CONSOLIDATED BANK (GHANA) LIMITED

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Welbeck Abra-Appiah	Chairman
	Daniel Wilson Addo	Managing Director
	Kwamina Bentsi Enchil Duker	Member (Resigned March 31, 2022)
	Maureeen Abla Amematekpor	Member
	Gloria Adjoa Owusu	Member
	Philip Osafo-Kwaako	Member
	Afua Oforiwaa Djimi	Member
	Yaw Asamoah	Member
	Edward Prince Amoatia Younge	Member (Appointed August 2, 2022)
	Dr. Bright Yelviel Bakye Baligi	Member (Appointed August 2, 2022)
	Prof. George Appiah-Adu	Member (Appointed December 23, 2022)

SECRETARY

Lawfields Consulting
No. 799/3, 5th Crescent
Asylum Down, Accra (off Ring Road)
PMB CT 244, Accra

AUDITOR

PricewaterhouseCoopers
PwC Tower
A4 Rangoon Lane
Cantonments City
PMB CT 42, Cantonments
Accra -Ghana

SOLICITORS

Lawfields Consulting
No. 799/3, 5th Crescent
Asylum Down, Accra (off Ring Road)
PMB CT 244, Accra

REGISTERED OFFICE

1st Floor, Manet Tower 3
Airport City, Accra
P. O. Box PMB CT 363
Cantonments, Accra

REPORT OF THE DIRECTORS

The directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2022 report as follows:

Directors' Responsibility Statement

The Bank's directors are responsible for the preparation of the financial statements that give a true and fair view of Consolidated Bank (Ghana) Limited's financial position at 31 December 2022, and of the profit or loss and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, 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). In addition, the directors are responsible for the preparation of this directors' report.

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 Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Financial results and dividend

The financial results of the Bank for the year ended 31 December 2022 are set out in the accompanying financial statements, highlights of which are as follows:

	2022	2021
	GH¢'000	*GH¢'000*
(Loss)/Profit before taxation is	**(2,006,123)**	102,656
From which is credited/(deducted) tax and levies of	**500,667**	(30,395)
giving a (loss)/profit after taxation for the year of	**(1,505,456)**	72,261
less net transfer to statutory reserve fund and other reserves of	**-**	(36,131)
leaving a balance of	**(1,505,456)**	36,130
to which is added a balance brought forward on retained earnings of	**70,974**	34,844
leaving a balance on retained earnings of	**(1,434,482)**	70,974

Based on the financial results of the Bank, no amount (2021: GH¢36,130,662) was transferred to the statutory reserve fund in accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The cumulative balance on the statutory reserve fund was *GH¢93,814,662* (2021: GH¢ 93,814,662) at the year end.

The Directors do not recommend the payment of a dividend (2021: Nil).

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of universal banking. There was no change in the nature of business of the Bank during the year.

REPORT OF THE DIRECTORS (continued)

Shareholder

The Bank is fully owned by the Ministry of Finance.

Corporate Social Responsibilities

The Bank spent a total of GH¢3,627,847 (2021: GH¢3,055,435) on corporate social responsibilities during the year. These are mainly in the form of sponsorships in the areas of agriculture, education, health, security and social partnerships.

Audit fee payable

Audit fee for the year ended 31 December 2022 is disclosed in Note 13 to the financial statements.

Capacity of directors

The Bank ensures that only fit and proper persons are appointed to the Board after obtaining the necessary approval from the regulator, Bank of Ghana. Relevant training and capacity building programs, facilitated by the Ghana Banking College and the Bank of Ghana, are put in place to enable the directors discharge their duties. All the directors have been certified for attending such training during the year.

Directors

The names of the directors who served during the year are provided on page 1. No director had any interest at any time during the year, in any contract of significance, other than a service contract with the Bank. No directors had interest in the shares of the Bank.

Auditor

The auditor, PricewaterhouseCoopers, will continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992) and Section 81 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on 25 April 2023 and were signed on their behalf by:

....	....
Welbeck Abra-Appiah (Chairman)	**Daniel Wilson Addo (Managing Director)**

CORPORATE GOVERNANCE REPORT

Commitment to Corporate Governance

The Bank operates in accordance with the principles and practices of corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

The key guiding principles of the Bank's governance practices are:

i. Good corporate governance enhances shareholder value;

ii. The respective roles of shareholders, Boards of Directors and management in the governance architecture should be clearly defined; and

iii. The Board of directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Bank, or who are not affiliated with organisations with significant financial dealings with the Bank.

These principles have been articulated in a number of corporate documents, including the Bank's regulations, corporate governance charter, rules of procedures for Boards, code of conduct for directors and rules of business ethics for staff.

Corporate Governance Directives, 2018

The Board certifies that the Bank is generally compliant with the Corporate Governance Directive (CGD), 2018 issued by Bank of Ghana which came into effective in March 2019. The Corporate Governance processes of the Bank are effective and meet its purposes.

In accordance with Section 47 and 48 of the Corporate Governance Directive, the independent external evaluation of the Board for the year is ongoing. The scope of the engagement includes roles and responsibilities of the board, competencies of the members, structure and composition of the board and its sub-committees, processes and relationships, and other key governance issues.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, leading and controlling the institution and monitoring activities of the executive management.

As of 31 December 2022, the Board of Directors of the Bank consisted of one Executive Director and eight (8) non-executive directors. The board members have wide experience and in-depth knowledge in management, industry, financial and capital markets which enables them to make informed decisions and valuable contributions to the Bank's progress. The Board met five times during the year.

The Board has delegated various aspects of its work to its Audit; Technology, Cyber & Information Security; Finance and General Purpose, Risk, Credit and Governance and Nomination Committees in order to strengthen its corporate governance and bring it in line with international best practice with the following membership and functions:

Audit Committee

Maureen Amematekpor	Chairperson
Gloria Adjoa Owusu	Member

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee (continued)

The Audit Committee is made up of non-executive directors and performs the following functions among others:

- Oversee the quality, adequacy and effectiveness of Internal Controls and compliance to legal and regulatory matters;
- Review with the Internal Auditor and Management the scope, plan and processes of audits to ensure completeness of coverage and effective use of resources, and monitor progress against the plan;
- Review and discuss Internal Audit Reports and findings with particular attention to "High Risk" issues, management responses, and the progress of related corrective action plans;
- Review the financial, operational and business performance of the bank and make recommendations to the board on ways to improve the performance of the Bank.
- Review the Bank's capital structure and annual capital plan, including its capital adequacy and capital planning process, stress-testing and related activities, capital raising, capital distributions, as well as recommend to the full Board approval of our annual capital plan submission and capital management policy;
- Review the annual budget and make recommendation for full Board approval;
- Review compliance with Bank's policies;
- Recommend the appointment, compensation and oversight of the Bank's external Auditor; and
- Review the external auditors report.

Board Governance and Nomination Committee

Yaw Asamoah	Chairman
Kwamina Bentsi Enchil Duker	Member (Resigned 31 March 2022)
Maureen Abla Amematekpor	Member

The Board Governance and Nomination Committee's main responsibility includes proposing and making recommendations on human resource issues and matters relating to terms and appointment of senior management and staff of the Bank. The Board has adopted standard evaluation tools to help assess annually the performance of the Board, its committees and individual members.

Board Technology, Cyber & Information Security Committee

Yaw Asamoah	Acting Chairman
Kwamina Bentsi Enchil Duker	Member (Resigned 31 March 2022)
Afua Oforiwaa Djimi	Member

The Board Technology, Cyber & Information Security Committee is mandated to:

- Assist the Board to discharge its governance and oversight responsibilities pursuant to the Basel Committee of Banking Supervisors requirements for management of the Bank's compliance risk including overseeing the implementation and effectiveness of the Bank's risk management framework, Compliance Program and Compliance culture;
- Set and periodically review the overall risk strategy of the Bank which shall govern the parameters within which business is to be conducted; and
- Oversee IT risk and cyber security.

CORPORATE GOVERNANCE REPORT (continued)

Board Risk Committee

Philip Osafo-Kwaako	Acting Chairman
Afua Oforiwaa Djimi	Member

The Board Risk Committee is mandated to:

- Review and approve the Bank's Risk Policies;
- Set a risk appetite/tolerance and strategy including on AML/CFT, within which management is required to develop business strategy/plans, objectives and targets for achievement, the Committee is to advise the Board on the recommended risk strategy/appetite within which business is to be conducted
- Oversee and advise the Board on the current risk exposures of the Bank and future risk strategy.

Board Credit Committee

Gloria Adjoa Owusu	Chairperson
Philip Osafo-Kwaako	Member

The Board Credit Committee is mandated to:

- Review and recommend the credit risk section of the risk framework and the narrative and risk appetite metrics and limits supporting the credit risk section of the Bank's risk appetite statement to the Board Risk, Cyber and Information Security Committee (BRCISC) for approval;
- Review with senior management the Bank's significant policies, processes and metrics for identification of, management of and planning for credit risk. Periodically review management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards;
- Oversee management's administration of the Bank's credit portfolio, including management's responses to trends in credit risk, credit concentration and asset quality, and review reports from senior management (and appropriate management committees and Credit Review) regarding compliance with applicable credit risk related policies, procedures and tolerances.

CORPORATE GOVERNANCE REPORT (continued)

Profile of Directors

Director	Qualification	Position	Other board membership and management positions
Welbeck Abra-Appiah	BA (Economics)	Chairman	Abra Limited
Daniel Wilson Addo	Chartered Accountant	Managing Director	Hollard Insurance Ghana Limited
			Hollard Ghana Holdings Limited
			Mobus Properties (Ghana) Limited
Kwamina Bentsi Enchil Duker (Resigned March 31, 2022)	MBA	Board Member	Dwennimen Group Company Limited
			Learning Skills Company Limited
			Raba Rides Limited
Maureen Abla Amematekpor	MBA (Strategic Management)	Board Member	Avos Oil Company Limited
			Bradley Thomas Limited
Gloria Adjoa Owusu	MBA (Finance) and BA (Law & Economics)	Board Member	Fleet Street Limited
			Haute Living Limited
			Thunder Technologies Limited
Philip Osafo – Kwaako	PhD (Economics and Public Policy)	Board Member	Akosombo Industrial Company Limited
			PRS Energy Limited
			Philippi Manufacturing and Trading Company Limited
			Veritas Allied Industries Limited
Afua Djimi	MBA (Finance & Strategy) Bachelor of Engineering BA (Mathematics)	Board Member	Delwik Group Daraju Industries Limited Koosmik Corp.
Yaw Asamoah	BA (Economics)	Board Member	Foundation for Orthopedics & Complex Spine
Dr. Bright Yelviel Bakye Baligi (Appointed August 2, 2022)	PhD (Project Management)	Board Member	Langboore Development Initiative, LBG
Edward Prince Amoatia Younge (Appointed August 2, 2022)	Mphil (Marketing)	Board Member	
Prof Kwaku Appiah-Adu	PhD (Buisnes Administration)	Board Member	GLICO Pensions Trustee Company Ltd
	MBA (Marketing and Finance)		Shell Ghana Pensions Fund
	Chartered Architect		Vivo Energy Ghana Ltd
	BSc (Hons) Arch		Switchback Developers Ltd

CORPORATE GOVERNANCE REPORT (continued)

Schedule of attendance at Board Committee meetings

Members	Board of Directors			
	Role	**Date appointed**	**Number of Meetings**	**Attendance**
Welbeck Abra-Appiah	Chairman	21 November 2018	7	7
Gloria Adjoa Owusu	Member	21 November 2018	7	7
Kwamina Bentsi Enchil Duker	Member	*Resigned 31 March 2022*	7	1
Maureen Abla Amematekpor	Member	21 November 2018	7	7
Philip Osafo-Kwaako	Member	21 November 2018	7	7
Daniel Wilson Addo	Member	1 August 2018	7	7
Afua Djimi	Member	25 January 2021	7	7
Yaw Asamoah	Member	5 May 2021	7	7
Dr. Bright Yelviel Bakye Baligi	Member	02 August 2022	7	1
Edward Prince Amoatia Younge	Member	02 August 2022	7	3
Prof. Kwaku Appiah-Adu	Member	23 December 2022	7	-

Members	Board Governance & Nomination Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Yaw Asamoah	Ag. Chairman	17 June 2021	5	5
Kwamina Bentsi Enchil Duker	Member	*Resigned 31 March 2022*	5	1
Maureen Abla Amematekpor	Member	25 January 2019	5	5

Members	Board Risk Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Philip Osafo-Kwaako	Ag. Chairman	25 January 2019	7	6
Afua Oforiwaa Djimi	Member	17 June 2021	7	7
Bright Yelviel Baligi	Member	2 August 2022	7	1

CORPORATE GOVERNANCE REPORT (continued)

Schedule of attendance at Board Committee meetings (continued)

Members	Board Technology, Cyber & Information Security Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Kwamina Bentsi Enchil Duker	Chairman	25 January 2019	3	1
Afua Oforiwaa Djimi	Member	17 June 2022	3	3
Yaw Asamoah	Member	17 June 2022	3	3

Members	Audit Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Maureen Amematekpor	Chairperson	25 January 2019	3	3
Gloria Adjoa Owusu	Member	25 January 2019	3	3

Members	Credit Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Gloria Adjoa Owusu	Chairperson	25 January 2019	12	12
Philip Osafo-Kwaako	Member	25 January 2019	12	9

CORPORATE GOVERNANCE REPORT (continued)

Schedule of attendance at Board Committee meetings (continued)

Code of Conduct

As part of the Bank's corporate governance practice, management has communicated the principles of the Bank's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviours and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors and the broader community.

Anti-Money Laundering

The Bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act, 2020 (Act 1044). These include due diligence for opening new accounts, customer identification, monitoring of high-risk accounts, record keeping and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

SUSTAINABILITY REPORT

At Consolidated Bank Ghana (CBG), we are committed to creating long-term value for our cherished stakeholders through sustainable banking practices. To achieve our vision of being the most trusted Bank, we continue to undertake responsible banking and implement initiatives that positively impact the lives of our investors, customers, shareholders, employees, suppliers, regulators and communities in which we operate.

CBG commenced integration of sustainability and Environment, Social and Governance (ESG) into our business model from March 2022 when the Board of Directors approved the Bank's Environmental and Social Risk Management Policy and Procedure Manual which set the tone for the evaluation of material financial and non-financial impact of our business operations on the environment and people. An Environmental and Social Management Desk was set up under the Risk Department of the Bank whose mandate is to ensure CBG alignment to the Ghana Sustainable Banking Principles of the Bank of Ghana (BoG) and best international standards such as the IFC Performance Standards.

Our Environmental, Social and Governance performance indicators are clearly demonstrated in our commitment towards ensuring that, our lending activities do not have adverse environmental and social implications. In the Bank's internal operations as well, the interests of our employees, customers, suppliers, and the communities are our topmost social performance indicators. In this area, the Bank undertook capacity building for 881 staff to aide them understand their roles and responsibilities in the implementation of the sustainable banking principles and efforts towards achieving the United Nations Sustainable Development Goals (SDGs) by 2030. To protect the human rights and interests of all employees, the Bank has the Anti-harassment Policy, 2019; Grievance Policy, 2021; Whistle Blow Policy, 2021 and recently approved Equality, Diversity, and Inclusion Policy, 2022.

In the area of Governance, CBG believes in robust corporate governance practices which extends to our third parties such as our vendors and suppliers. The Bank has therefore developed a Code of Conducts for vendors and suppliers to enable them demonstrate commitment to good governance, ethical conduct and sustainability in their activities towards their employees and the environment. This also includes a spirited effort to avoid bribery and corruption and also ensure full disclosures of information. In addition, CBG has policies for ethical behaviour which guides its internal operations. These promote good corporate governance within the Bank's operations. The Bank has updated its website with sustainability and ESG commitment statement and progress made on the implementation of the Ghana Sustainable Banking Principles.

Being fully aware that Ghana is a party to the Paris Agreement on Climate Change in supporting global effort to keep global temperatures below 1.5◦C, CBG is committed to support Ghana's Nationally Determined Contributions and successful transition to low carbon economy through its strategic business objectives, product offerings as well as corporate social responsibilities.

SUSTAINABILITY REPORT (continued)

CBG exhibits leadership in inclusive banking aimed at ending poverty (SDG 1) through the Vodafone Ready Loan product and Smart Loans which extends funding to the unbanked and undeserved. From inception to the end of year 2022, a total number of 2,232,328 loans has been disbursed to customers who have signed on to the Vodafone Ready Loan product.

As a brand renowned for innovation, the Bank's strategy to go digital ("Go-Digi") commenced in 2019 with digital services such as internet banking, CBG mobile App, and *924# USSD introduced. The *924# USSD version of the mobile banking service does not require internet access. There are currently over 204,817 accounts signed onto the mobile banking service to transact essential banking services ranging from cash transfers, top-up credit, and payment of utility bills, among others.

With a presence in 13 regions of Ghana, CBG has a total of 111 Automated Teller Machines (ATMs) across the country, making access to banking easy and convenient. Lastly, on promoting inclusive and equitable quality education (SDG 4), the Bank's initiative called SME Clinic held two clinics in 2022, an outreach program aimed at increasing financial literacy, especially for our SME customer base. Clinics held in May 2022 (in Accra) and August 2022 (in Tamale) recorded 92 and 101 participants, respectively.

Sustainable Financing

At CBG, we are conscious of the impact of our lending activities on the economic growth and development. We therefore remain active players in funding sectors like commerce and finance, agriculture, real estate, manufacturing, oil and gas, health and education to support the government's effort of economic diversification.

As a way of integrating ESG risk considerations in the credit approval process, the Bank has the Environmental and Social Risk Management (ESRM) framework which guides our credit approval process. Thus, since June 2022, the bank has updated its Credit Approval Memo templates to include ESG risk considerations which goes through various levels of approval including the Management Credit Committee (MCC) and the Board Credit Committee. We have as a start commenced environmental and social risk screening of corporate and institutional banking customers with credit request above GHS500,000. The Bank categorized transactions into high, medium and low risks taking into consideration the type of transaction, location, severity of the potential E&S risks and impact as well as the robustness of the borrower's management system in place. The Bank conducts enhanced due diligence for customers in the medium to high risk sectors during the reporting period.

E&S Integration into the credit review process has been on a pilot basis and has so far screened twenty (20) customers in the corporate and institutional banking space. These requests were reviewed against national regulations, sector-specific regulations, and international best practices to ascertain their levels of E&S compliance.

SUSTAINABILITY REPORT (continued)

Corporate Social Responsibility (CSR)

As a strategy, CBG's CSR focuses on three (3) thematic areas in line with four (4) of the Sustainable Development Goals (SDG's): Health (SDG 3), Quality Education (SDG 4) and Community and Employee Engagement (Goal 11 and 17).

Our journey so far

At Consolidated Bank Ghana, although the journey to sustainable banking commenced this year, we have made some progress in its integration and we are committed as a Bank to mainstreaming the Ghana Sustainable Banking Principles in our operations and commit our staff, stakeholders, clients, and contractors to align to secure a sustainable future the world deserve.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CONSOLIDATED BANK (GHANA) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Consolidated Bank (Ghana) Limited (the "Bank") as at 31 December 2022, and of its financial performance and its 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).

What we have audited

We have audited the financial statements of Consolidated Bank (Ghana) Limited for the year ended 31 December 2022.

The financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants and the independence requirements of section 143 of the Companies Act, 2019 (Act 992) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment allowance on loans and advances to customers

At 31 December 2022, the Bank's impairment on loans and advances to customers was as follows:

<table>
<tr><th>Exposure</th><th>Gross loans</th><th>Impairment</th></tr>
<tr><td></td><td>GH¢'000</td><td>GH¢'000</td></tr>
<tr><td>Loans and advances to customers</td><td>2,401,537</td><td>345,395</td></tr>
</table>

The impairment of loans and advances to customers was determined on an expected credit loss (ECL) basis under IFRS 9 - Financial Instruments. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation.

These judgements and estimates were used in designing models which have been built and implemented to measure expected credit losses. The key areas of judgement were as follows:

● The definition of default and the determination of qualitative and quantitative criteria for determining significant increase in credit risk (SICR).
● The selection and determination of forward-looking economic scenarios and the probability weightings applied to each scenario;
● The completeness, accuracy and integrity of data used in the ECL calculations; and
● The determination of Probability of default (PD), Loss Given Default (LGD) and Exposure at default (EAD).

Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment of financial assets, we determined that this was a matter of most significance in our audit.

The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.8, 3.2.2, 4a,11 and 18 to the financial statements.
</td><td>
We obtained an understanding of controls over loans and advances to customers.

We evaluated and tested the controls over loans origination, monitoring and provisioning process and assessed their operating effectiveness.

We assessed the definition of default and the criteria applied by management in determining SICR. We applied a risk based targeted testing approach on a sample of credit facilities for detailed review.

We assessed the reasonableness of forward-looking information used in the impairment calculations by challenging the multiple economic scenarios used and the weighting applied.

We assessed the completeness, accuracy and integrity of data used in the ECL model and reperformed selected model calculations to check that the inputs used were consistent with the requirements of IFRS 9.

We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD by reviewing on a sample basis the valuation of the collateral held and expected future recoveries.

We checked that the projected EAD over the remaining lifetime of financial assets were in compliance with the requirements of IFRS 9.

We checked the appropriateness of IFRS 9 ECL disclosures.
</td></tr>
</table>

Key audit matters (continued)

Key audit matters	**How our audit addressed the key audit matter**
Expected credit losses on investment securities issued by the Government of Ghana (GoG) The Bank recognised an ECL of GH¢1,775,527,663 on investment securities with a gross amount of GH¢7,895,501,832 at the reporting date. Eligible investment securities (local bonds) were part of Government of Ghana instruments under the Domestic Debt Exchange Programme (DDEP) announced by the issuer in December 2022. The remainder of the investment securities portfolio had an increased credit risk due to being issued by the Government of Ghana. The ECL for investment securities is material to the financial statements in terms of magnitude and level of subjective judgement applied by management. Certain out of model adjustments were calculated and assessed based on management's judgement. The key areas of significant management judgement within the ECL calculation include: - Evaluation of SICR. - Application of out-of-model adjustments into the ECL measurements. - Assessment of discount rate applied in determining present value of cash flows. - Determination of the input assumptions to estimate PD, EAD and LGD of investment securities. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.8, 3.2.2, 4(a), 11 and 16 to the financial statements.	We obtained an understanding of the DDEP based on the Exchange Memorandum issued by the Government of Ghana. We tested the appropriateness of the staging of the investment securities by independently assessing management's criteria for significant increase in credit risk. We assessed the reasonableness of out of model adjustments by evaluating key assumptions and inspecting the methodology. We assessed the reasonableness of the discount rate (a key assumption) used for determining the present value of cash flows expected from new bonds. We assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cashflows applied within the PD, EAD and LGD for compliance with the requirements of IFRS 9. We assessed the appropriateness of the ECL related disclosures for investment securities in the financial statements in accordance with IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report and the Value added statement 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 identified above 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, 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.

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 judgement 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 the directors;

Auditor's responsibilities for the audit of the financial statements (continued)

- 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; and
- 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 have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii) the Bank's statement of financial position and the Bank's statement of comprehensive income are in agreement with the books of account.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

In accordance with section 85(2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) we hereby confirm that:

i) the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;

ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;

iii) the Bank's transactions were within its powers; and

iv) except as disclosed in Note 30, the Bank, in all material respect, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2023/028)
Chartered Accountants
Accra, Ghana
26 April 2023

pwc

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in thousands of Ghana cedis)

	Note	2022	2021
Interest income	5	**1,724,198**	1,485,497
Interest expense	6	**(1,109,086)**	(861,115)
Net interest income		**615,112**	624,382
Fee and commission income	7	**149,689**	88,012
Fee and commission expense	8	**(13,041)**	(8,260)
Net fee and commission income		**136,648**	79,752
Net trading income	9	**191,213**	69,914
Other operating income	10	**3,780**	4,639
Operating income		**946,753**	778,687
Impairment losses on loans and advances	11	**(301,727)**	(21,687)
Impairment losses on other financial assets	11	**(1,809,310)**	(48,377)
Personnel expenses	12	**(428,089)**	(332,753)
Depreciation and amortisation	21	**(72,538)**	(55,305)
Other expenses	13	**(341,212)**	(217,909)
(Loss)/profit before income tax		**(2,006,123)**	102,656
Income tax credit/(charge)	14	**500,667**	(21,412)
Financial sector recovery levy	14	**-**	(3,850)
National fiscal stabilisation levy	14	**-**	(5,133)
(Loss)/profit for the year		**(1,505,456)**	72,261
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income	17	**(11,962)**	(16,064)
Deferred income tax (charge)/credit relating to other comprehensive income items	22	**2,990**	4,016
		(8,972)	(12,048)
Total comprehensive income (loss)		**(1,514,428)**	60,213

The notes on pages 24 to 88 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

		At 31 December	
	Note	**2022**	2021
Assets			
Cash and bank balances	15	**1,435,682**	1,332,426
Investment securities	16	**6,119,974**	6,731,794
Non-pledged trading assets	17	**-**	971,140
Loans and advances to customers	18	**2,056,142**	1,330,480
Intangible assets	19	**37,533**	30,217
Right-of-use asset	20	**97,477**	68,308
Property and equipment	21	**189,714**	146,608
Current income tax asset	14	**9,251**	223
Deferred income tax assets	22	**539,512**	17,507
Other assets	23	**131,083**	122,461
Total assets		**10,616,368**	10,751,164
Liabilities			
Deposits from customers	24	**7,836,791**	6,751,075
Borrowed funds	25	**2,629,076**	2,426,796
Lease liabilities	20	**124,094**	78,585
Other liabilities	26	**739,290**	693,163
Total liabilities		**11,329,251**	9,949,619
Equity			
Stated capital	27	**627,784**	627,784
Retained earnings	27	**(1,434,482)**	70,974
Fair value reserve	27	**-**	8,972
Statutory reserve	27	**93,815**	93,815
Total equity		**(712,883)**	801,545
Total equity and liabilities		**10,616,368**	10,751,164

The notes on pages 24 to 88 are an integral part of these financial statements.

The financial statements of the Bank on page 20 to 88 were approved by the Board of Directors on 25 April 2023 and signed on their behalf by:

....

Welbeck Abra-Appiah (Chairman) **Daniel Wilson Addo (Managing Director)**

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana cedis)

	Stated Capital	Retained earnings	Statutory reserve	Fair value reserve	Total
Balance at 1 January 2022	**627,784**	**70,974**	**93,815**	**8,972**	**801,545**
Loss for the year	-	(1,505,456)	-	-	**(1,505,456)**
Fair value adjustment on investment securities	-	-	-	(8,972)	**(8,972)**
Total comprehensive loss for the year	-	(1,505,456)	-	(8,972)	**(1,514,428)**
Regulatory and other reserve transfers					
Transfer to statutory reserve	-	-	-	-	-
Net transfer to reserves	-	-	-	-	-
Transactions with owners					
Additional capital issued	-	-	-	-	-
Net Transactions with owners	-	-	-	-	-
Balance at 31 December 2022	**627,784**	**(1,434,482)**	**93,815**	-	**(712,883)**
Balance at 1 January 2021	450,000	34,844	57,684	21,020	563,548
Profit for the year	-	72,261	-	-	72,261
Fair value adjustment on investment securities	-	-	-	(12,048)	(12,048)
Total comprehensive income for the year	-	72,261	-	(12,048)	60,213
Regulatory and other reserve transfers					
Transfer to statutory reserve	-	(36,131)	36,131	-	-
Net transfer to reserves	-	(36,131)	36,131	-	-
Transactions with owners					
Additional capital issued	177,784	-	-	-	177,784
Net Transactions with owners	177,784	-	-	-	177,784
Balance at 31 December 2021	627,784	70,974	93,815	8,972	801,545

The notes on pages 24 to 88 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in thousands of Ghana cedis)

	Note	2022	2021
Cash flow generated from / (used in) operations	32	**675,885**	(453,724)
Interest received		**1,718,438**	1,480,938
Interest paid		**(1,103,326)**	(856,663)
Taxes and levies paid	14	**(33,857)**	(40,255)
Net cash flow generated from operating activities		**1,257,140**	130,296
Cash flow from investing activities			
Acquisition of property and equipment	21	**(84,847)**	(45,755)
Proceeds from disposal of property and equipment	21	**259**	164
Acquisition of intangible assets	19	**(4,175)**	(12,483)
Net cash flow generated from investing activities		**88,763**	(58,074)
Cash flow from financing activities			
Payment of principal portion of lease liabilities	20	**(36,453)**	(44,763)
Net cash flow generated from financing activities		**(36,453)**	(44,763)
Net increase in cash and cash equivalents		**1,131,924**	27,459
Cash and cash equivalents at beginning of the year		**796,638**	769,179
Cash and cash equivalents at 31 December	15	**1,928,562**	796,638

The notes on page 24 to 88 are an integral part of these financial statements.

NOTES

1. General information

Consolidated Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The registered office is 1st Floor, Manet Towers 3, P. O. Box PMB CT 363, Cantoments, Accra. The Bank commenced universal banking operations in August 2018 and operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

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). The financial statements were authorised for issue by the Board of Directors on 25 April 2023.

The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). They have been prepared under the historical cost convention, except as disclosed in the accounting policy.

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

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

(i) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

(ii) Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Bank (continued)

(iii) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

(iv) Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective (continued)

(i) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

(iii) Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

(iv) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective (continued)

(iv) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. The Bank will not be affected by the amendments.

(v) Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedi.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the closing inter-bank mid rates at the reporting date. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, with finance cost. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

2.4 Fee and commission income and expense

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, credit card and servicing fees.

Fees and commissions are recognised on an accrual basis when the related services are performed and the performance obligations associated with the contracts are delivered. The Bank reviews its contracts within different revenue streams to identify, separate and measure the components within the scope of IFRS 15. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised on a straight-line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

2.5 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realised and unrealised fair value changes, interest and foreign exchange differences.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases

The Bank leased various offices, branches, and other premises under non-cancellable lease arrangements. The lease typically ran for a period of up to five years with an option to renew the lease after that date.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on a rate, initially measured as at the commencement date
- amounts expected to be payable by the Bank under residual value guarantees
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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 are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Bank under IFRS 16 are not revalued.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases (continued)

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessors.

2.7 Income tax

Current income tax

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.
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 recognised directly in equity or other comprehensive income or directly to equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;
- Where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in the statement of changes in equity and not in the statement of comprehensive income.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting entity and the same taxation authority, and where there is both the legal right to set off current tax assets against current tax liabilities and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Financial assets and liabilities

2.8.1 Financial assets

i) Classification and subsequent measurement

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

a) Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

b) Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

c) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The above classifications are done using:

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(ii) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to note 3.2 for further details on the impairment process of financial assets.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

(iii) Modification of loans (continued)

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) De-recognition other than on a modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. For contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.2 Financial liabilities

i) Classification

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

ii) Measurement

The 'amortised cost' of a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8.3 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 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 at 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 at 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 that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.3 Fair value measurement (continued)

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 a particular risk exposure. Those portfolio-level adjustments 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 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.

2.8.4 Repurchase and reverse repurchase agreements

Securities may be lent subject to a commitment to repurchase it at a specified date ('a repo'). Such securities are not derecognised but retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognised on the statement of financial position reflecting its economic substance as a loan to the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell at a specified date (a 'reverse repo') is not recognised on the statement of financial position as the transactions are treated as collateralised loans. However, where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

2.8.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

2.8.6 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.7 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an 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.

2.8.8 Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances to banks are classified as hold to collect.

Loans and advances to customers include:

- those classified as hold to collect; and
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and advances also include finance lease receivables in which the Bank is the lessor.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

2.8.9 Investments

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as hold to collect or hold to collect and sell.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the property and equipment. Right of use assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives are as follows:

Leasehold land and buildings	Over the lease period
Leasehold improvements	5 years
Furniture, fittings and equipment	5 years
Computers	4 years
Motor vehicles	5 years

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.10 Intangible assets

Computer software

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

Intangible assets with indefinite useful lives are not amortised. Amortisation is recognised in 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. The estimated useful life of software is three years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.11 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. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

In respect of other assets, 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.

2.12 Deposits and borrowings

Deposits and borrowings from other banks are the Bank's sources of debt funding. Deposits and borrowings from other banks 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.13 Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Defined contribution plans

The Bank makes contributions to mandatory pension schemes for eligible employees. Contribution by the Bank to the mandatory pension schemes is determined by law and are defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 10%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

2.14 Stated capital and reserves

(i) Stated capital

The Bank's stated capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the directors. Accordingly, they are presented as a component of issued capital within equity.

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

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

NOTES (continued)

3. Financial risk management

3.1 Introduction and overview

The Bank's activities expose the business to risks. These risks are managed in a targeted manner. 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 risks arising from financial instruments to which the Bank is exposed are:

- credit risk
- liquidity risk
- market risks
- capital management
- operational risks

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, 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 foregone, which may be caused by internal or external factors.

3.1.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Risk Committee of the Board is responsible for developing and monitoring the Bank's risk management policies over specified areas.

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

The Bank's Risk Committee of the Board 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 risks faced by the Bank.

3.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

NOTES (continued)

3. Financial risk management (continued)

3.2.1 Credit risk management

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team headed by the Head of Credit Portfolio, Monitoring, Recovery & Reporting, who reports to the Chief Risk Officer and then to the Board of Directors.

The Bank has well documented policies and procedures for managing credit risk. The policies are based on the principle of: Management responsibility; Defined credit approval authorities; Set standards for risk management; Consistent approach to origination of credit, documentation and problem recognition; and Portfolio management strategies.

The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparties of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the counterparty.

Credit concentration risk

Credit concentration risk is the risk of loss to the Bank arising from excessive concentration of exposure to a single counterparty, industry sector, product or geographic area. Large exposure limits have been established under the Bank's credit policy in order to avoid excessive losses from any single counter-party who is unable to fulfil its payment obligations. These risks are monitored on an ongoing basis and subject to annual or more frequent reviews when considered necessary.

Credit limit control and mitigation

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved annually by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES (continued)

3. Financial risk management (continued)

3.2.1 Credit risk management (continued)

Credit limit control and mitigation (continued)

(b) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Collateral and other credit enhancements

The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

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.

(d) Impairment and provisioning policies

A provision for expected credit losses is established for all financial assets, except for financial assets classified or designated as FVPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans and advances to customers, non-trading debt securities and other financial assets. These are carried at amortised cost and presented net of the provision for expected credit losses on the statement of financial position.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. The provision for expected credit losses for off-balance sheet products subject to impairment assessment is separately calculated and recognised as provisions in other liabilities.

The Bank measures the provision for expected credit losses at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition.

NOTES (continued)

3. Financial risk management (continued)

3.2.1 Credit risk management (continued)

(e) Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

3.2.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime Probability of Default (PD) at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised.

Qualitative criteria

For Loan portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring

NOTES (continued)

3. Financial risk management (continued)

3.2.2 Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow or liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a weekly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low Credit Risk Exemption

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2022.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

NOTES (continued)

3. Financial risk management (continued)

3.2.2 Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

3.2.2 Expected credit loss measurement (continued)

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.2.2 Expected credit loss measurement (continued)

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2022 are set out below:

Scenario	Weight %	GDP Growth %	USD/ GH¢	Inflation %	MPR %
Base Case	45	2.8	8.58	18.9	27
Upside	20	3.55	7.11	36.5	27.5
Downside	35	2.05	10.04	54.1	28

The forward-looking economic information affecting the ECL model are as follows:

- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year.
- USD/GHC - The Bank of Ghana average USD rate on the date of assessment and for the last three quarters. This is because of the sensitivity of the economy to exchange rate fluctuations.
- Inflation – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates has an impact on borrowers' likelihood of default.
- MPR – The Monetary Policy Rate (MPR) is used as a tool to target inflation and interest rates. It is an indicator of the likely trend of rates which is a key driver of economic activity.

3.2.3 Maximum exposure to credit risk before collateral held

Maximum exposure to credit risk	**2022**	2021
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	**954,230**	759,403
Balances with banks	**112,217**	379,572
Investment securities	**6,119,974**	6,731,794
Non-pledged trading assets	**-**	971,140
Due from other banks	**94,351**	54,092
Loans and advances to customers	**2,401,537**	1,374,545
Other assets (excluding prepayments)	**214,219**	177,267
Credit risk exposures relating to off balance sheet items are as follows:		
Letters of credit	**288,757**	478,752
Letters of guarantee	**358,218**	305,111
Undrawn commitments	**30,567**	52,910
At year end	**10,574,070**	11,284,586

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.2.3 Maximum exposure to credit risk before collateral held (continued)

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2022, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown above for the Bank, 58% of the total maximum exposure is derived from investment securities and non-pledged assets, while loans and advances represent 23%.

The Bank's credit exposures were categorised by the Bank of Ghana prudential guidelines as follows:

Maximum exposure to credit risk	**Note**	**2022**	2021
Carrying amount			
Grade 1–3: Low–fair risk – Current		**1,728,691**	1,199,500
Grade 4–5: Low–watch list		**207,048**	162,607
Grade 6: Substandard		**385,161**	10,548
Grade 7: Doubtful		**57,373**	1,050
Grade 8: Loss		**23,264**	840
Total gross amount	18	**2,401,537**	1,374,545
Allowance for impairment	18	**(345,395)**	(44,065)
Net carrying amount		**2,056,142**	1,330,480
Off balance sheet - Maximum exposure			
Letters of credit - Grade 1–3: Low – fair risk	29	**288,757**	478,752
Letters of guarantee - Grade 1–3: Low – fair risk	29	**358,218**	305,111
Undrawn commitment – Grade 1-3: Low – fair risk	29	**30,567**	52,910
Total gross amount		**677,542**	836,773
Allowance for impairment		**(2,155)**	(2,166)
Net carrying amount		**675,387**	834,607
Total exposure		**2,731,529**	2,165,087
Stage 1			
Grade 1–3: Low – fair risk		**1,728,691**	1,199,500
Stage 2			
Grade 4-5: Watch list		**207,048**	162,607
Stage 3			
Grade 6 -8		**465,798**	12,438

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.2.3 Maximum exposure to credit risk before collateral held (continued)

Stage 1

The quality of credit exposure to customers and banks and other financial institutions that were neither past due nor impaired were assessed as current with reference to the Bank of Ghana prudential guidelines adopted by the Bank for its internal grading purposes. This category is made up as follows:

	2022	2021
Term loans	**1,528,759**	1,012,420
Overdraft	**101,897**	98,527
Staff loans	**98,035**	88,553
	1,728,691	1,199,500

Stage 2

Loans and advances graded internally as current and OLEM may be past due but are not considered impaired, unless other information is available to indicate the contrary.

Gross amount of loans and advances (term loans) that were past due but not impaired was *GH¢ 207,047,796 (2021: GH¢ 162,606,734)*. These are term loans.

Stage 3

These are loans that are individually impaired by class. The gross amount of loans and advances (term loans) that are impaired was *GH¢465,798,047 (2021: GH¢ 12,438,038)*. The fair value of collateral held is *GH¢86,913,750 (2021: GH¢* 28,022,965).

At 31 December 2022, the Bank's loans and advances were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition - Performing
- Stage 2 – Significant increase in credit risk since initial recognition - Underperforming
- Stage 3 – Credit impaired – Non-performing

At 31 December 2022

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and bank balances	1,341,331	-	-	**1,341,331**
Due from other banks	94,351	-	-	**94,351**
Investment securities	-	1,683,356	6,212,146	**7,895,502**
Non-pledged trading assets	-	-	-	-
Loans and advances to customers	1,728,691	207,048	465,798	**2,401,537**
Other assets (less prepayments)	78,203		136,015	**214,218**
Gross carrying amount	**3,242,576**	**1,890,404**	**6,813,959**	**11,946,939**
Loss allowance	(33,966)	(54,553)	(2,168,419)	**(2,256,938)**
Carrying amount	**3,208,610**	**1,835,851**	**4,645,540**	**9,690,001**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.2.3 Maximum exposure to credit risk before collateral held (continued)

At 31 December 2021

	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances	1,278,334	-	-	1,278,334
Due from other banks	54,092	-	-	54,092
Investment securities	6,734,103	-	-	6,734,103
Non-pledged trading assets	971,140	-	-	971,140
Loans and advances to customers	1,233,765	130,924	9,856	1,374,545
Other assets (less prepayments)	40,564	-	136,015	176,579
Gross carrying amount	10,311,998	130,924	145,871	10,588,793
Loss allowance	(34,931)	(4,432)	(106,923)	(146,286)
Carrying amount	10,277,067	126,492	38,948	10,442,507

The impairment on financial assets are disclosed in notes 11, 16,18 and 23. All other financial assets of the Bank with credit risk exposures are neither past due nor impaired.

3.2.4 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances is shown below.

	Loans and advances to customers	
	2022	2021
Carrying amount		
Concentration by product:		
Overdrafts	106,119	98,527
Term loans	2,199,785	1,187,807
Staff loans	95,633	88,211
Gross loans and advances	**2,401,537**	1,374,545
Less: Impairment	(345,395)	(44,065)
Net loans and advances	**2,056,142**	1,330,480

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.2.4 Concentration of credit risk (continued)

Concentration by industry:	2022	2021
Agriculture, Forestry & Fishing	**4,929**	5,606
Mining & Quarrying	**111,596**	433
Manufacturing	**38,497**	27,722
Electricity, Gas & Water	**430,292**	269,158
Commerce & Finance	**268,521**	123,724
Transport, Storage & Communication	**23,314**	21,489
Construction	**791,368**	413,937
Services	**733,020**	493,372
Miscellaneous	**-**	19,104
Gross loans and advances	**2,401,537**	1,374,545
Less: allowance for impairment	**(345,395)**	(44,065)
Net loans and advances	**2,056,142**	1,330,480

3.2.5 Key ratios on loans and advances

i. Loan loss provision ratios is **14.38%** (2021: 3.20%)

ii. Percentage of gross non – performing loans with respect to Bank of Ghana Prudential Norms (individually impaired) to total gross loans and advances is **19.34%** (2021: 0.71%)

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is **63%** (2021: 60%).

3.3 Market risk

The Bank takes on exposure to market risk which is the risk that changes in market prices – such as interest rates, 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 Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Global Markets and monitored by both Global Markets and Risk Management departments separately.

3.3.1 Management of market risk

The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk. The Bank's Chief Risk Officer is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

The Bank identifies market risk through daily monitoring of levels and profit and loss balances of trading and non-trading positions. The Risk Management department monitors daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non-trading positions as well as income streams on non-trading portfolios on a daily basis. They also track the liquidity indicators to ensure that the Bank meets its financial obligations at all times.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.3.2. Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)
- changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Asset and Liability Management ("ALM") process, managed through the Assets and Liability Committee (ALCO), is used to manage interest rate risks associated with the non-trading book. The Assets and Liability Committee (ALCO) closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The Bank may make judgemental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

The table below summarises the re-pricing profiles of financial instruments and other assets and liabilities as at 31 December 2022. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Cash and bank balances	-	-	-	-	1,341,331	**1,341,331**
Due from other banks	94,351	-	-	-	-	**94,351**
Investment securities	16,832	4,935,376	912,795	254,971	-	**6,119,974**
Non-pledged trading assets	-	-	-	-	-	-
Loans and advances to customers	456,094	185,492	325,386	1,089,170	-	**2,056,142**
Other assets (less prepayment)	-	-	-	-	78,203	**78,203**
Financial assets	**567,277**	**5,120,868**	**1,238,181**	**1,347,699**	**1,419,534**	**9,690,001**
Liabilities						
Deposits from customers	1,565,070	1,462,085	2,461,849	2,347,786	-	**7,836,791**
Borrowed funds	256,190	278,764	1,450,536	643,586	-	**2,629,076**
Other liabilities					739,291	**739,291**
Financial liabilities	**1,821,260**	**1,740,849**	**3,912,385**	**2,991,372**	**739,291**	**11,205,157**
Total interest re-pricing gap	**(1,253,983)**	**3,380,019**	**(2,674,204)**	**(1,647,231)**	**680,243**	**(1,515,156)**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.3 Market risk (continued)

3.3.2. Interest rate risk (continued)

At 31 December 2021 Assets	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Cash and bank balances	-	-	-	-	1,278,334	1,278,334
Due from other banks	30,011	24,081	-	-	-	54,092
Investment securities	9,288	14,344	322,229	6,385,933	-	6,731,794
Non-pledged trading assets	167	4,161	64,746	902,066	-	971,140
Loans and advances to customers	67,133	178,499	289,450	795,398	-	1,330,480
Other assets (less prepayment)					77,408	77,408
Financial assets	106,599	221,085	676,425	8,083,397	1,355,742	10,443,248
Liabilities						
Deposits from customers	1,003,617	1,481,115	4,211,360	54,983	-	6,751,075
Borrowed funds	164,249	173,745	968,837	1,119,965	-	2,426,796
Other liabilities	-	-	-	-	693,163	693,163
Financial liabilities	1,167,865	1,654,860	5,180,197	1,174,948	693,163	9,871,034
Total interest re-pricing gap	(1,061,266)	(1,433,775)	(4,503,772)	6,908,449	662,579	572,214

Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

		Possible interest rate movements		
31 December 2022	**Total interest re-pricing gap**	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**(1,253,983)**	(12,540)	(25,080)	(37,619)
1-3 months	**3,380,019**	33,800	67,600	101,401
3-12 months	**(2,674,204)**	(26,742)	(53,484)	(80,226)
over 1 year	**(1,643,673)**	(16,437)	(32,873)	(49,310)
Total		**(903)**	**(1,806)**	**(2,711)**
Net interest income	**615,112**			
Impact on net interest income for 2022		**(3.56%)**	**(7.13%)**	**(10.69%)**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.3 Market risk (continued)

3.3.2. Interest rate risk (continued)

		Possible interest rate movements		
31 December 2021	Total interest re-pricing gap	+100bps	+200bps	+300bps
Up to 1 month	(1,061,266)	(10,613)	(21,225)	(31,838)
1-3 months	(1,433,775)	(14,338)	(28,675)	(43,013)
3-12 months	(4,503,772)	(45,038)	(90,075)	(135,113)
over 1 year	6,905,449	69,084	138,169	207,253
Total		(903)	(1,806)	(2,711)
Net interest income	624,382			
Impact on net interest income for 2022		(0.14%)	(0.29%)	(0.43%)

3.3.3 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Bank has adopted the revised Bank of Ghana requirement that banks maintain a total open position which is equal to 10% of their net own funds. Within this limit, banks are also required to maintain single currency open positions equal to 5% of net own funds.

The table below summarises the Bank's exposure by currency exchange rates on its financial position and cash flows

At 31 December 2022	EUR	GBP	USD	GHS	Total
Assets					
Cash and bank balances	27,488	35,617	259,238	1,018,988	**1,341,331**
Due from other banks	-	-	94,351	-	**94,351**
Investment securities	-	-	684,413	5,435,561	**6,119,974**
Non-pledged trading assets	-	-	-	-	**-**
Loans and advances to customers	1	-	515,299	1,540,842	**2,056,142**
Other assets	80	-	11,199	66,925	**78,204**
Total assets	**27,569**	**35,617**	**1,564,500**	**8,062,317**	**9,690,002**
Liabilities					
Deposits from customers	27,536	34,771	1,109,961	6,664,523	**7,836,791**
Borrowed funds	-	-	441,292	2,187,784	**2,629,076**
Other liabilities	89	522	41,018	697,662	**739,291**
Total liabilities	**27,625**	**35,293**	**1,592,271**	**9,549,969**	**11,205,158**
Net on balance sheet position	**(56)**	**324**	**(27,771)**	**(1,487,653)**	**(1,515,156)**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.3 Market risk (continued)

3.3.3 Foreign exchange risk (continued)

At 31 December 2021	EUR	GBP	USD	GHS	Total
Assets					
Cash and bank balances	334,066	27,005	157,624	759,639	1,278,334
Due from other banks	-	-	24,081	30,011	54,092
Investment securities	-	-	456,984	6,274,810	6,731,794
Non-pledged trading assets	-	-	-	971,140	971,140
Loans and advances to customers	2,379	-	192,060	1,136,041	1,330,480
Other assets	6	895	48,234	28,273	77,408
Total assets	336,451	27,900	878,983	9,199,914	10,443,248
Liabilities					
Deposits from customers	335,768	22,133	536,791	5,856,383	6,751,075
Borrowed funds	-	-	306,144	2,120,652	2,426,796
Other liabilities	684	5,361	-	687,118	693,163
Total liabilities	336,452	27,494	842,935	8,664,153	9,871,034
Net on balance sheet position	(1)	406	36,048	535,761	572,214

Foreign currency sensitivity analysis

The Bank's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 10% decrease/increase in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

Cedi weakens/strengthens by 10%	**2022**	2021
US Dollar	**(23,817)**	21,651
Euro	**334**	-
Pound Sterling	**(52)**	330

Year end exchange rates applied in the above analysis are GH¢ 8.576 to the US dollar (2021: 6.0061), GH¢ 9.1457 to the Euro (2021: 6.8281), and GH¢10.3118 to the Pound Sterling (2021: 8.1272) (Source: Bank of Ghana interbank rate)

NOTES (continued)

3. Financial risk management (continued)

3.4 Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due.

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Global Markets Department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money market to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements and;
- managing the concentration and profile of debt maturities.

Finally, the Bank is statutorily required to maintain a reserve of 10% of the local currency equivalent of foreign currency customer deposits held as well as 10% of local currency customer deposits in one account with the Bank of Ghana. These balances are used to support all inter-bank transactions.

The Bank prepares and uses liability mismatch reports to manage funding needs. The liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralised with a treasury bill or bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

In addition to the above, the Bank observes a defined volatile liability dependency ratio which is measured as (volatile funds – liquid assets)/long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. (Volatile funds are short term wholesale funds e.g. call accounts.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

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 reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2022	**Up to 1 month**	**1 - 3 months**	**3-12 months**	**Over 1 year**	**Total**
Liabilities					
Deposits from customers	1,565,070	1,462,085	2,461,849	2,347,786	**7,836,791**
Borrowed funds	256,190	278,764	1,450,536	643,586	**2,629,076**
Other liabilities	13,247	169,614	121,244	389,656	**693,761**
Total liabilities (contractual maturity date)	**1,834,507**	**1,910,463**	**4,033,629**	**3,381,028**	**11,159,627**
Assets					
Cash and bank balances	1,341,331	-	-	-	1,341,331
Due from other banks	94,351	-	-	-	94,351
Investment securities	16,832	4,935,376	912,795	258,529	6,123,532
Non-pledged trading assets	-	-	-	-	-
Loans and advances to customers	456,094	185,491	325,386	1,089,170	2,056,142
Other assets (less prepayments)	11,145	3,429	37,591	4,116	56,281
Total assets held for managing liquidity risk (contractual maturity date)	**1,919,753**	**5,124,296**	**1,275,772**	**1,351,815**	**9,671,636**

At 31 December 2021	Up to 1 month	1 - 3 months	3-12 months	Over 1 year	Total
Liabilities					
Deposits from customers	964,897	1,481,115	4,250,080	54,983	6,751,075
Borrowed funds	164,249	173,745	968,837	1,119,965	2,426,796
Other liabilities	13,247	169,612	120,648	389,656	693,163
Total liabilities (contractual maturity date)	1,142,392	1,824,472	5,339,565	1,564,604	9,871,034
Assets					
Cash and bank balances	1,278,334	-	-	-	1,278,334
Due from other banks	30,011	24,081	-	-	54,092
Investment securities	4,293	-	343,793	6,383,708	6,731,794
Non-pledged trading assets	-	4,328	64,799	902,013	971,140
Loans and advances to customers	67,133	178,499	289,450	795,398	1,330,480
Other assets (less prepayments)	21,294	16,585	3,015	36,514	77,408
Total assets held for managing liquidity risk (contractual maturity date)	1,401,065	223,493	701,057	8,117,633	10,443,248

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

3.4.1 Exposure to liquidity risk

The Bank holds a diversified portfolio of cash and 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 Bank of Ghana, placements and balances with other banks, government treasury bills and bonds, and loans and advances.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers set out as follows:

	2022	2021
At period end	**87%**	83%
Average for the year	**84%**	73%
Maximum for the year	**98%**	83%
Minimum for the year	**65%**	64%

The Bank's liquidity reserves are represented by its cash and cash equivalents as disclosed in Note 15 with the necessary mandatory reserve which is not available to the Bank in the ordinary course of business.

3.3.5 Statutory Liquidity Breaches and non-compliance with other prudential requirements

With reference to Section 40 (1) of the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930, the Bank recorded 3 breached relating to the Cash Reserve Ration in 2022 and was not levied by Bank of Ghana (the regulator).

The Bank also recorded a breach in its single obligor limit in February and March 2022 and was fined GH¢98,551.87 in accordance with Section 62(2) of the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930).

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.5 Country analysis

The assets and liabilities of the Bank held inside and outside Ghana are analysed below:

	2022			2021		
	Ghana	**Outside**	**Total**	Ghana	Outside	Total
Assets						
Cash and bank balances	**1,229,114**	**112,217**	**1,341,331**	898,762	379,572	1,278,334
Due from other banks	**94,351**	**-**	**94,351**	54,092	-	54,092
Investment securities	**6,119,974**	**-**	**6,119,974**	6,731,794	-	6,731,794
Non-pledged trading assets	**-**	**-**	**-**	971,140	-	971,140
Loans and advances to customers	**2,056,142**	**-**	**2,056,142**	1,330,480	-	1,330,480
Intangible asset	**37,533**	**-**	**37,533**	30,217	-	30,217
Right-of-use asset	**97,477**	**-**	**97,477**	68,308	-	68,308
Property and Equipment	**189,714**	**-**	**189,714**	146,608	-	146,608
Current income tax asset	**9,251**	**-**	**9,251**	223	-	223
Deferred income tax asset	**539,512**	**-**	**539,512**	17,507	-	17,507
Other assets	**131,083**	**-**	**131,083**	115,159	7,302	122,461
Total assets	**10,504,151**	**112,217**	**10,616,368**	10,364,290	386,874	10,751,164
Liabilities						
Deposits from customers	**7,836,791**	**-**	**7,836,791**	6,751,075	-	6,751,075
Borrowed funds	**2,629,076**	**-**	**2,629,076**	2,126,491	300,305	2,426,796
Lease Liability	**124,094**	**-**	**124,094**	78,585	-	78,585
Other liabilities	**739,290**	**-**	**739,290**	693,163	-	693,163
Total liabilities	**11,329,251**	**-**	**11,329,251**	9,649,314	300,305	9,949,619

NOTES (continued)

3. Financial risk management (continued)

3.6 Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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 not based on observable data 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 market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates 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, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.6 Fair values of financial instruments (continued)

(b) Financial instruments measured at fair value

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

At 31 December 2022	**Level 1**	Level 1
Assets	**2022**	2021
Non-pledged trading assets (note 17)	-	971,140

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analysed by the level in the fair value hierarchy into which each fair value measurement is categorised.

At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets					
Cash and bank balances	-	1,341,331	-	1,341,331	1,435,682
Due from other banks	-	94,351	-	94,351	94,351
Investment securities	-	2,147,948	3,972,026	6,119,974	6,119,974
Loans and advances to customers	-	2,056,142	-	2,056,142	2,056,142
Other assets (less prepayments)	-	78,204	-	78,204	78,204
	-	**5,717,976**	**3,972,026**	**9,690,002**	**9,784,353**
Liabilities					
Deposits from customers	-	7,836,791	-	7,836,791	7,836,791
Borrowed funds	-	2,629,076	-	2,629,076	2,629,076
Other liabilities	-	739,291	-	739,291	739,291
	-	**11,205,158**	**-**	**11,205,158**	**11,205,158**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.6 Fair values of financial instruments (continued)

(c) Financial instruments not measured at fair value (continued)

At 31 December 2022	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and bank balances	-	1,278,334	-	1,278,334	1,278,334
Due from other banks	-	54,092	-	54,092	54,092
Investment securities	-	6,731,794		6,731,794	6,731,794
Loans and advances to customers	-	1,330,480	-	1,330,480	1,330,480
Other assets (less prepayments)	-	77,408	-	77,408	77,408
		9,472,108	-	9,472,108	9,472,108
Liabilities					
Deposits from customers	-	6,751,075	-	6,751,075	6,751,075
Borrowed funds	-	2,426,796	-	2,426,796	2,426,796
Other liabilities	-	693,163	-	693,163	693,163
	-	9,871,033	-	9,871,034	9,871,034

The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is determined using quoted market prices for securities with similar maturity and yield characteristics.

Where applicable, the fair value of loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value 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 advances to and from Banks is based on discounted cash flow techniques applying the rates of similar maturities and terms.

The fair value of term deposits by 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.

Fair values of borrowings are estimated using discounted cash flow techniques, applying rates that are offered for borrowings of similar maturities and terms.

NOTES(continued)

3. Financial risk management (continued)

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.

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 ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after-tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.
- 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.

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 complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 13% is to be maintained. The ratio was temporarily reduced to 10% as part of DDEP relief measures by the Bank of Ghana in 2022.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.7 Capital management (continued)

Capital adequacy ratio (continued)

The table below summarises the composition of regulatory capital and ratios of the Bank based on the Capital Requirement Directive ('CRD') guidelines.

	Note	2022	2021
Common Equity Tier 1 (CET1) Capital			
Ordinary share capital	27(a)	**627,784**	627,784
CET 1 Reserves			
Statutory reserve	27 (c)	**93,815**	93,815
Retained earnings	27 (b)	**(1,434,482)**	70,975
DDEP Regulatory relief		**1,153,874**	
Total CET1 Reserves		**(183,793)**	164,790
CET1 Capital before Deductions/Adjustments		**440,990**	792,574
Less: Regulatory Adjustment to CET1 Capital			
Intangibles		**(638,087)**	(100,979)
CET1 Capital after Deductions		**(197,097)**	691,595
Additional Tier1 (AT1) Capital		**-**	-
Tier 1 Capital		**(197,097)**	691,595
Tier 2 Regulatory Capital		**-**	8,971
Total Regulatory Capital (Tier1 + Tier2)		**(197,097)**	700,566
Risk Profile			
Credit Risk			
On-Balance Sheet RWA		**2,434,441**	1,497,665
Off-Balance Sheet RWA		**208,189**	201,293
On & Off Balance Sheet Trading Book RWA		**-**	-
Credit Risk Reserve (CRR)		**-**	-
Total Credit Risk Equivalent Weighted Assets		**2,642,630**	1,698,958

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.7 Capital management (continued)

Capital adequacy ratio (continued)

	2022	2021
Operational Risk		
Total Operational Risk Capital Charge	**160,887**	138,291
Total Operational Risk Equivalent Weighted Assets	**1,608,871**	1,382,909
Market Risk		
Interest Rates	14,167	10,895
Foreign Exchange	186	1,580
Total Market Risk Charge	14,352	12,475
Total Market Risk Equivalent Weighted Assets	**179,406**	155,933
Total for Credit Risk, Operational Risk and Market Risk		
Total RWA	**4,430,906**	3,237,800
Risk-based Capital Ratios		
Common Equity Tier 1/RWA	**(4.45%)**	21.36%
Tier 1/RWA	**(4.45%)**	21.36%
Tier 2/RWA	**-**	0.28%
Capital Adequacy Ratio (CAR)	**(4.45%)**	21.64%
Minimum Capital Requirement		
Minimum Capital Requirement	**10%**	10%
Prudential Minimum (with Capital Conservation Buffer)	**10%**	13%
Surplus Minimum Capital		
Surplus/Deficit to Minimum Capital	**(14.45%)**	11.64%
Surplus/Deficit to Prudential Minimum Capital	**(14.45%)**	8.64%

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.7 Capital management (continued)

***Capital adequacy ratio* (continued)**

	2022	2021
Tier 1 Leverage Ratio		
Off-Balance Sheet Exposures	**677,542**	836,773
On-Balance Sheet Exposures	**10,616,368**	10,649,423
Total Exposures	**10,655,823**	11,385,217
Leverage Ratio	**(1.85%)**	6.06%

Capital allocation

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 upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk 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 the Bank's Risk Management and Credit Administration Units, and is subject to review by the Bank's Credit Committee or ALCO as appropriate.

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 also is 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.

3.8 Operational risk

'Operational risk' is the risk of direct or indirect loss that the Bank will suffer due to an event or action resulting from the failure of its internal processes, people and systems, or from external events. Key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Bank manages its operational risk at three distinct levels, each with clearly defined roles and responsibilities as follows:

3.8.1 Business Units and Support Functions

Business Units and Support Functions are responsible for understanding the operational risk inherent in their material products, activities, processes and systems. They are responsible for the consistent implementation of the operational risk management framework on a day-to day basis. This includes identifying the risks, establishing controls, and managing the risks in accordance with the Bank's overall risk tolerance and operational risk policies.

3.8.2 Operational Risk Department

The department has direct responsibility for formulating and implementing the Bank's operational risk framework including methodologies, policies and procedures approved by the Board. The department works with the Business Units and Support Functions to ensure that the day-to-day operations of the Bank are in line with the approved

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3. Financial risk management (continued)

3.8 Operational risk (continued)

3.8.2 Operational Risk Department (continued)

Operational risk policies. The unit provides trainings and workshops to facilitate interpretation and implementation of the various operational risk programs. The department continuously monitors the effectiveness and the quality of the controls and risk mitigation tools.

3.8.3 Internal Audit

The mission of Internal Audit is to provide an independent assurance of the design and effectiveness of internal controls over the risks to the Bank's business performance. In carrying out this function, Internal Audit provides specific recommendations for improving the governance, risk & control framework. The role of the Internal Audit function is to conduct regular independent evaluation and review of the Bank's policies, procedures and practices in relation to the Operational risk policy and report the results to the Board.

3.8.4 Impact of Ghana's Domestic Debt Exchange Programme (DDEP) on investment securities

On 5 December 2022, the Government of Ghana announced Ghana's Domestic Debt Programme (DDEP). The Programme invites eligible bondholders to voluntarily exchange eligible local currency bonds issued by the Government of Ghana, ESLA and Daakye bonds for a new series of bonds to be issued by the Government.

The Programme seeks to extend the tenures of the eligible securities and reduce their coupons to an effective rate of about 9%. The Government has also explained that there will be two distinct groups of bonds which will be exchanged as follows:

- Bonds maturing in 2023 replaced with 7 new bonds that matures from 2027 to 2033 inclusive; and
- All other bonds maturing after 2023 replaced with 12 new bonds that matures from 2027 to 2038 inclusive.

The Bank assessed the bonds eligible for exchange under the DDEP as credit-impaired. As a result, the carrying amounts of the existing bonds were reduced to the fair value of the new bonds calculated as the present value of the cash flows using a discount rate of 15.67%

The difference between the fair value of the new instruments and the gross carrying amount of the original assets was recognised as impairment charge in the statement of comprehensive income.

	2022
Impairment recognised in profit or loss	
Impairment losses on other financial assets	**1,773,165**
Provision as per statement of financial position	
Impairment provision – eligible bonds	**1,538,499**
Impairment provisions – other Government of Ghana issued securities	**237,029**
	1,775,528

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

3.8.4 Impact of Ghana's Domestic Debt Exchange Programme (DDEP) on investment securities (continued)

Sensitivity analysis -Investment securities under the DDEP programme

The sensitivity of the impairment provision of eligible bonds to a 1% change in the discount rate is set out below:

		Discount rate movements	
31 December 2022	**1% decrease in discount rate**	**Base discount rate**	**1% increase in discount rate**
Discount rate	14.67%	15.67%	16.67%
Impairment	1,331,631	1,538,499	1,730,538
Loss rate	24.17%	27.92%	31.40%

The knock on effect was the recognition of significant credit impairments on these Government bills and bonds held by the Bank. Government treasury bills and bonds were classified as stage 2 and stage 3 respectively.

To help manage the potential adverse impact and preserve financial stability, the Bank of Ghana designed and introduced some regulatory reliefs for the banks that fully participate in the programme. The reliefs included the following:

- Reduction of Cash Reserve Ratio (CRR) from 14% to 12% on domestic currency deposits;
- Reduction of CRR from 13% to 12% on foreign currency deposits to be held in foreign currency;
- Reduction of Capital Conservation Buffer from 3% to zero, effectively reducing the minimum Capital Adequacy Ratio (CAR) from 13% to 10%;
- Derecognition losses emanating from the Debt Exchange shall be spread equally over a period of four (4) years for the purposes of CAR computation;
- Banks have a maximum of four (4) years to restore the minimum paid-up capital as a result of any capital shortfall arising solely from the derecognition losses;
- Increase in Tier II component of regulatory capital from 2% to 3% of Total Risk Weighted Assets (RWA);

NOTES (continued)

4. Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are discussed below.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

Refer to Note 2.8 and 3.2 for further details on these estimates and judgements.

(b) Fair value of financial instruments

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 2.8 for further details on these estimates and judgements.

(c) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES (continued)

4. Critical accounting judgements, estimates and assumptions (continued)

(c) Income taxes (continued)

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

5. Interest income

	2022	2021
Loans and advances to customers	**360,799**	198,312
Placement with other banks	**48,183**	9,089
Investment securities	**1,315,216**	1,278,096
	1,724,198	1,485,497

6. Interest expense

Demand deposits	**44,136**	28,766
Savings deposits	**22,156**	26,558
Time and other deposits	**440,829**	385,926
Borrowed funds	**596,205**	415,413
Finance cost - lease liability	**5,760**	4,452
	1,109,086	861,115

7. Fee and commission income

Trade fees	**45,913**	20,864
Alternate channel fees	**36,987**	30,011
Loan related fees	**19,503**	14,832
Remittance fees	**8,106**	3,166
Banking charges	**39,180**	19,139
	149,689	88,012

8. Fee and commission expense

Alternate channel expenses	**9,996**	6,287
Transfer charges	**1,493**	626
Bank charges	**1,552**	1,347
	13,041	8,260

9. Net trading income

Net foreign exchange gain	**133,645**	41,034
Fixed Income Trading	**57,568**	28,880
	191,213	69,914

10. Other Income

Gain on asset disposal – Note 21 (b)	**103**	110
Other miscellaneous income	**3,677**	4,529
	3,780	4,639

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

11. Impairment losses on financial assets

	2022	2021
a) Impairment losses on loans and advances	**301,727**	21,687
b) Impairment losses on other financial assets		
Impairment charge on investment securities	**1,773,165**	627
Impairment release on off balance sheet items	**(11)**	(359)
Impairment charge on other assets	**36,156**	48,109
	1,809,310	48,377

12. Personnel expenses

Wages, salaries and allowances	**338,346**	252,768
Social security obligations	**22,269**	18,712
Provident fund contribution	**17,292**	14,421
Staff loan fair valuation expense	**7,227**	4,560
Other staff cost	**42,955**	42,292
	428,089	332,753

13. Other expenses

Occupancy costs	**48,164**	31,088
Information Technology expenses	**80,148**	35,673
Directors' emoluments	**1,750**	2,437
Auditor's remuneration	**835**	746
General and administrative expenses	**210,315**	147,965
	341,212	217,909

14. Income tax expense

Current income tax charge – (Note 14 (a))	**18,347**	21,897
Deferred income tax credit - (Note 22)	**(519,014)**	(485)
	(500,667)	21,412

(a) Income tax

Year ended 31 December 2022	**Balance at 1/1/2022**	**Charge for the year**	**Payments during the year**	**Balance at 31/12/2022**
Income tax				
up to 2021	(223)	-	-	**(223)**
2022	-	18,347	(27,375)	**(9,028)**
	(223)	**18,347**	**(27,375)**	**(9,251)**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

14. Income tax expense (continued)

(a) Income tax (continued)

Year ended 31 December 2022	**Balance at 1/1/2022**	**Charge for the year**	**Payments during the year**	**Balance at 31/12/2022**
National fiscal stabilisation levy				
up to 2021	(104)	-	-	**(104)**
2022	-	-	(3,241)	**(3,241)**
	(104)	**-**	**(3,241)**	**(3,345)**
Financial Sector Recovery levy				
up to 2021	(688)	-	-	**(688)**
2022	-	-	(3,241)	**(3,241)**
	(688)	**-**	**(3,241)**	**(3,929)**

Year ended 31 December 2021	Balance at 1/1/2021	Charge for the year	Payments during the year	Balance at 31/12/2021
Income tax				
up to 2020	9,378	1,483	(1,466)	9,395
2021	-	20,414	(30,032)	(9,618)
	9,378	21,897	(31,498)	(223)
National fiscal stabilisation levy				
up to 2020	(1,018)	-	-	(1,018)
2021	-	5,133	(4,219)	914
	(1,018)	5,133	(4,219)	(104)
Financial Sector Recovery levy				
up to 2020	-	-	-	-
2021	-	3,850	(4,538)	(688)

(b) Tax reconciliation

Tax on the Bank's loss before income tax differs from the theoretical amounts as follows:

	2022	2021
(Loss)/Profit before income tax	**(2,006,123)**	102,656
Income tax at the statutory income rate of 25%	**(501,531)**	25,664
Changes in estimates related to prior years	**-**	1,466
Non-deductible expenses	**519,878**	(5,233)
Income tax charge	**18,347**	21,897

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

15. Cash and bank balances

	2022	2021
Cash on hand	274,884	139,359
Balances with Bank of Ghana	954,230	759,403
Balances with foreign Banks – Nostro balances	112,217	379,572
Balances with Banks – Placements	94,351	54,092
	1,435,682	1,332,426

Cash and bank balances for purposes of the statement of cash flows

Cash on hand	**274,884**	139,359
Balances with Bank of Ghana	**954,230**	759,403
Balances with foreign Banks – Nostro balances	**112,217**	379,572
Balances with Banks – Placements	**94,351**	54,092
Treasury bills maturing within 90 days	**1,578,308**	4,298
Less mandatory cash reserve	**(1,085,428)**	(540,086)
	1,928,562	796,638

Section 36 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank is required to hold a cash reserve equivalent to 14% for Cedis (2021: 8%) and 13% for forex (2021: 8%) of total deposits which complies with the mandatory minimum applicable for the year end.

16. Investment securities

	2022	2021
Treasury bills	**1,683,356**	290,263
Government of Ghana bonds	**6,212,146**	6,443,840
Gross	**7,895,502**	6,734,103
Impairment loss on investment securities	**(1,775,528)**	(2,309)
At 31 December (net)	**6,119,974**	6,731,794

On 14 February 2023, the Bank exchanged GH¢ 5,647,160,007 of its existing Government of Ghana bonds for a series of new bonds with maturity dates commencing from 2027 to 2038, through Ghana's Domestic Debt Exchange Programme. The new bonds were successfully settled on the 21 February 2023 and have been allotted to the Bank on the Central Securities Depository.

Collateral accepted as security for assets

At 31 December 2022, the Bank had pledged GH¢922,371,246 (2021: GH¢1,229,897,787) of its investments in Government securities. The Bank has not received collateral that it is permitted to sell or re-pledge in case of default by counterparties.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

16. Investment securities (continued)

Analysis of investment securities by tenor	**2022**	2021
Maturing within 91 days of acquisition	**845,391**	4,298
Maturing after 91 days but within 182 days of acquisition	**827,216**	242,017
Maturing after 182 days of acquisition	**10,749**	44,001
Maturing after 1 year of acquisition	**6,212,146**	6,443,840
Gross total	**7,895,502**	6,734,156
Impairment loss on investment securities	**(1,775,528)**	(2,362)
At 31 December	**6,119,974**	6,731,794

17. Non-pledged trading assets

	2022	2021
Treasury bills	-	5,381
Government of Ghana bonds	-	952,988
Gross	-	958,369
Fair value gain/(loss) position on hold to collect and sell investment securities	-	12,771
Impairment loss on securities	-	-
At 31 December (net)	-	971, 140

The changes in fair value recognised in other comprehensive income for the year was *GH¢11,961,920 (2021: GH¢16,064,041)*

Analysis of Non-pledged trading assets by tenor	**2022**	2021
Maturing within 91 days of acquisition	-	-
Maturing after 91 days but within 182 days of acquisition	-	5,381
Maturing after 182 days of acquisition	-	-
Maturing after 1 year of acquisition	-	952,988
Gross total	-	958,369
Impairment loss on investment securities	-	-
Fair value gain on hold to collect and sell investment securities	-	12,771
At 31 December	-	971,140

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

18. Loans and advances to customers

	2022	2021
Loans and advances to customers at amortised cost	**2,401,537**	1,374,545
Less allowance for impairment	**(345,395)**	(44,065)
Loans and advances to customers at amortised cost	**2,056,142**	1,330,480
Current	**1,018,850**	535,452
Non-current	**1,037,292**	795,028
	2,056,142	1,330,480

(a) Loans and advances to customers at amortised cost

At 31 December 2022	**Gross amount**	**Impairment allowance**	**Carrying amount**
Individual customers	413,434	(18,126)	**395,308**
Corporate customers	1,988,103	(327,269)	**1,660,834**
	2,401,537	**(345,395)**	**2,056,142**

At 31 December 2021	Gross amount	Impairment allowance	Carrying amount
Individual customers	351,869	(12,596)	339,273
Corporate customers	1,022,676	(31,469)	991,207
	1,374,545	(44,065)	1,330,480

(b) Allowances for impairment

	2022	2021
Balance at the beginning of the reporting year	**44,065**	22,378
Charge for the year	**301,727**	21,687
Write offs	**(396)**	-
Total allowances for impairment	**345,395**	44,065

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

19. Intangible assets

	2022	2021
Cost		
At 1 January	**51,651**	39,169
Additions	**4,175**	12,483
Transfer from work in progress	**19,536**	-
At 31 December	**75,362**	51,652
Accumulated amortisation		
At 1 January	**21,434**	10,467
Amortisation	**16,395**	10,968
At 31 December	**37,829**	21,435
Carrying amount at 31 December	**37,533**	30,217

20. Leases

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases where the Bank is a lessee:

Right-of-use assets

	2022	2021
Cost		
At 1 January	**154,113**	145,787
Additions	**15,308**	3,811
Remeasurement	**7,064**	4,515
At 31 December	**176,485**	154,113
Accumulated depreciation		
At 1 January	**(85,805)**	(54,831)
Charge for the year	**(34,102)**	(29,629)
Remeasurement	**40,899**	(1,345)
At 31 December	**(79,008)**	85,805
Net book amount	**97,477**	68,308

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

20. Leases (continued)

	2022	2021
Lease Liabilities		
Current	**42,934**	17,817
Non-current	**81,160**	60,768
	124,094	78,585
Amounts recognised in profit or loss		
Depreciation charge of right-of-use of assets - Buildings	**34,102**	29,628
Interest expense on lease liabilities	**5,760**	4,452
Expense relating to short term and low value leases (included in administrative expenses)	**516**	7,393
Exchange loss on lease liability	**27,019**	3,636

Additions to the right-of-use assets in the year is GH¢15,307,710 (2021: GH¢3,811,081). The total cash outflow for leases in 2022 was GH¢ 36,453,059 (2021: GH¢44,763,229).

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

21. Property and equipment

	Land and building	Leasehold improvement	Furniture and equipment	Computers	Motor vehicles	Capital Work in Progress	Total
Cost							
Balance at 1 January 2022	75,354	5,029	55,926	38,422	13,367	29,055	**217,153**
Additions during the year	-	10,926	17,961	11,044	4,784	40,132	**84,847**
Disposals during the year	-	-	(518)	(265)	(567)	-	**(1,350)**
Transfers	-	3,902	2,480	1,272	-	(27,190)	**(19,536)**
Balance at 31 December 2022	**75,354**	**19,857**	**75,849**	**50,473**	**17,584**	**41,997**	**281,114**
Accumulated depreciation							
Balance at 1 January 2022	7,028	912	34,523	20,204	7,878	-	**70,545**
Charge for the year	2,056	2,285	8,578	7,195	1,927	-	**22,041**
Disposals during the year	-	-	(518)	(251)	(417)	-	**(1,186)**
Balance at 31 December 2022	**9,084**	**3,197**	**42,583**	**27,148**	**9,388**	**-**	**91,400**
Net book value At 31 December 2022	**66,270**	**16,660**	**33,266**	**23,325**	**8,196**	**41,997**	**189,714**

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

21. Property and equipment (continued)

	Land and building	Leasehold improvement	Furniture and equipment	Computers	Motor vehicles	Capital Work in Progress	Total
Cost							
Balance at 1 January 2021	75,354	1,245	43,451	22,866	10,252	19,170	172,338
Additions during the year	-	3,784	12,499	15,777	3,810	9,885	45,755
Disposals during the year	-	-	(24)	(221)	(695)	-	(940)
Balance at 31 December 2021	75,354	5,029	55,926	38,422	13,367	29,055	217,153
Accumulated depreciation							
Balance at 1 January 2021	4,791	221	27,957	16,394	7,359	-	56,722
Charge for the year	2,237	691	6,590	3,977	1,214	-	14,709
Disposals during the year	-	-	(24)	(167)	(695)	-	(886)
Balance at 31 December 2021	7,028	912	34,523	20,204	7,878	-	70,545
Net book value							
At 31 December 2021	68,326	4,117	21,403	18,218	5,489	29,055	146,608

There was no indication of impairment of property and equipment held by the Bank at 31 December 2022. None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

21. Property and equipment (continued)

(a) Depreciation and amortisation	**2022**	2021
Right-of-use assets (Note 20)	**34,102**	29,628
Property, plant and equipment (Note 21)	**22,041**	14,709
Intangible assets (Note 19)	**16,395**	10,968
	72,538	55,305

(b) Profit on disposal

Cost	**1,341**	940
Accumulated depreciation	**(1,185)**	(886)
Carrying amount	**156**	54
Proceeds from disposal	**259**	164
Profit on disposal	**103**	110

22. Deferred income tax

Deferred tax assets and liabilities are attributable to the following:

Year ended 31 December 2022	**Assets**	**Liabilities**	**2022 Net**
Property and equipment		(746)	**(746)**
Impairment provisions	533,603		**533,603**
Leases	6,655		**6,655**
Fair value on investment securities	-	-	**-**
Net deferred income tax assets/(liabilities)	**540,258**	**(746)**	**539,512**

Year ended 31 December 2021	Assets	Liabilities	2021 Net
Property and equipment	854	-	854
Impairment provisions	17,277	-	17,277
Leases	2569	-	2,569
Fair value loss on investment securities	-	(3,193)	(3,193)
Net deferred income tax assets/(liabilities)	20,700	(3,193)	17,507

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

22. Deferred income tax (continued)

Movements in deferred income tax balances

Year ended 31 December 2022	**Balance at 1 January 2022**	**Recognised in profit or loss**	**Recognised in Other comprehensive income**	**At 31 December 2022**
Property and equipment	854	(1,599)	-	**(745)**
Impairment provisions	17,277	516,326	-	**533,603**
Leases	2,569	4,085	-	**6,655**
Fair value gain/loss on investment securities	(3,193)	202	2,990	**(1)**
	17,507	**519,014**	**2,990**	**539,512**

Year ended 31 December 2021	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2021
Property and equipment	5,177	(4,323)		854
Impairment provisions	19,598	(2,321)		17,277
Leases	(4,763)	7,332		2,569
Fair value gain/loss on investment securities	(7006)	(203)	4,016	(3,193)
	13,006	485	4,016	17,507

Recognised deferred income tax

Recognition of deferred income tax assets of GH¢ 539,512,043 (2021: GH¢ 17,507,379) is based on management's profit forecasts for three years, which indicate that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

23. Other assets

	2022	2021
Prepayments	**52,879**	45,053
Receivables	**149,188**	157,070
Stationary	**5,525**	4,608
Others	**59,506**	15,589
Gross	**267,098**	222,320
Impairment on other assets	**(136,015)**	(99,859)
	131,083	122,461

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

24. Customer deposits

	2022	2021
Demand deposits	**3,612,802**	2,947,651
Savings deposits	**1,432,050**	1,201,810
Term deposits	**2,791,939**	2,601,614
	7,836,791	6,751,075
Analysis by type of depositors		
Financial institutions (regulated)	**1,150,997**	1,348,755
Individual and other private enterprises	**5,327,606**	4,082,375
Public enterprises	**1,358,188**	1,319,945
	7,836,791	6,751,075
20 largest depositors to total deposit ratio	**27%**	28%
Current	**7,836,791**	6,696,092
Non-current	**-**	54,983
	7,836,791	6,751,075

25. Borrowed funds

Interbank borrowings	**2,187,784**	1,503,093
Other borrowings	**441,292**	923,703
	2,629,076	2,426,796

26. Other liabilities

Accruals	**44,134**	43,349
Other payables	**576,016**	604,350
Others	**119,140**	45,464
	739,290	693,163
Current	**548,926**	306,590
Non-current	**190,364**	386,573
	739,290	693,163

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

27. Capital and reserves

(a) Stated capital

	2022		2021	
	No. of shares	**Proceeds**	No. of shares	Proceeds
Authorised				
Ordinary shares of no par value	**100,000,000**		100,000,000	
Issued and fully paid up capital:				
Ordinary shares of no par value	**125,813**	**627,784**	125,813	627,784

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid at 31 December 2022. There were no shares held in treasury at the year end. (2021: Nil)

(b) Retained earnings

This represents the retained cumulative earnings that are available for distribution to shareholders.

(c) Statutory reserve

This reserve represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2019 (Act 930) and guidelines from the Central Bank. No transfer was made to the statutory reserve fund in the current year (2021: GH¢36,130,662). The cumulative balance on the statutory reserve fund is GH¢93,814,662 at the year end.

(d) Fair value reserve

Fair value reserve represents unrealised gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income.

28. Dividends

The Directors do not recommend the payment of a dividend for the period ended 31 December 2022.

29. Contingencies and commitments

(a) Claims and litigation

The Bank is defending legal actions brought by various persons for claims. No provision in relation to these claims has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise to the Bank.

(b) Contingent liabilities and commitments

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.

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

29. Contingencies and commitments (continued)

(b) Contingent liabilities and commitments (continued)

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.

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.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off balance sheet risk:

	2022	2021
Letters of credit	**288,757**	478,752
Letters of guarantee	**358,218**	305,111
Undrawn commitments	**30,567**	52,910
	677,542	836,773

(c) Commitments for capital expenditure

At 31 December 2022, the Bank had no commitments for capital expenditure.

30. Regulatory disclosures

(i) Non-performing loans ratio

Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 19.34% as at 31 December 2022 (2021: 0.71%)

(ii) Amount of loans written-off

The Bank wrote off an amount of GH¢396,821 loans during the year in respect of principal and unpaid interest on loans and advances assessed and found to be uncollectible.

(iii) Breaches in statutory liquidity

With reference to Section 40 (1) of the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930, the Bank recorded three (3) breaches relating to the Cash Reserve Ration in 2022 and was not levied by Bank of Ghana (the regulator).

(iv) Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 December 2022 was a deficit of 4.45% (2021: surplus of 21.64%).

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

30. Regulatory disclosures (continued)

(v) Liquid Ratio

The Bank's liquid ratio at 31 December 2022 was 87% (2021: 83%).

(vi) Regulatory risk reserve

Regulatory credit risk reserve represents the cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment provision. The Bank of Ghana requires a transfer from retained earnings to regulatory credit risk reserve when the expected credit loss under IFRS 9 is less than the impairment allowance required by the Bank of Ghana prudential guidelines and in accordance with the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

As at 31 December 2022, impairment allowance required by the Bank of Ghana prudential guidelines was lower than the expected credit loss under IFRS 9. No transfer to Regulatory risk reserve has been made (2021: Nil).

31. Related parties

Parties are 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.

Directors' emoluments

Remuneration paid to non-executive directors in the form of fees, allowances and related expenses are disclosed in Note 13.

Key management compensation

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Consolidated Bank Ghana Limited.

	2022	2021
Salaries and short-term employee benefits	**23,258**	17,364
Social security fund contribution	**1,742**	1,010
Provident fund contribution	**1,340**	800
	26,340	19,174
Loans with key management personnel		
Loans outstanding at the beginning of the period	**3,547**	1,027
Net movement during the period	**3,896**	2,520
	7,443	3,547
Net interest earned	**275**	116

Loans include mortgage loans and personal loans. Loans granted to employees and executive directors are granted at a concessionary rate of 5%. No specific impairments have been recognised in respect of loans granted to key management at the reporting date (2021: nil).

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

31. Related parties (continued)

Deposits and current accounts with key management personnel

	2022	2021
Deposits outstanding at the beginning of the period	**1,137**	276
Net movement during the period	**14,018**	861
	15,155	1,137
Net interest expense	**-**	4

32. Cash generated from operations

	Note	2022	2021
(Loss)/Profit before income tax		**(2,006,123)**	102,656
Adjustments for:			
Depreciation and amortisation	21	**72,538**	55,305
Impairment losses on loans and advances	11	**301,727**	21,687
Impairment losses on other financial assets	11	**1,809,310**	48,377
Net interest income		**(615,112)**	(624,382)
Profit on disposal	21	**(103)**	(110)
Interest expense on lease liabilities	20	**5,760**	4,452
Unrealised exchange losses on leases	20	**27,019**	3,636
		(404,984)	(388,379)
Changes in:			
Loans and advances to customers		**(1,026,595)**	(490,431)
Other assets		**(65,080)**	17,320
Investment securities		**412,611**	113,983
Non-pledged assets		**971,140**	(127,255)
Mandatory cash reserve		**(545,342)**	(342,797)
Deposits from customers		**1,085,716**	(115,043)
Borrowed funds		**202,280**	812,166
Other liabilities		**46,139**	66,712
Cash flow generated from/(used in) operations		**675,885**	(453,724)

NOTES (continued)
(All amounts are in thousands of Ghana cedis)

33. Subsequent events

All banks were invited to participate in the Government of Ghana Domestic Debt Exchange Programme (DDEP) by exchanging GHS-denominated notes and bonds issued by the Government, E.S.L.A. Plc or Daakye Trust Plc. (collectively, the “Eligible Bonds”) for new bonds of the Republic of Ghana. The deadline for holders to submit eligible bonds was 10th February, 2023.

On 21st February, 2023 (‘’the Settlement date), the Government of Ghana announced the successful settlement and conclusion of its DDEP. On same date, 16 Series of new bonds were issued to holders of the Eligible Bonds whose tenders were accepted by the Government. Pursuant to the Exchange Memorandum, the principal amount of the new bonds per holder composed of the outstanding principal amount of Eligible Bonds and amount of accrued interest payable. The principal amount was credited to their respective securities account at the Central Securities Depository (“CSD”) from which each holder’s Eligible Bonds were tendered.

The Bank signed on to the program by tendering in GH¢5.647 billion of its Eligible Bonds. The principal amounts of the new bonds have respective maturity dates commencing from 2027 to 2038. Interest will accrue at rates ranging between 8.35% and 10% and be paid semi-annually.

Despite the DDE being announced during the 2022 financial year, the exchange became effective in 2023 and is therefore a non-adjusting post balance sheet event in terms of IAS 10 Events after the Reporting Period (IAS 10).

VALUE ADDED STATEMENT
(All amounts are in thousands of Ghana cedis)

	2022	2021
Interest earned and other operating income	2,068,880	1,648,062
Direct cost of services and other costs	(1,462,224)	(1,086,020)
Value added by banking services	606,656	562,042
Non-banking income		-
Impairments	(2,111,038)	(70,064)
Value added	(1,504,381)	491,978
Distributed as follows:		
To employees		
Directors	(1,116)	(1,263)
Other employees	(428,089)	(332,754)
Total	(429,204)	(334,017)
To Government		
Income tax	**500,667**	(30,395)
To providers of capital		
Dividends to shareholders	-	-
To expansion and growth		
Depreciation and amortisation	(72,538)	(55,305)
Retained earnings /(deficit)brought forward	70,975	34,844
Transfer to statutory Reserve	-	(36,131)
Retained earnings	**(1,434,482)**	70,974