227,865)</b>	<b>212,106,374</b>	<b>(44,370,199)</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)**

2021	Balance at 1 January	Payments during year	Charge for the year	Balance at 31 December
Year of assessment				
Up to 2020 (31 December)	5,037,151	-	-	5,037,151
December 2021	-	(124,880,986)	122,083,257	(2,797,729)
	<u>5,037,151</u>	<u>(124,880,986)</u>	<u>122,083,257</u>	<u>2,239,422</u>
<b>National fiscal stabilisation levy</b>				
Year of assessment				
Up to 2020 (31 December)	1,470,095	-	-	1,470,095
December 2021	-	(25,039,692)	23,862,110	(1,177,582)
	<u>1,470,095</u>	<u>(25,039,692)</u>	<u>23,862,110</u>	<u>292,513</u>
<b>Financial sector recovery levy</b>				
Year of assessment				
Up to 2020 (31 December)	-	-	-	-
December 2021	-	(17,677,125)	17,896,582	219,457
	<u>-</u>	<u>(17,677,125)</u>	<u>17,896,582</u>	<u>219,457</u>
<b>Total</b>	<u><b>6,507,246</b></u>	<u><b>(167,608,933)</b></u>	<u><b>163,841,949</b></u>	<u><b>2,751,392</b></u>

<sup>1</sup> Tax audit was conducted for the 2019-2021 year of assessment. The tax audit resulted in a total corporate tax liability of GH¢ 5,148,594.

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:

	2022	2021
Profit before income tax	<b>191,039,096</b>	477,242,194
Income tax using the enacted corporation tax rate (25%)	<b>47,759,774</b>	119,310,548
Effect of:		
National fiscal stabilisation levy (5%)	<b>9,551,955</b>	23,862,110
Financial sector recovery levy (5%)	<b>9,551,955</b>	17,896,582
Change in estimate relating to prior year	<b>5,148,5952</b>	-
Non-deductible expenses	<b>4,045,404</b>	726,862
Income tax expense	<b>76,057,680</b>	161,796,102
Effective tax rates	<b>39.81%</b>	33.90%

**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.

	2022	2021
Cash on hand	189,423,124	167,395,480
Balance with foreign banks (Nostro)	265,487,653	212,289,794
Balances with local banks	405,321	653,884
Mandatory reserve deposit with Bank of Ghana	1,316,731,992	294,589,000
Money market placements	12,873,290	219,238,633
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>1,784,921,380</b>	<b>894,166,791</b>
Impairment allowance	(5,645,631)	-
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>1,779,275,749</b>	<b>894,166,791</b>

*Money market placements*

	2022	2021
Placements with local banks and other financial institutions	12,873,290	27,042,675
Placements with foreign banks and other financial institutions	-	192,195,958
Money market placements	12,873,290	219,238,633

**Impairment allowance on cash and cash equivalents**

	2022	2021
At 1 January	-	-
Impairment charge	5,645,631	-
At 31 December	5,645,631	-

Cash and cash equivalents as included in statement of cashflows:

	2022	2021
Cash on hand	189,423,124	167,395,480
Balances with Bank of Ghana	1,316,731,992	294,589,000
<b>Cash and bank balances</b>	<b>1,506,155,116</b>	<b>461,984,480</b>
Mandatory reserve deposits	1,316,731,992	294,589,000
Unrestricted cash and bank balances	189,423,124	167,395,480
	278,766,264	432,182,311
Due from and to banks and other financial institutions		
Impairment provision	(5,645,631)	-
<b>Total cash and cash equivalent per statement of financial position</b>	<b>1,779,275,749</b>	<b>894,166,791</b>
Adjustment for impairment loss	5,645,631	-
Cash and cash equivalent per statement of cash flows	1,784,921,380	894,166,791

**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*

	<b>2022</b>	2021
Nostro account balances	<b>265,487,653</b>	212,289,794
Placements with Local banks and other financial institutions	-	27,042,675
Placements with Foreign banks and other financial institutions	<b>12,873,290</b>	192,195,958
Due from other local banks	<b>405,321</b>	653,884
Due from banks and other financial institutions	<b>278,766,264</b>	432,182,311

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 GHS 1.779bn (2021: GHS 894M) as compared to the bank statement balance of GHS 1.790bn (2021: GHS 867M). The transactions making up the difference between the bank ledger balance and the bank statement balance totaling GHS 11M (2021: GHS 27M) 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.

	<b>2022</b>	2021
Financial assets: FVOCI	-	87,180,809
Financial assets: Amortized cost	<b>158,627,720</b>	72,940,093
<b>Total</b>	<b>158,627,720</b>	160,120,902

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 non-current.

**17.(i) LOANS AND ADVANCES TO CUSTOMERS**

	<b>2022</b>	2021
Gross Loans and advances to customers at amortised cost	<b>2,043,933,443</b>	1,655,443,137
Stage 3 impairment loss allowance	<b>(15,372,792)</b>	(1,226,590)
Stage 1 & 2 impairment loss allowance	<b>(2,215,989)</b>	(6,575,959)
Loans and advances to customers at Amortised cost	<b>2,026,344,662</b>	1,647,640,588
Current	<b>1,351,674,019</b>	546,023,872
Non-current	<b>674,670,643</b>	1,101,616,716

**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 2022, the gross loan and advances include non-performing loans of GH¢49.56 million (31 December 2021: GH¢26.62 million).

**Impairment allowance on loans and advances**

	2022	2021
At 1 January	7,802,549	4,237,061
Write off	(1,457,920)	-
Impairment charge	11,244,152	3,565,488
At 31 December	17,588,781	7,802,549

**17.(ii). Impairment charge on loans, advances and other financial assets**

Charge for the year:

Impairment charge on loans and advances to customers	11,244,152	3,565,488
Off balance sheet impairment charge/(release)	(874,996)	936,180
Write-off on other financial assets*	-	10,758,192
Impairment charge on investment securities at amortised cost	540,683,543	-
Impairment charge on investment securities at FVOCI	1,483,523	-
Impairment charge on cash and cash equivalents	5,645,631	-
	558,181,852	15,259,860
Recoveries	(1,161,519)	(434,203)
	557,020,333	14,825,657

\*This relates to amounts receivable on long-dated bonds, which have matured, but proceeds fell short of the outstanding amounts. The Bank after further review prudently decided to write the outstanding balance off though further engagement is ongoing and the outcome will be reflected in subsequent years.

**18. INVESTMENT SECURITIES AND TRADING ASSETS**

**18(i). Investment securities**

*Hold-to-collect investments*

	2022	2021
Treasury bills	608,037,041	208,188,435
Government bonds	2,064,809,286	805,348,299
	2,672,846,327	1,013,536,734

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

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

**18(i). Investment securities (continued)**

<i>Hold to collect and sell investments</i>		
<b>Treasury bills</b>	-	37,037,377
<b>Government bonds</b>	<b>2,218,804</b>	-
<b>Total</b>	<b>2,675,065,131</b>	1,050,574,111
Impairment on investment securities	<b>(540,683,543)</b>	-
<b>Net</b>	<b>2,134,381,588</b>	1,050,574,111
Maturing within 90 days from purchase	-	-
Maturing over 90 days from purchase	<b>2,134,381,588</b>	1,050,574,111
Current	<b>980,583,579</b>	548,088,145
Non-current	<b>1,153,798,009</b>	502,486,966

**18(ii). Impairment allowance on investment securities**

	2022	2021
At 1 January	-	-
Write off	-	10,758,192
Impairment charge	<b>540,683,543</b>	-
At 31 December	<b>540,683,543</b>	10,758,192

Note: impairment on Hold to collect and sell portfolio of GHS 1,483,523 was considered through equity

**18 (iii). Non-pledged trading assets**

*Hold-to-sell portfolio*

	2022	2021
Treasury bills and government bonds	<b>142,756,276</b>	727,388,438
	<b>142,756,276</b>	727,388,438
Maturing within 90 days from purchase	-	-
Maturing over 90 days from purchase	<b>142,756,276</b>	727,388,438
Current	<b>142,756,276</b>	727,388,438
Non-current	-	-

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

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

*Hold-to-sell portfolio (continued)*

**Summarised as below:**

	<b>2022</b>	2021
Treasury bills and government bonds	<b>142,756,276</b>	727,388,438
	<b>142,756,276</b>	727,388,438
Maturing over 90 days from purchase	<b>142,756,276</b>	727,388,438
Current	<b>142,756,276</b>	727,388,438

---



**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>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>
<b>2021</b>						
At 1 January	100,622,963	28,421,387	19,631,594	16,906,860	6,312,778	171,895,582
Reclassification	-	-	-	-	(132,855)	(132,855)
Additions	7,716,625	2,401,553	648,808	5,931,256	14,800,065	31,498,307
Disposal	-	(743,497)	(280,748)	(2,962,309)	-	(3,986,554)
Transfers	1,215,362	1,326,348	1,405,887	1,512,166	(5,459,763)	-
Write off	-	-	-	-	(7,000)	(7,000)
<b>At 31 December 2021</b>	<b>109,554,950</b>	<b>31,405,791</b>	<b>21,405,541</b>	<b>21,387,973</b>	<b>15,513,225</b>	<b>199,267,480</b>

**Guaranty Trust Bank (Ghana) Ltd**  
Annual Report and Financial Statements  
for the year ended 31 December 2022

**Accumulated Depreciation**

**At 31 December 2022**

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>15,609,795</b>	<b>-</b>	<b>99,861,800</b>
At 1 January	21,027,085	20,017,677	14,639,292	11,559,605	-	67,243,659
Charge for the year	7,759,448	3,415,377	3,423,278	3,755,032	-	18,353,135
Released on disposal	-	(650,147)	(280,748)	(2,606,122)	-	(3,537,020)
<b>At 31 December 2021</b>	<b>28,786,533</b>	<b>22,782,907</b>	<b>17,781,822</b>	<b>12,708,513</b>	<b>-</b>	<b>82,059,775</b>

**Carrying amount**

<b>At 31 December 2022</b>	<b>86,219,826</b>	<b>8,692,802</b>	<b>11,313,243</b>	<b>10,911,480</b>	<b>21,525,008</b>	<b>138,662,359</b>
At 31 December 2021	80,768,417	8,622,884	3,623,719	8,679,460	15,513,225	117,207,705

As at 31 December 2022, property and equipment includes right-of-use assets of GH¢ 35.6M 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**

Cost of disposed asset	1,879,625
Accumulated depreciation	(1,829,175)
<b>Net book value of disposed asset</b>	<b>50,450</b>
Profit from Disposal of asset	269,214
<b>Net book value of disposed asset</b>	<b>50,450</b>
<b>Proceeds from disposal of asset</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 2022 and 31 December 2021. 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 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>Year ended 31 December 2021</b>				
At 1 January	10,863,719	53,421	-	10,917,140
Reclassification	-		132,855	132,855
Additions	845,104	-	5,909,472	6,754,576
Transfers	314,346	-	(314,346)	-
<b>At 31 December 2021</b>	<b>12,023,169</b>	<b>53,421</b>	<b>5,727,981</b>	<b>17,804,571</b>
<b>Amortisation</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>Year ended 31 December 2021</b>				
At 1 January	7,260,201	53,421		7,313,622
Amortisation for the year	1,241,847	-		1,241,847
<b>At 31 December 2021</b>	<b>8,502,048</b>	<b>53,421</b>		<b>8,555,469</b>
<b>Carrying amount</b>				
<b>At 31 December 2022</b>	<b>3,986,350</b>	<b>-</b>	<b>994,747</b>	<b>4,981,097</b>
At 31 December 2021	3,521,121	-	5,727,981	9,249,102

No items of intangible has been pledged as security for loan or have any restriction of use both at 31 December 2022 and 31 December 2021.

Capital commitments in respect of intangible assets amount to GH¢ 2,069,997 (2021: GH¢ 2,268,909).

**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	2021
Property and equipment (Note 19)	19,631,200	18,353,135
Intangible assets (Note 20)	1,253,807	1,241,847
	<u>20,885,007</u>	<u>19,594,982</u>

**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 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)	
	<u>(1,427,068)</u>	<u>(136,048,696)</u>	<u>54,561</u>	<u>(137,421,203)</u>	<u>(142,863,623)</u>	<u>5,442,420</u>
<b>Year ended 31 December 2021</b>						
Property, equipment and software	3,277,117	(571,755)	-	2,705,422	-	2,705,422
Leases	(1,021,111)	(348,678)	-	(1,369,789)	(1,369,789)	-
Loans and advances to customers	(1,174,306)	(1,125,414)	-	(2,299,720)	(2,299,720)	-
FVOCI instruments (OCI)	-	-	(462,981)	(462,981)	(462,981)	
	<u>1,081,700</u>	<u>(2,045,847)</u>	<u>(462,981)</u>	<u>(1,427,068)</u>	<u>(4,132,490)</u>	<u>2,705,422</u>

**23. OTHER ASSETS**

	2022	2021
E-Cash Accounts	534,628,632	391,255,809
Prepaid expenses	11,428,766	13,524,750
Stationery and stocks	2,458,402	2,827,864
Others*	12,007,435	17,362,919
	<u>560,523,235</u>	<u>424,971,342</u>
<b>Current</b>	<u>560,523,235</u>	<u>424,971,342</u>

\* 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**

	2022	2021
<b>By type of deposit</b>		
Current and call account	4,121,172,758	2,480,607,316
Savings account	629,895,556	434,522,324
Cash collateral	459,047,109	165,027,439
Term deposit	419,691,401	645,269,646
	<b>5,629,806,824</b>	<b>3,725,426,725</b>
Current	5,624,964,266	3,725,426,725
Non-current	4,842,558	-

The twenty largest depositors constitute 44.44% (2021: 35.02%) of total deposit.

	2022	2021
<b>By type of customer</b>		
Financial institutions	554,879,125	404,371,517
Individuals and other private enterprises	4,874,682,521	3,270,175,214
Public enterprises	200,245,178	50,879,994
	<b>5,629,806,824</b>	<b>3,725,426,725</b>

**25. OTHER LIABILITIES**

	2022	2021
Bankers' draft	6,787,015	7,563,966
Lease liability	43,896,662	45,280,650
Others*	110,708,807	29,848,637
	<b>161,392,484</b>	<b>82,693,253</b>
Current	117,495,822	37,412,603
Non-current	43,896,662	45,280,650

\* '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
<b>Stated Capital in Account</b>	<b>14,171,890,279</b>	<b>404,895,476</b>

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 (2021: Nil).**

**Number of shareholders**

The company's shareholders at 31 December 2022 and 31 December 2021 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%
	<b>14,171,890,279</b>	<b>100.00%</b>

**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.

**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.

**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

	2022	2021
Opening Balance	(1,388,944)	-
Movement	163,683	(1,388,944)
<b>Closing Balance</b>	<b>(1,225,261)</b>	<b>(1,388,944)</b>

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

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

**28. DIVIDENDS**

At the next shareholders meeting on the financial performance for the year ended 31 December 2022, no dividend (2021: nil) will be tabled for shareholders' consideration and approval.

Below is the analysis of distributable profit for 2022:

	<b>2022</b>	<b>2021</b>
Profit after tax	114,981,416	315,446,092
transfer to Statutory reserve fund	(28,745,354)	(78,861,523)
transfer from(to) Credit risk reserve	11,007,772	(20,960,340)
dividend declared and paid (2022)	-	(100,999,052)
Income surplus at January 1	375,869,530	<u>261,280,353</u>
Total distributable profit	<b><u>473,113,364</u></b>	<b><u>375,869,530</u></b>

Dividend per share for the year is GHS Nil (2021: 0.092/share)

**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.

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.

**In Ghana Cedis**

**Land and Building**

	<b>2022</b>	<b>2021</b>
Balance at 1 January	47,055,618	45,976,357
Depreciation charge for the year	(5,265,293)	(6,266,946)
Modifications to right-of-use assets	(6,672,437)	(319,603)
Additions to right-of-use assets	569,024	7,665,810
<b>Balance at 31 December</b>	<b><u>35,686,912</u></b>	<b><u>47,055,618</u></b>

**(ii) Amounts recognised in profit or loss (in GH¢):**

	<b>2022</b>	<b>2021</b>
Finance charges	3,846,883	4,178,151
Expenses relating to short term leases	924,609	788,065
Expenses relating to low-value assets, excluding short-term leases of low-value assets	751,057	1,136,141

**(iii) Amounts recognised in statement of cash flows (in GH¢):**

	<b>2022</b>	<b>2021</b>
Lease liability finance charges paid	1,743,364	2,573,054
Principal liability payments	5,918,852	9,602,163
<b>Total cash outflow for leases</b>	<b><u>7,662,216</u></b>	<b><u>12,175,217</u></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>2022</b>	<b>2021</b>
	<b>GH¢</b>	<b>GH¢</b>
Balance at 1 January	45,280,650	44,299,851
Modifications to leases	(7,679,105)	190,787
New leases	477,209	7,650,563
Finance charge	3,775,768	4,178,151
Lease payments	(7,662,216)	(12,175,217)
Foreign currency transactional loss	9,704,355	1,136,515
<b>Balance at 31 December</b>	<b>43,896,661</b>	<b>45,280,650</b>

(v) **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.

(vi) **Lease commitments**

The Bank had no lease commitments as at 31 December 2022 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 2022. It is not anticipated that any significant liabilities will arise from the claims and litigation against the bank at 31 December 2022 (2021: 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.

	2022	2021
Contingent liabilities:		
<u>Bonds and guarantees</u>	<u>42,841,437</u>	<u>71,344,653</u>
Commitments:		
Clean line facilities for letters of credit	136,257,348	178,955,831
<u>Undrawn commitment</u>	<u>21,656</u>	<u>61,054,455</u>

**iii. Commitments for capital expenditure**

The Bank's commitments for capital expenditure as at 31 December 2022 amounts to GH¢2,069,997 (2021: GH¢2,599,846) 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. Terms for all related party balances are in line with general terms given to other customers. All amounts are payable on demand.

*a. i. Parent company transactions*

As at 31 December 2022, the Bank had GH¢1,081,399 (2021: GH¢760,526) balances due from the Parent Company and they relate to general remittance for school fees paid by foreign students and other general remittance.

*ii. Fellow subsidiaries' transactions*

The Bank had nostro balance of GH¢ 50.99M (2021: GH¢ 24.75m) but had no placement (2021: GH¢96M) and are used mainly for corresponding banking transactions.

*b. i. Related entities of shareholders*

Related entities of the minority shareholder had loan balances amounting to GH¢ 509,729 with nil related impairment allowance as at December 31 2022 (2021: GH¢3.5M and GH¢1,005 respectively) and corresponding interest income of GH¢24,494 (2021: GH¢ 1M). There were letters of credits of GH¢ 13M outstanding at 31 December 2022 (2021: nil) for related entities. There were no bonds and guarantees outstanding. There were no undrawn loan commitments (2021: GH¢500,000). Deposit balances for the related entities were GH¢652,703 at 31 December 2022 (2021: GH¢51,983). There were no interest expense on these deposits (2021: Nil).

**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 loan balances amounting to GH¢ 1.6M with nil related impairment allowance as at December 31 2022 (2021: nil) and corresponding interest income of GH¢208,890 (2021: Nil). There were no letters of credits outstanding at 31 December 2022 (2021: nil) for related entities. There were no bonds and guarantees outstanding. There were no undrawn loan commitments (2021: nil). Deposit balances for the related entities were GH¢332,307 at 31 December 2022 (2021: nil). Interest expense on these deposits amounted to GHS28,903 (2021: nil).

*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.

*(i) Directors and Key management personnel transaction*

Directors and Key management personnel transaction comprise the following:

	<b>2022</b>	2021
Secured loans	2,781,960	2,432,478
Impairment – ECL not credit-impaired	(10,050)	(4,598)
Net loans to directors and key management personnel	2,771,909	2,427,880
Interest income on loans to directors and key management personnel	142,332	104,785
Deposits balances	2,863,743	109,135
Interest expense on deposits from directors and key management personnel	25,087	2,458

*(ii) Key management personnel compensation*

The compensation paid to key management for employee services is shown below:

	<b>2022</b>	2021
Salaries (short term benefits)	4,209,727	3,078,245
Other short term benefits	2,703,066	1,845,125
Social Security Fund	341,195	270,145
Provident Fund	276,645	210,564
	<b>7,530,634</b>	<b>5,404,079</b>

**32. REGULATORY NON-COMPLIANCE**

The Bank was penalised to the tune of GH¢ 144,000 by the regulator for breach of regulations during the period ended 31 December 2022 (2021: GH¢ 366,418).

**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**

	2022	2021
Interest and other operating income	1,200,201,802	820,623,800
Direct cost of services	<b>(347,501,263)</b>	(239,894,363)
<b>Value added by banking services</b>	<b>852,700,539</b>	580,729,437
Non-banking income	269,214	435,912
Impairments	<b>(557,020,333)</b>	(14,825,657)
<b>Value added</b>	<b>295,949,420</b>	566,339,692
Distributed as follows:		
<b>To employees:-</b>		
Directors (without executives)	1,598,149	6,205,862
Executive directors	1,838,627	1,064,561
Other employees	80,588,541	62,232,093
<b>To government:</b>		
Income tax	76,057,680	161,796,102
<b>To providers of capital</b>		
Dividends to shareholders	-	100,999,052
<b>To expansion and growth</b>		
Depreciation	19,631,200	18,353,135
Amortisation	1,253,807	1,241,847
Income surplus	114,981,416	214,447,040

**APPENDIX I**

**FIVE-YEAR FINANCIAL HIGHLIGHT**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b><i>Statement of Comprehensive income (GH¢'m)</i></b>					
Revenue (Net Earnings)	967	647	536	489	313
Profit before tax	191	477	385	300	215
Profit after tax	115	315	269	208	151
Dividend paid	-	101	50	-	-
<b><i>Statement of financial position (GH¢'m)</i></b>					
Loans and advances to customers	2,026	1,648	1,058	570	425
Customer deposits	5,630	3,725	2,995	2,149	1,664
Total assets	7,133	5,035	4,081	3,253	2,284
Shareholders' equity	1,336	1,220	1,007	788	580
<b><i>Ratios</i></b>					
Dividend per share in pesewas	-	0.0070	0.0035	-	-
Earnings per share in pesewas	0.0081	0.0223	0.0190	0.0147	0.0106
ROAE (%) *	15%	44%	43%	44%	47%
ROAA (%) **	3%	11%	10%	11%	10%

\*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.