Ghana International Bank plc

Pillar 3

as at 31st December 2021

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ACRONYMS

ALCO	Assets and Liabilities Committee
BACC	Board Audit & Compliance Committee
BCBS	Basel Committee on Banking Supervision
BCC	Board Credit Committee[1]
BDC	Business Development Committee
BRC	Board Risk Committee
CBO	Chief Banking Officer
CCoB	Capital Conservation Buffer
CCyB	Countercyclical Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFCC	Compliance and Financial Crime Committee
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CTO	Chief Technology Officer
Deputy CEO &COO	Deputy Chief Executive Officer and Chief Operations Officer
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Loss
EXCO	Executive Management Committee
FCRSC	Financial Crime Remediation Steering Committee
FCA	Financial Conduct Authority
FVOCI	Fair Value Through Other Comprehensive Income
FX	Foreign Exchange
GDP	Gross Domestic Product
GHIB or “the Bank”	Ghana International Bank plc

[1] The Board Credit Committee was formally dissolved by the Board on 8 December 2021.

GMCC	General Manager Client Coverage
GMC & MLRO	General Manager Compliance/Money Laundering and Reporting Officer
GMF	General Manager Finance
GMO	General Manager Operations
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
INEDs	Independent Non Executive Directors
LCR	Liquidity Coverage Ratio
MCC	Management Credit Committee
MLRO	Money Laundering Reporting Officer
NCA	National Crime Agency
NED	Non Executive Directors
OPC	Operations Committee
PEP	Politically Exposed Person
PRA	Prudential Regulation Authority
PS	Policy Statement
PSC	Projects Steering Committee
REMCO	Remuneration & Nominations Committee
RMF	Risk Management Framework
ROC	Risk Oversight Committee
RWA	Risk Weighted Assets
SAR	Suspicious Activity Report
SS	Supervisory Statement

1. Overview

1.1 Background

Ghana International Bank plc (GHIB) is registered in England and based in London. GHIB is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

All shareholders are major Ghanaian Financial Institutions. The Bank focusses on selected African markets. It has a representative office in Accra marketing products and services across the West African and East African sub-regions.

This disclosure report covers GHIB as a single regulated entity and although it is majority owned by the Bank of Ghana with a 65% as at 31 December 2021. Disclosure forms part of the Three Pillars of the Basel Accords issued by the Basel Committee on Banking Supervision (BCBS). The Basel Accords have been enacted through the Capital Requirements Regulation (“CRR”) as updated by the PRA CCR and the Capital Requirements Directive (“CRD”) adopted into UK law. This report is prepared in accordance with the PRA single source of disclosure requirements under the PRA Capital Requirements Regulation which came into effect from 1 January 2022. The standards adopted by UK are closely aligned with the global BCBS standards and the European CRR standards. Prior to 1 January 2022, Pillar 3 Disclosure requirements were documented in the CRR and CRD which came into effect from 1 January 2014 in relevant EU regulations and guidelines. It contains detailed information on the underlying drivers of risk-weighted assets (RWA) and capital ratios as at 31 December 2021 in accordance with the PRA Capital Requirements Regulation (CRR).

The pillars of the Basel Accords places emphasis on credit institutions’ underlying risks and on the three ‘pillars’ set out below:

Pillar 1 covers the calculation of risk weighted assets for credit risk, counterparty credit risk, market risk and operational risk.

Pillar 2 refers to the supervisory review process. Its main intention is to find out whether additional capital is required over and above the Pillar 1 risk calculations. A firm’s own internal models and assessments support this process.

Pillar 3 covers external communication of risk and capital information by banks as specified in the Basel rules to promote transparency and good risk management.

This document should be read in conjunction with the Bank’s Annual Report and Financial Statement for the year ended 31 December 2021.

1.2 Highlights

The continuing impact of the macroeconomic condition induced by Covid-19 in our key markets made 2021 a challenging year for the Bank. In the short-term costs have increased due to ongoing investments to improve customer experience and operational resilience, as well as further improvement of systems and controls across the Bank. Against this backdrop, a post-tax loss of £9.0m was recorded in 2021, compared to a post-tax loss of £5.2m in the previous year. GHIB’s focus on investment in its people and technology, supported by a strong balance sheet, will provide a robust foundation for future growth.

The loss incurred by the Bank was predominantly due to operating costs, which increased by £4.7m (20.7%), falling non-interest income – which decreased by £2.3m (27%), partly reduced by a moderate uplift in net-interest income by £1.1m (11%). Interest income declined by £1.6m, particularly as a result of the challenging macro-economic environment and low market interest rates. Interest income from placements dropped by £0.7m partly due to Euro negative interest rate.

Total provisions for credit losses increased from £1.5m in 2020 to £2.6m in 2021. Operating expenses increased by 20.7% to £27.7m (2020: £22.9m), predominantly driven by staff and other administrative costs which increased by 18.19% and 29.60% respectively. Net interest margin remained flat at 1.4% in 2021, due to an ongoing low interest rate environment after significant cuts in market and government interest rates due to the difficult Covid-19 environment in 2021.

The Board in December 2021 approved the latest three-year business plan which runs from 2022 to 2024. The plan recognises the over reliance on Ghana based businesses, and the impact the Ghanaian economy has had on the Bank's fortunes. In recognition of this, the strategy emphasises diversification by consolidating business in the West African sub region and developing new markets across Eastern and Central Africa. The Bank has taken a considered and measured approach to the diversification strategy whilst it develops its systems and controls in line with regulatory standards and best practice. The Bank's ability to attain longer term-term funding in USD to support its strategy is to be enhanced by a number of initiatives to diversify and grow its funding base, including bilateral term borrowing. The Bank is also seeking to operationalise the ability to transact repurchase agreements, a trading book to manage its fixed income portfolio, and also provide other fixed income services to customers.

CET1: The Bank is well capitalised with a Common Equity Tier 1 (CET1) ratio of 26.72%, which is well above the PRA's present Total Capital Requirement of 8%. The components of the Bank's capital are shown in fig. 1 below.

UK Leverage Ratio Framework: The Bank is not highly leveraged. This is borne out by the leverage ratio for 2021, (a measure of capital as a proportion of total assets), of 15.20% which is well ahead of the prescribed minimum requirement of 3% defined in the UK Leverage Ratio Framework PS21/21 published by Bank of England dated 8 October 2021 and Appendix 2: SS45/15 dated 7 December 2015 effective from 1 January 2022.

Fig1: Capital Ratios

Item	Amount	
CET1 Capital ratio	26.72	Minimum amount of CET1 capital that needs to be maintained, expressed as a % of the total risk exposure amount.
Surplus(+)/Deficit(-) of CET1 capital	100,040	4.50
T1 Capital ratio	26.72	Minimum amount of Tier1 capital that needs to be maintained, expressed as a % of the total risk exposure amount.
Surplus(+)/Deficit(-) of T1 capital	93,287	6.00
Total capital ratio	26.72	Minimum amount of total capital that needs to be maintained, expressed as a % of the total risk exposure amount.
Surplus(+)/Deficit(-) of total capital	84,282	8.00

The Bank complied with all externally imposed capital requirements throughout the year ending 2021. The Bank's total equity as at 31 December 2021 was £120.1m as published in the Bank's Annual Report and Financial Statements 2021. However, regulatory available capital used for calculating capital ratios stood at £120.3m (adjusted for items such as additional valuation adjustments (AVA) and IFRS 9 ECL transitional charges)

The Bank continues to maintain a strong balance sheet and capital position, despite the challenging environment and significant investment to enhance customer experience, operational resilience efforts, and further strengthening of systems and controls across the Bank. In 2021, we sought additional capital from the Bank's shareholders to help underpin future growth plans proposed to the Board, and to accelerate the Bank's return to profitability. Bank of Ghana, the lead shareholder injected £50m of common equity (Common Equity Tier 1 or CET1) capital in February 2022, which has been fully paid up on 25 February 2022.

1.3 Scope of Application

The Bank has complied with the PRA's prudential capital regulations (CRR), as set out in in the implementation of Basel Standards PS22/21 final rules published on 14 October 2021 and this disclosure is presented in respect of the year to 31 December 2021.

The Bank is required to make certain disclosures to the market on an individual basis to encourage market transparency and discipline. The aim is to allow market participants to assess key information on the Bank's capital, risk exposures and risk assessment process.

It should be noted that while some quantitative information in this document is based on financial data in the Bank's 2021 Annual Report, other quantitative data is sourced from the Bank's regulatory reporting processes, which may be calculated according to a different set of rules. The difference between the data sourced from the Bank's Annual Report and that sourced from the Bank's regulatory reporting process is most evident for credit risk disclosures where Pillar 3 disclosures require the use of Exposure at Default (EAD). EAD is defined as the expected amount of exposure at default. It is reported net of provisions, credit risk mitigation and includes consideration of any off-balance sheet exposure adjusted by a regulatory credit conversion factor. Pillar 3 quantitative data is thus not always comparable with the quantitative data contained in the Bank's Annual Report.

GHIB calculates and maintains regulatory capital ratios based on the Bank's accounting balance sheet as at the end of 2021.

1.4 Frequency and Location

These disclosures have been approved by the Board of Directors of the Bank and are made annually as at 31 December and are published on GHIB's website www.ghanabank.co.uk.

1.5 Verification and Supervision

These Pillar 3 disclosures are not subject to external audit, except where they are extracted from the Bank's audited Annual Report and Financial Statements dated 31 December 2021. This Pillar 3 Disclosures report was reviewed by the Bank's Executive Committee (EXCO), Asset and Liability Committee (ALCO), Board Audit and Compliance Committee (BACC) and subsequently recommended to the Board of Directors for approval.

The review and approval process is in line with the internal guidelines for the publication of external disclosures such as the Annual Report and Financial Statements and the Pillar 3 report.

1.6 Key Capital Ratios

Throughout the 2021 financial year, the Bank has maintained adequate capital resources in line with the regulatory requirements.

The Bank is well capitalised in proportion to its risk appetite and scale of its business. As at 31 December 2021 it had a total regulatory capital base of £120.3m.

Table1: Key capital resources, capital, leverage and liquidity ratios as at 31 December 2021

Key Metrics	
Available capital (amounts)	
Common Equity Tier (CET1) (£'000)	**120,301**
Total Capital (£'000)	**120,301**
Risk-Weighted Assets (amounts)	
Total Risk-Weighted Assets (£'000)	**450,231**
Risk-based capital ratios as a percentage of RWA	
Common Equity Tier 1 ratio (%)	**26.72**
Total Capital Ratio (%)	**26.72**
UK leverage ratio	
Total UK leverage ratio exposure measure (%)	**15.20**
Liquidity Coverage Ratio	
Total HQLA (£'000)	**236,427**
Net Liquidity Outflow (£'000)	**62,491**
LCR ratio (%)	**378.34**
Net Stable Funding Ratio	
Total available stable funding (£'000)	**318,949**
Total required stable funding (£'000)	**163,592**
NSFR ratio (%)	**195**

The Bank experienced an increase of 21% in risk weighted assets (£372.29m in 2020 to £450.23 in 2021) which was in line with the measured approach taken by management in granting credit.
The Total tier 1 ratio is 26.72% which is below the 2020 calculation of 35.33% but well above the Bank's regulatory requirement.

As at 31 December 2021, the composition of GHIB's high quality liquid assets (HQLA) was as follows: £161,000,000 in GHIB's Bank of England reserve account, £62,684,752 in US Treasury Bills, £12,611,379 in German Government Treasury Bills and £131,320 held at the Bank in its vault.

The leverage ratio as at 31 December 2021 was 15.18%, which exceeds the minimum requirement of 3%.

2. Changes to disclosures

The Bank continues to develop the transparency and quality of its disclosures to ensure they are as clear and informative as possible.

The Coronavirus pandemic has had a profound impact on almost all markets across the globe, leading to economic and social disruption. The ongoing impact on GHIB as an institution has been wide-ranging. A risk and Controls Self-Assessment has been conducted and maintained. From an operational perspective the Bank has successfully operated under 'working from home' arrangements since March 2020. Management meetings and oversight regarding the risks posed by Covid-19 are held regularly. The Bank also has a comprehensive exit strategy documented and approved by the Board, subject to developments of the virus and government guidance. The Bank has however, began a phased approach for staff to return to office from February 2022 and ensuring this is achieved as safely as possible.

The impact of Covid-19 on the Bank's financial performance has mainly been realised through a low interest rate environment; this has restricted net interest income and net interest margin. In 2021 Net interest income witnessed a modest increase to £10.1m (2020: £9..1m) and Net interest margin remained flat at 1.4% (2020: 1.4%). Financial performance has also been impacted by increased credit risk with provision for loan impairment of £1.1m (2020: £1.0m).

During the year four obligors had their credit gradings downgraded to the extent that their balances were moved from stage 1 to stage 2 and lifetime expected credit losses recognised. Expected credit losses for these four obligors were £0.8m at 1 January 2021 and had increased to £1.3m at 31 December 2021.

The Bank's financial position has been impacted by the losses for the year in 2021, and Total Equity has reduced to £120.1m (2020: £131.8m). However, due to the pandemic and its economic consequences, no major deposit outflows have been detected in 2020 or 2021. The credit and deposit trends of major consumers are closely monitored on a regular basis. As the market reacts to, and hopes to recover from, Covid-19, it is critical that we remain focused and responsive to ensure that we are managing new risks in a safe and efficient manner.

3. Capital adequacy

Capital Management

The Bank's capital management objectives are to comply with regulatory capital requirements at all times, and to ensure that the Bank has sufficient capital to cover the risks in stable and stressed conditions to support its strategy.

Capital adequacy and its effective management are crucial to the Bank's ability to operate its business lines, to grow organically and to pursue its strategy. The Bank is aware that its business and financial status could be negatively impacted if it is not able to manage its capital effectively or if the amount and quality of capital held is insufficient due to a materially worse than expected financial performance.

Capital requirements and resources

The Bank complied with all of its regulatory capital requirements throughout 2021. The Bank manages its capital resources to ensure that the overall amount and quality of resources exceeds the Bank's capital requirements. The Bank's capital requirements are primarily driven by Credit Risk, Operational Risk, Market Risk, Concentration Risk and Interest Rate Risk in the Banking Book.

The Bank's capital requirements also incorporate the PRA buffer (which includes a capital conservation buffer-CCoB and countercyclical buffer-CCyB), the size of which is determined by stress testing as part of the Internal Capital Adequacy Assessment Process (ICAAP). However, during the pandemic most central banks (including Bank of England) set CCyB to zero, an initiative design to alleviate further constraints on capital posed by CCyB. The Bank of England announced an expected return to CCyB at 1% effective 13 December 2022.

Stress testing and capital planning

The Bank uses stress testing as a key Risk Management tool to gain a better understanding of its resilience to internal and external shocks. In addition, stress testing provides a key input to the Bank's capital assessments and related risk management and measurement assumptions.
The purpose of the Bank's stress testing is to ensure the following:

- confirm the Bank has sufficient capital resources
- ensure the Bank remains within its risk appetite
- ensure the alignment between the Bank's Risk Management Framework and Senior Management decision making and
- to provide sufficiently severe and forward-looking stress scenarios.

The Bank assesses its existing and future Capital Adequacy under a range of scenarios, using a combination of quantitative and qualitative analyses in the ICAAP, which is reviewed by the Regulator on a periodic basis. The ICAAP, which acts as a link between the Bank's strategy, capital and risk under stress, is at a minimum approved annually by the Board.

3.1 Capital Requirements / Risk Weighted Assets

Table 2: The amount of capital the Bank is required to set aside to meet the minimum total capital ratio of 8% of RWAs set by the CRR.

Breakdown of the Bank's Regulatory Capital Requirement as at 31-Dec-21	Capital Requirement (£ '000)	RWA (£ '000)	Exposure at Default (£ '000)
Central Gov/Central Banks	3,512	43,896	279,218
Corporates	16,088	201,102	184,990
Insitutions	7,402	92,530	242,144
Other Items	1,759	21,987	36,449
Public Sector Entities	3,748	46,854	46,854
Retail	98	1,226	1,634
Total	**32,608**	**407,595**	791,289
Credit and counterparty risk			32,608
Operational Risk basic Indicator Approach			3,173
Market risk			237
Total Pillar 1 Requirement			36,018

3.2 Capital Resources

Table 3: Reconciliation of Accounting Capital to Regulatory Capital

Reconciliation of Accounting Capital to Regulatory Capital	Bank's Balance Sheet 31st December 2021 (£ '000)
Equity as per published financial statement	**120,065**
Adjustments:	
-Deferred Tax	138
-FVOCI revaluation Reserve	5
-Value adjustment (due to prudent valuation)	(94)
-Other transitional adjustments to CET1 Capital (IFRS 9 ECL Transition)	186
Common Equity Tier 1 (CET 1) capital regulatory adjustments	**120,301**

3.3 Capital Instruments

The Bank's authorised capital is made up of Common Equity tier 1 only and has no debt capital hence it does not have any capital instruments to report.

4. Risk Management Framework and Governance

GHIB's risk management framework is designed to support business activities within the Board's defined risk appetite. The risk management framework and the governance arrangements are designed to ensure that there is a clear organisational structure with defined lines of responsibility and appropriate processes to identify, manage, monitor and report the risks which the Bank are or may become exposed to. It also ensures that the risks which the Bank are or may become exposed to are appropriately identified and that those risks which the Bank decides to take are managed so that the Bank is not subject to material unexpected loss.

4.1 Risk Management Framework

The Bank's risk management framework incorporates its approach to risk management and covers the risk management strategy, risk appetite, risk culture and risk governance. It details the risk management process and how different elements of the risk framework such as the risk appetite, stress testing, the Internal Capital Adequacy Assessment Process ICAAP, the Individual Liquidity Adequacy Assessment Process ILAAP and recovery planning link to each other.

The risk management framework:

- is the overarching framework under which all risk frameworks, policies, and procedures are developed
- sets out the standards under which risk is managed and applies to all risks taken and managed by the Bank
- sets out the roles of the Board as ultimately responsible for the risk and control environment of the Bank, as well as the executive management committee structures, roles and responsibilities with respect to risk management
- confirms that the Bank follows the three lines of defence model and sets out the role of each line; and
- recognises the importance of having a robust risk aware culture.

4.2 Risk Management Strategy

The purpose of the risk management strategy is to:

- identify key and emerging risks
- set risk appetite and ensure that business plans are consistent with it
- take risk-informed decisions within the defined risk appetite
- ensure that the risk appetite and business plans are supported by effective risk controls, technology, people and operational capabilities
- monitor and report the level of key risks against the defined risk appetite
- manage the Bank's risk profile to ensure that the business strategy can withstand a range of adverse conditions identified in stress testing
- manage risk within the business units with effective independent oversight
- ensure a sound risk control environment and risk-aware culture; and
- inform the Bank's compensation practices rewarding only prudent risk taking within the defined risk appetite.

GHIB's approach to Risk Management including Operational Risk Management comprises Risk Identification, Classification, Assessment, Rating and Evaluation, Control Monitoring, and Risk Reporting to Senior Management and Committees. The Bank`s approach includes identification of Inherent Risks and of Residual Risks after taking into account related controls and mitigants that are in place.

The Risk Register is used to monitor the Risks identified under BASEL III and to ensure each risk is regularly assessed by both line management and senior management. Discussions on Operational Risk matters are held in EXCO, but also by line management at the monthly meeting of the Risk Oversight Committee (ROC). Short lines of communication ensure that all issues are dealt with immediately and measures taken which are commensurate with the circumstances.

4.3 Risk Appetite

The Bank creates value by assuming risk. As part of its annual strategy and budget setting process the Board considers its key objectives and defines how much risk the Bank is willing to assume in relation to its business strategy. The Board and management monitor and review risk appetite throughout the year in the context of emerging risks and changes in the external environment. Implementation of the Board's risk appetite is achieved via the risk management framework and suite of policies. The risk management function controls and monitors compliance with appetite and policies. The level of risk that the Bank can assume, and the strategy are informed by:

- the results of stress tests and scenario analysis that are performed by the finance and risk departments; and
- the Bank's risk capacity.

The Bank's risk appetite aligns with its strategic objectives. The process ensures that its strategic objectives are "risk-informed" and aligned with the risk assumed.

The Board expresses the risk that can be assumed in each risk category as follows:

- a high-level risk appetite statement defining the acceptable impact of the risk on the achievement of the Bank's goals and business objectives
- granular statements and metrics detailing the type and level of specific risks that the Bank is willing to accept, tolerate, or avoid in the pursuit of its objectives and
- risk limits, and tolerances (quantitative measures) that relate to individual business activities.

The Bank's Board approved risk appetite is documented in the risk appetite statement which is maintained and updated by the Chief Risk Officer.

The risk appetite statement details monitoring and escalation levels for risk metrics, including capital and liquidity, as follows:

- Appetite Early Warning Level
- Appetite Level
- Recovery Early Warning Level
- Recovery Level

The escalation levels ensure that the Bank can promptly identify a deteriorating position and take corrective action. The risk appetite statement is reviewed at least annually or whenever there is a material change in the Bank's risk appetite, its activities or the market or economic environment within which it operates.

Management is responsible for proposing and the Board is responsible for reviewing and approving the risk appetite statement.

Business units are responsible for adhering to the risk appetite. The risk appetite statement is communicated to all business units and cascaded to all staff.

4.4 Risk Culture

The Board requires that a sound risk management culture is embedded throughout the Bank in all business operations so as to a) provide protection for customers, creditors, investors and other stakeholders and b) when business decisions are made, they:

- take account of risks (i.e., they are “risk-informed”)
- are compliant with approved policies
- are within the defined risk appetite
- can be monitored and
- are reported to the appropriate level for oversight.

The Bank’s risk culture can be illustrated through the following:

- a clear “tone from the top” reflecting a strong governance culture and ethics
- a clear business strategy that is communicated and understood throughout the Bank
- a risk appetite that is in line with the business strategy and embedded in the day-to-day management of the Bank
- clear and well understood frameworks and policies
- clear and risk-informed decision making with personal accountability
- open channels of communication throughout the Bank to freely raise, challenge and address issues
- appropriate and ongoing training for all employees engaged in taking and controlling risk
- with no tolerance for unethical activities; and
- effective performance measurement processes to promote prudent risk management and address poor risk management.

The above mean that all staff contribute to the implementation of the framework, and that they are aware of the need for risk management and their part in it. All staff are encouraged to identify, address and report risk incidents promptly.

We translate our risk strategy into operational objectives and assign risk management responsibilities to staff throughout the organisation.

We have defined values which are communicated to all staff and their importance is emphasised and reinforced though coaching, training and performance objectives. All staff are aware of the need for sound risk management and their part in it and they are encouraged to identify address and report risk incidents promptly.

We analyse historical incidents in order to draw conclusions, promote and share good practice and learn lessons from poor practice, “near miss” incidents and actual errors.

We avoid conflicts of interest in reward structures and develop compensation structures that encourage and promote “prudent” risk taking.

We monitor business decisions and processes to ensure that they continue to be compliant with regulatory requirements.

4.5 Risk Governance

The Board has ultimate responsibility for ensuring that an effective risk management framework is in place. The Board is responsible for a) approving the overall policy in relation to the types and level of risk that the Bank is willing to assume in the pursuit of its business objectives; and b) maintaining a sufficient control environment to manage its key risks. The Board’s Risk and Audit sub-committees monitor the risk management framework, the internal control environment and that risk exposures are within the defined risk appetite.

Any material breaches of the Bank’s risk management policies, controls and procedures are reported to the Board Risk Committee and the Board Audit & Compliance Committee as appropriate. The Board Audit and Compliance Committee is assisted by Internal Audit, which undertakes regular and ad-hoc reviews of risk management controls and procedures.

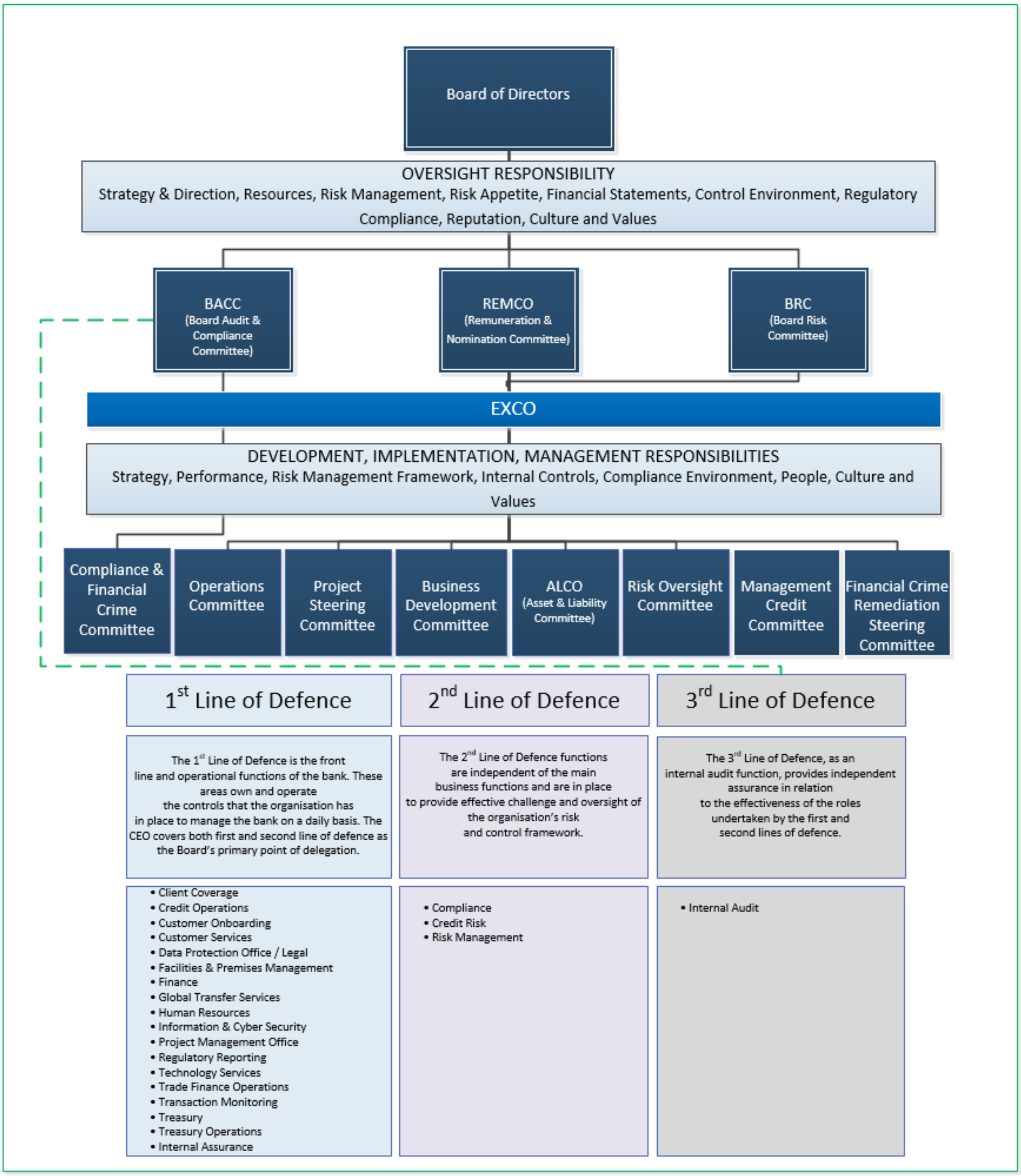
4.5.1 Three Lines of Defence

This risk governance framework ensures a clear delineation of responsibilities between control over day-to-day operations, risk oversight & control and independent assurance of the Bank’s activities.

The 3 Lines of Defence model ensures that risks are owned and managed by the first line of defence; those risks are monitored, measured and reported by the second line of defence; and that an appropriate control environment exists through independent assessments performed from the third line of defence.

The model ensures that there is segregation of duties between the various lines.

Diagram 1:Risk governance framework and 3 lines of defence:



4.5.2 Risk Governance Structure

The section below summarises the roles and responsibilities of various committees.

The Bank adheres to the requirements of the UK Corporate Governance Code and does so in a manner that is proportionate to its size and activities.

Board of Directors

The Board operates by delegating certain authorities to Management and by reserving certain powers to itself. It defines, oversees and is accountable for the implementation of sound governance arrangements within the Bank that ensure effective and prudent management in a manner that promotes the integrity of the market and the interests of customers in accordance with regulatory requirements. In addition to being collectively responsible for the long-term success of the Bank, the Board provides entrepreneurial leadership within the Bank within a framework of prudent and effective controls, which enables risk and customer outcomes to be assessed and properly managed.

The Board oversees Management to ensure the day to day operations and activities of the Bank are managed in a manner that is consistent with the strategy, and provides oversight of the Bank's trading performance, legal and regulatory compliance, capital and liquidity, risk management, risk appetite, business strategy, financial reporting policies, lending decisions, diversification opportunities, governance matters and succession planning, significant transactions including critical outsourcings and other material or strategic matters.

The Board approves the level of risk that GHIB is willing to accept and is responsible for overseeing the maintenance of an appropriate control environment to manage key risks. The Board is also responsible for ensuring capital and liquidity resources are adequate to achieve the Bank's objectives. It scrutinises current and future activities through Management reports which include a combination of financial results, budgets, forecasts, strategic proposals and overlay operational matters. Further, the Board reviews main risks as documented in the ICAAP and ILAAP reports.

The Board comprises ten (10) members: eight (8) non-executive directors (NEDs), five of whom, including the Board Chair, are nominees of the Bank's key shareholders; three (3) independent NEDs (INEDs); and two (2) Executive Directors, the Chief Executive Officer and, Deputy Chief Executive Officer & Chief Operating Officer.

The Board meets a minimum of five times per year.

Board Risk Committee

The membership of the Board Risk Committee (BRC) comprises five (5) NEDs three of whom are INEDs. The Committee is chaired by an INED. The Board Chair is not a member of the BRC. The Committee is generally responsible for:

- Risk strategy, including the oversight of current risk exposures of the Bank, with particular emphasis, inter alia on prudential risks.
- Reviewing proposals in respect of the overall risk appetite and tolerance, as well as the metrics to be used to monitor GHIB's risk management performance.
- Providing oversight and challenge of the design and execution of stress and scenario testing.
- Providing oversight and challenge of the risk management and oversight arrangements of Management.
- Providing oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.
- Providing advice to the Remuneration and Nominations Committee (REMCO) on risk weightings to be applied to performance objectives incorporated in the incentive structure for Management.
- Reviewing the asset and liability management of the Bank; and
- Providing advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Bank.

Board Audit & Compliance Committee (BACC)

The membership of the Board Audit and Compliance Committee (BACC) comprises six (6) NEDs three (3) of whom are INEDs**.** The Committee is chaired by an INED. The Board Chair is not a member of the Committee. The purpose of the BACC is generally to:

- Monitor the integrity of the Annual Report and Financial Statements of the Bank and any formal announcements relating to the Bank's financial position or performance and to review significant financial Reporting judgements contained in them.
- Review the Bank's internal financial controls and, unless expressly addressed by the BRC, review the Bank's internal control and risk management systems.
- Monitor and review the effectiveness of the Bank's Internal Audit function.
- Make recommendations to the Board, for it to put to the Shareholders for their approval in general meeting on the appointment, re-appointment and removal of the External Auditor and approve the remuneration and terms of engagement of the External Auditor.;
- Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Monitor the effectiveness of the Bank's Compliance and Financial Crime risk and control framework whilst ensuring the independence of the Compliance function.

Remuneration & Nominations Committee

The membership of the Remuneration and Nominations Committee (REMCO) comprises six (6) NEDs, three (3) of whom are independent. The Committee is chaired by an INED. The Board Chair is not a member of the Committee. Generally, the purpose of REMCO is to:

- establish and implement policies and procedures for the identification, nomination, screening and appointment of Directors to Board and the termination of any such appointments in line with the Bank's Articles of Association.
- regularly review the Board structure, size, composition and make recommendations to the Board of adjustments that are deemed necessary, in order to ensure an adequate size and well-balanced composition.
- oversee the induction of new Members to the Board and to any Board Committee.
- regularly review and evaluate the skills and experience of Board Members and ensure the adequacy of their training and development in addition to supporting the Board Chair with the periodic evaluation of the Board's performance as a whole and that of each director.
- in consultation with the Chair of BRC, as appropriate, review and make recommendations to the Board on the Bank's Remuneration Policy as this pertains to the FCA's Remuneration Code.
- review and assess changes, if any, to the Bank's approach to corporate governance and having oversight for the maintenance of acceptable standards and best practice.
- oversee, monitor, review and recommend for approval, the Bank's key human resource policies.
- review GHIB's constitutional documents from time to time and recommend modifications as necessary for approval by the Board and Shareholders.

Executive Management Committee (EXCO)

The Chief Executive Officer has delegated authority from the Board for managing the day-to-day operations of the Bank. This authority is managed through the Executive Management Committee (EXCO**)** comprising:

- Chief Executive Officer - CEO
- Deputy Chief Executive Officer & Chief Operating Officer - Deputy CEO & COO
- Chief Banking Officer - CBO
- General Manager Finance – General Manager Finance
- Chief Risk Officer – CRO
- Chief Technology Officer - CTO
- General Manager Compliance and Money Laundering Reporting Officer – GMC & MLRO
- General Manager Client Coverage - General Manager Client Coverage
- General Manager Operations - General Manager Operations
- General Counsel/Company Secretary

The purpose of EXCO is to support the CEO in the day-to- day management of the Bank and ensure that this is done:

- in accordance with the Board approved strategy and business plan;
- within the risk appetite limits set by the Board and
- in a sound, prudent and ethical manner in accordance with all relevant laws, regulations and best practice.

To this end, EXCO makes and implements decisions on matters which are strategic or operational by nature and concern the day-to-day management of the Bank, referring significant matters of strategic importance to the Board for approval. Its duties include:

- developing and implementing the Bank's Board approved strategy, operational plans, policies, procedures and budgets
- driving and monitoring operating and financial performance
- assessing and controlling risk
- prioritising and allocating resources; and
- generally, providing leadership on all matters relating to the effective management of the Bank's affairs in a manner that is consistent with applicable laws and regulations, and furthers the long-term interests of key constituents, including the Bank's shareholders

The Committee may sub-delegate any of its powers and authority as it sees fit and as appropriate, including, without limitation, through the establishment of subcommittees to consider particular areas and report back to the EXCO. EXCO does not exercise any power reserved to the Board or shareholders and is always accountable to the CEO.

The Committee currently meets a minimum of twice a month or more frequently as required to ensure that the Bank's operations and activities, financial and general management are aligned with the Board approved strategy and risk appetite.

Operations Committee (OPC)

The Subcommittee has eleven (11) members and is chaired by the DCEO & COO.

Generally, OPC's responsibilities are to ensure that GHIB's operations are compliant with the Bank's strategic direction and Board-approved business plan, provide oversight of GHIB's daily operational activities and overall operational risk reduction. Specifically, the Committee oversees Bank operational activities as these pertain to relevant functional areas including without limitation, technology, cybersecurity, payments, credit operations, trade operations, treasury operations, human resources, financial management, regulatory reporting and facilities management.

Management Credit Committee (MCC)

The MCC has eight (8) members and is chaired by the CEO. Generally, MCC's responsibilities are to:

- Ensure compliance with the Bank's policies on lending.
- Support EXCO by ensuring loan assets stay within Board approved limits.
- Monitor compliance with the Bank's credit risk appetite.
- Assess and approve loans and advances within its Board approved sanctioning authority for credit proposals.
- Monitor the performance and management of approved credits.

Assets and Liabilities Committee (ALCO)

ALCO is a subcommittee comprising nine (9) members chaired by the CEO and generally responsible for carefully managing the Bank's assets and liabilities, planning the Bank's balance sheet ensuring adequate liquidity to support current operations and address strategic objectives, while managing the Bank's spread between the interest income and interest expense (the net interest margin), managing interest rate and FOREX risks and evaluating on-and off-balance-sheet risk for the Bank. Furthermore, the Subcommittee oversees the maintenance of an optimal funding mix and funding profile, ensuring availability of funds to meet all eventualities, including meeting the liquidity needs of the Bank. Other responsibilities include management oversight of the effective implementation of relevant strategies, policies, and procedures aligned with the Bank's goals, objectives, and risk tolerances for operating standards.

Compliance and Financial Crime Committee (CFCC)

CFCC comprises twelve (12) members and is chaired by the GMC & MLRO.

The Subcommittee's responsibilities include:

- Regular review of the Bank's systems, processes, people and controls for the purpose of compliance with applicable rules, requirements and standards under the regulatory system, relevant laws and authoritative guidance, in each case for countering the risk that the Bank might be used to further financial crime including, without limitation, fraud or dishonesty; misconduct in, or misuse of information relating to a financial market; handling the proceeds of crime; money laundering or the financing of terrorism.
- Review and recommend for approval the design of the Bank's compliance and financial crime risk and control framework for managing, monitoring, preventing and/or detecting financial crime, sanctions compliance, fraud, bribery & corruption.
- Report to EXCO on issues relating to the Bank's management of financial crime risks, regulatory compliance, conduct and ethical standards, including external reports, notifications and disclosures made or proposed to be made.
- Ensure the adequacy of the design and implementation of the Bank's conduct risk framework recommending changes as and when necessary to monitor and assess the objectives of and controls under the framework.
- Assess matters affecting the adequacy, effectiveness, and independence of the Bank's Compliance function.

Financial Crime Remediation Steering Committee (FCRSC)

Generally, the mandate and purpose of the FCRSC are to ensure the:

1) adequacy and appropriateness in addressing the findings and risks identified in the 2020 report on the skilled person s.166 review and, the Bank's regulatory and legal obligations in relation to financial crime and

2) timely delivery of GHIB's Financial Crime Remediation Action Plan as per the Regulator's Requirement Notice.

The **FCRSC** is chaired by the GMC & MLRO and has seven (7) members.

Risk Oversight Committee (ROC)

ROC has eight members chaired by the CRO and they provide assurance to EXCO and the Board that risks across the Bank are being effectively managed on an end-to-end basis, commensurate with GHIB's risk appetite. Specific responsibilities of the Subcommittee include, amongst other matters to:

- provide management oversight and recommend the approval of the enterprise risk management framework to the BRC.
- propose the Bank's risk appetite and risk tolerance appropriate to each business line of the Bank.
- Recommend the design and provide management oversight of the design and execution of stress and scenario testing.
- recommend to the BRC, appropriate policies and procedures relating to risk management governance, risk management practices, and risk control infrastructure for the Bank as a whole.
- provide management oversight of processes and systems for identifying and reporting risks and risk-management deficiencies, including emerging risks, on an enterprise-wide basis.
- monitor compliance with the Bank's risk limit structure and policies and procedures relating to risk management governance, practices, and risk controls across the Bank.
- implement effective and timely corrective actions to address risk management deficiencies; and
- Integrate risk management and control objectives in Management goals and the Bank's compensation structure.

Projects Steering Committee (PSC)

Generally, PSC's responsibilities are to:

- To provide EXCO and ultimately the Board, with assurance that all the Bank's projects are being managed effectively on an end-to-end basis and, in a manner which is commensurate with the Bank's Risk Appetite; and
- For the purpose of project financial control management, to ensure the Bank has in place appropriate project governance structures, processes and the tools to enable effective financial control management with common minimum control standards for all Bank projects.

The Subcommittee is chaired by the DCEO & COO and has ten (10) members.

4.5.3 Stress Testing

The Board takes a forward-looking view of strategic, capital and liquidity planning as part of the ICAAP and ILAAP processes. One of the approaches used to facilitate this forward-looking perspective in risk management is sensitivity analysis, scenario analysis and reverse stress testing.

Stress testing and scenario analysis are forward-looking risk management techniques used to evaluate the potential effects on the Bank's financial resources, following a specific event and/or movement in a set of risk drivers. They focus on low probability but plausible events that may have actually happened in the past.

Stress testing and scenario analysis are used to understand potential vulnerabilities to exceptional events and potential actions that could be taken to mitigate against the effects of those events. Stress scenarios cover a range of drivers that can create extraordinary losses in banking book positions that may arise because of a market event, a credit event or any other risk such as concentration or operational risk. These drivers include low-probability high-impact events in all major risk categories.

Stress testing and scenario analysis help identify and analyse the impact of risks on the Bank's financial resources and provide context when reviewing and setting risk appetite.

The Bank's stress testing process includes:

- sensitivity analysis of specific risk drivers
- scenario analysis which refers to varying a range of parameters at the same time; and
- reverse stress testing which identifies the conditions and severity of a stress event that would result in the Bank's business model becoming unviable or would result in the Bank reaching the point of failure.

Stress testing is used as part of:

- the ICAAP to assess the adequacy of the Bank's capital
- the ILAAP to assess the adequacy of the Bank's liquidity reserves
- the recovery plan to assess the effectiveness and adequacy of recovery options and
- strategic decision making.

5. Risks and their management

5.1 Credit Risk

The Bank is cognisant of the fact that it is primarily an emerging market focused institution with significant concentration in countries like Ghana and Nigeria. Credit risk associated with these emerging economies is greater than that for more developed economies due to the increased risk of potential political and economic challenges. The Bank is exposed to credit risk in relation to loans to customers, loans and advances including deposits in nostro account balances and bonds as well as in its secondary participations' portfolio and contingent exposures. The Bank`s credit philosophy is to accept only risks that it understands, can control and which are appropriately priced.

Country limits are in place and assessed individually according to economic and political conditions for each country where exposures exist. The largest country appetite relates to Ghana with a lower appetite for Nigeria and Kenya. These three countries represent the largest aggregate risk exposure for the Bank, being the home country and the two larger Sub-Saharan economies. Appetite for other countries is relatively low due to underwhelming economic, geographic and political factors. Sector limits are also in place to ensure that the Bank is not overexposed to any one sector. There is a Fair Value Through Other Comprehensive Income (FVOCI) portfolio, where appetite is constrained by the interest rate risk prevalent in purchasing longer dated fixed rate assets.

The Bank has appetite for counterparties which meet an acceptance criterion of A1/P1 and a select/approved group of A2/P2 counterparties for foreign exchange and money market dealings as approved by the Management Credit Committee and Board Credit Committee respectively and reported to the Board of Directors in accordance with the Bank's Large Exposures policy.

The Board of Directors approves the credit risk appetite taking into consideration past performance and future plans. Senior management are responsible for implementing the credit risk strategy approved by the Board and for developing the policies and procedures for the identification, measurement, monitoring and controlling of credit risk. The Head of Credit Risk is responsible for co-ordinating matters of a risk nature and the Head of Credit Operations is responsible for recording and monitoring all credit risk exposures.

The Pillar 1 minimum capital requirement for credit risk, based on the Basel II framework under the Standardised Approach, is taken as the starting point in considering what internal capital may be required. An assessment is first made as to whether the capital calculation fully captures the credit risk faced by the Bank.

The ultimate responsibility for credit risk lies with the Board, and the Bank`s credit risk appetite is articulated in GHIB's Risk Appetite Statement.

A number of stress tests are undertaken periodically and include hypothetical and historical credit risk scenarios. Hypothetical stress tests calculate the loss that would occur if a specific set of adverse events were to occur. Historical tests take account of the historic level of provisions and other factors, applied to current and projected business levels.

Part of the loan portfolio is held within the medium-term limits of over two years duration. For the FVOCI portfolio, there is a limit under this portfolio to restrict the interest rate risk prevalent in purchasing longer dated fixed rate bonds.

The Bank uses the standardised approach for the calculation of credit risk capital requirements. The process of computing credit risk capital charge involves the use of ratings provided by external credit assessment institutions (ECAI) such as Moody's, Fitch and Standard & Poor's. The credit risk information disclosed in this document includes a breakdown of the Bank's exposures by CRD IV exposure class, by location, sector, maturity and asset quality.

5.1.1 Credit Risk Mitigation

In-depth credit analysis is undertaken in respect of our risk exposures, and a tight sanctioning structure is in place. This provides our main mitigant against credit risk, but additionally, security may be taken where necessary. A system of controls and limits enables the Bank to monitor and assess changes in its risk profile. Longer dated exposure is kept to a minimum. The Bank pays close attention to economic and political risks and is able to react quickly to changes in outside influences. The Bank has very short lines of communication; ensuring quick action can be taken promptly if required.

The table below shows the use of CRM, broken down by loans and debt securities.

Table 4: UK CR3 – CRM techniques at 31 December 2021

Template UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques — As at 31 December 2021 (£'000)

Exposure Category	Unsecured carrying amount	Secured carrying	Of which secured by collateral	Of which secured by financial	Of which secured by credit derivatives
	£'000	£'000	£'000	£'000	£'000
1 Loans and advances	556,576	34,987	34,987		
2 Debt securities	93,657	-	-		
3 Total	**650,233**	**34,987**	**34,987**	-	

* Exposures are reported gross (before netting off provisons) and exclude the 'other' exposure class.

5.1.2 Credit Risk: Disclosures

5.1.2.1 Maximum Exposure to Credit Risk

Table 5: Exposure at Default (EAD) by standardised asset class as at 31 December 2021

Maximum Exposure		
Exposure Class	**EAD (£'000)**	**RWA (£'000)**
Agriculture, Forestry and Fishing	17,503	3,561
Sovereign	28,843	25,507
Finance Industry	683,752	311,055
Business Services	186	140
Transport, Utilities & Storage	47,588	47,151
Other items	13,417	20,181
TOTAL	**791,289**	**407,595**

5.1.2.2 Geographic Analysis of Exposure

Table 6: Geographic location of credit exposures based on Exposure at Default (EAD) as at 31 December 2021

As at 31 December 2021	Sub-Saharan Africa (£'000)		UK (£'000)		Other European (£'000)		Rest of the World (£'000)		Total (£'000)	
Exposure Class	EAD	RWA	EAD	RWA	EAD	RWA	EAD	RWA	EAD	RWA
Central governments / central banks	38,759	39,751	161,018	-	12,611	-	66,829	4,145	279,218	43,896
Corporates	184,973	201,086	16	16	-	-	-	-	184,989	201,102
Institutions	3	1	129,049	48,182	32,608	8,654	80,485	35,693	242,144	92,530
Other items	23,032	1,806	13,417	20,181	-	-	-	-	36,449	21,987
Public sector entities	46,830	46,830	23	23	-	-	-	-	46,854	46,854
Retail	1,513	1,135	113	85	9	7	0	0	1,634	1,226
Total	**295,110**	**290,610**	**303,637**	**68,487**	**45,228**	**8,660**	**147,314**	**39,838**	**791,289**	**407,595**

5.1.2.3 Industry Analysis of Exposure

Table 7: Exposure at Default (EAD) displayed by the industry classification based on the purposes of the loan as at 31 December 2021

Industry Analysis of Exposure

Exposure Class	Agriculture (£'000)	Business Services(£'000)	Finance Industry-Banks(£'000)	Personal(£'000)	Sovereign(£'000)	Transport, Utilities and Storage(£'000)
Central governments / central banks	-	-	22,281.28	-	256,937	-
Exposures in Default	-	-	-	-	-	-
Corporates	-	24,673	155,710	-	-	6,054
Institutions	-	-	242,144	-	-	-
Other items	13,941	4,170	13,417	-	4,842	79
Public sector entities	3,561	-	1,837	-	-	41,455
Retail	-	-	-	186	-	-
Multilateral Development Bank	-	-	-	-	-	-
Total	17,503	28,843	435,390	186	261,779	47,588

5.1.2.4 Maturity Analysis of Exposure

Table 8: The Bank's credit exposures by residual contractual maturity date as at 31 December 2021

Maturity Analysis of Exposure

	<1 Year £'000	1-5 years £'000	>5 years £'000	Total £'000
Central governments / central banks	263,145	4,212	11,861	279,218
Corporates	175,813	10,624	-	186,438
Institutions	242,144	-	-	242,144
Other items	32,144	-	4,304	36,449
Public sector entities	25,807	13,616	7,432	46,854
Retail	43	143	-	186

Table 9: The Bank's UK CR1A Maturity of exposures by residual maturity date

The table below shows the residual maturity of the Bank's exposure classes as at 31 December 2021.

Template UK CR1-A: Maturity of exposures (£'000)

		Net exposure value					
	Exposure Class	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	537,994	22,848	7,432	20,820	589,095
2	Debt securities	-	76,049	5,747	11,861		93,657
3	***Total***	-	614,043	28,595	19,293	20,820	682,751

* Exposures are reported net of provisions and excludes 'other' exposure class

5.1.2.5 Asset Quality

Under the standardised approach, credit risk is measured by applying risk weights outlined in the CRR based on the exposure class to which the exposure is allocated, however, the Bank does not have, exposures that are, forborne, past due and non performing as at 31 December 2021.

Table 10: Exposure at Default (EAD) displayed by risk weight band as at 31 December 2021

Risk Weight Band Analysis of Exposure

	Central Gov/Central Banks (£'000)	Corporates (£'000)	Institutions (£'000)	Other Items (£'000)	Public Sector Entities (£'000)	Retail (£'000)
0%	236,314	-	-	20,509	-	-
1-20%	-	-	95,140	9,030	-	-
21-50%	-	-	147,004	-	-	-
51-75%	-	-	-	-	-	186
76-100%	40,920	154,213	-	6,910	46,854	-
101-150%	1,984	32,224	-	-	-	-
>150%	-	-	-	-	-	-
Total	**279,218**	**186,437**	**242,144**	**36,449**	**46,854**	**186**

5.1.2.6 Expected Credited Losses under IFRS 9

On 1 January 2018, the Bank adopted IFRS 9 – Financial Instruments (IFRS 9), replacing IAS 39. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting.

Under IFRS 9, ECLs are recognised in profit or loss before a loss event has occurred. The forward-looking ECL model requires forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses.

Expected credit losses are determined using a three-stage impairment approach that is based on the change in the credit quality of financial assets since initial recognition. Stage 1 includes financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date and for which 12-month expect credit losses are recorded. Stage 2 includes financial assets which have experienced a significant increase in credit risk between initial recognition and the reporting date, and for which lifetime credit losses are recorded. Stage 3 includes financial assets for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on the estimated future cash flows of these financial assets at the reporting date, and for which lifetime expected credit losses are recorded.

As at 31 December 2021, the Bank recorded a total of £2,551k of provisions for doubtful debts under IFRS 9 (see Table 10 below). The Bank has not foreclosed on any facility and therefore it has not been necessary to take possession of any collateral in the year ending 31 December 2021, nor in the 5 years proceeding.

Table 11: Provisions for credit losses under IFRS 9

	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Total
	£000's	£000's	£000's
Balance as at 31 December 2019	**490**	**41**	**531**
Changes in loss allowance:			
Transfer between stages	(58)	58	0
(Credit)/charge to income statement	220	746	966
Foreign exchange movements	(15)	(19)	(34)
Balance as at 31 December 2020	**637**	**826**	**1,463**
Changes in loss allowance:			
Transfer between stages	(63)	63	0
(Credit)/charge to income statement	642	449	1,091
Foreign exchange movements	(1)	(2)	(3)
Balance as at 31 December 2021	**1,215**	**1,336**	**2,551**

	2021	2020
	£000's	£000's
Provision on loans and advances - Banks	743	382
Provision on loans and advances - Customers	1,727	1,042
Provisions on debt instruments at fair value through other comprehensive income	81	39
Total provision for credit losses and provisions held on assets	**2,551**	**1,463**

IFRS 9 Transitional Adjustment Disclosures

Beginning on or after January 1, 2018, IFRS 9 Financial Instruments went into force, and this is reflected in the disclosures made by the Bank. The Bank has chosen to make use of the transitional provisions provided by Article 473a of the CRR. With the use of these arrangements, the capital impact of IFRS 9 can be gradually implemented over a five-year period, resulting in a capital add-back that gets smaller as time goes on. RWAs are typically determined based on exposure after provisions. To prevent a double-count, the provisions are not netted off the exposures in the RWA calculation because they were used in the capital add-back.

Table 12: IFRS 9 Transitional Adjustments Disclosure as at 31 December 2021

Available Capital	(£'000)
Common Equity Tier 1 (CET1) capital	120,301
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	120,115
Tier 1 capital	120,301
Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	120,115
Total capital	120,301
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	120,115
Risk-weighted assets	
Total risk-weighted assets	450,231
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	450,231
Capital ratios	
CET1 Capital (as a percentage of risk exposure amount)	26.72%
CET1 Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26.68%
Tier 1 capital (as a percentage of risk exposure amount)	26.72%
Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26.68%
Total capital (as a percentage of risk exposure amount)	26.72%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26.68%
Leverage Ratios	
Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital	791,289
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	791,383
Leverage ratio	15.18%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.20%

5.2 Market Risk

For each of the three key market risks (Interest Rate, Foreign Exchange and Asset Pricing), the Bank does not undertake any hedging activities using derivatives.

The Bank mainly engages in GBP, USD and EUR transactions, and only undertakes spot Foreign Exchange transactions. The Bank has a net open FX position limit of £2m.

The Bank`s Interest Rate risk appetite is expressed as the maximum impact on Economic Value of Equity (EVE) of £5m for a parallel yield curve movement of +/-2%.

5.3 Operational Risk

GHIB has exposure to Operational Risk as a result of its activities and processes. Individual department managers are responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which they are accountable. Operational Risk appetite is based on qualitative and quantitative measures.

The Bank`s objective is to manage Operational Risk within the defined operational risk appetite. The Bank`s risk appetite is well below the Basic Indicator measure according to established Basel guidelines, and the historical record of such losses is very low. For the purposes of assessing risk according to Basel the Bank uses the Basic Indicator Approach as defined under CRR Article 315. This defines the operational risk capital charge for the Bank as 15% of the Bank's relevant indicator averaged over the previous three years.

The Bank has a low Residual Risk appetite for Operational Losses and a tolerance level of less than £100,000 per annum. Historically, the Bank has had a low level of Operational Losses.

At GHIB, measures taken to reduce operational losses include but are not limited to:

- Clearly articulated policies, procedures and manuals
- Clear segregation of duties
- Established processes to ensure authorisation limits are not breached
- Regular analysis of reported incidents
- Regular and relevant training provided at all levels and
- Regular review of risks as part of the RCSA process.

5.4 Liquidity and Funding Risk

The Board approves the liquidity risk appetite taking into consideration the results of stress testing and other factors that may have a bearing on liquidity. The Bank has a high level of liquidity and is able to repay depositors from short term liquid investments as they fall due. Wherever possible, the Bank matches maturity of risk assets with liabilities of like or longer maturities.

The Bank`s policy is for the Liquid Asset Buffer always to exceed the total net cash outflows over the next 30 calendar days coupled with sufficient liquid resources to protect the Bank against any severe yet plausible adverse liquidity events for at least three months.

The Bank maintains enough liquid assets to meet maturing obligations. The Bank has a short duration lending book and maintains an appropriate level of High-Quality Liquid Assets.

The Bank controls the amount of long-term lending it undertakes in line with the level of short-term wholesale deposits that it holds.

As at 31 December 2021, both the Bank's Liquidity Coverage Ratio (LCR), at 378%, and the Net Stable Funding Ratio (NSFR), at 195%, were well above the minimum regulatory requirement of 100%.

Table 13 LCR as at 31 December2021

C 76.00 - LIQUIDITY COVERAGE - CALCULATIONS

Currency	Total currencies	TOT

			Value / Percentage
			010
CALCULATIONS			
Numerator, denominator, ratio			
010	1	Liquidity buffer	236,427
020	2	Net liquidity outflow	62,491
030	3	Liquidity coverage ratio (%)	378.34

5.5 Conduct Risk

The Bank has a low tolerance for poor conduct risk. Appropriate conduct is a key component of the Bank's strategic objectives and business model. GHIB seeks to operate at the highest levels of ethical and compliance standards in line with regulatory requirements and best practices.

The Bank has three over-riding goals are:

- to serve its customers well
- to operate with a sustainable and conservative risk profile; and
- to continue to build sustainable value for all shareholders.

The Bank takes proactive action to prevent or mitigate the risk of poor conduct, and to put things right when they have gone wrong.

The Bank is committed to training its staff to ensure that they clearly understand and are aware of their responsibilities in this respect. The Bank trains and continuously monitors the behaviour and understanding of all employees.

The Bank has no appetite for unfair outcomes arising from any element of the conduct risk lifecycle, which includes product design, sales or after sales processes and culture. Where an operational risk that may result in potential conduct risk for a customer is identified, the Bank will be proactive in escalating, agreeing appropriate action and communicating clearly with its customers to ensure that a fair outcome is achieved.

Regular reviews and active management of the portfolio of products is done to ensure that the Bank continues to deliver value for its customers, identifies areas of potential detriment and, where appropriate, takes proactive action to mitigate any impact to its customers.

5.6 Reputational Risk

The Bank has a low tolerance to any adverse impact to its reputation. GHIB considers the protection of its reputation and brand as paramount. The Bank will not conduct business or engage with stakeholders in a manner that could adversely impact its reputation. In addition, the Bank seeks to protect and enhance its reputation at all times through on-going identification and assessment of reputational risk events and establishment of clear mitigating plans and actions.

The Bank has taken a number of actions to strengthen governance and to embed good cultural practices in the organisation. Every member of staff is encouraged to take responsibility for managing reputation risk in their day-to-day decisions. The Bank has a whistle-blowing policy to encourage staff to report any actions or omissions that may be of detriment to the Bank. Training in many aspects of the Bank`s business is given including anti-bribery, complaints handling, financial crime prevention, fraud prevention, money laundering prevention, conflicts of interest and treating customers fairly.

5.7 Legal Risk

There is a good level of awareness of the Bank's responsibility as well as individual responsibility led from the top, with procedures to inform staff so that they comply with legal requirements. Being pan-African focused, the Bank is subject to a range of legal challenges in the countries in which it operates. Risks include:

- Breach of applicable laws in the countries in which it operates including data protection and human resources
- Breach of global sanctions regimes
- Tax evasion regulations and
- Financial Crime.

Local knowledge is paramount to mitigating legal risks. Thus, as well as using reputable legal counsel (overseas and local) for documentation, developing an in-house knowledge pool with frequent visits to target markets and developing strategic alliances with local agencies, are invaluable risk mitigants.

5.8 Financial Risk

Financial Risk is the risk that the Bank's financial performance deteriorates, and that data is not materially accurate resulting in incorrect reporting to internal and external stakeholders. The Bank has a number of target ratios forming its finance risk appetite

5.9 Pension Obligation Risk

Pension obligation risk relates to defined benefit pension schemes and defined contribution schemes offering guaranteed returns that are not fully matched by underlying investments. The Bank's pension is a defined contribution scheme with no guaranteed returns, it is therefore not considered to be a material risk.

5.10 Insurance Risk

Insurance risk arises where a bank uses insurance products to transfer risk or act as a capital mitigant. The Bank does not use such products and therefore it is not considered to be a material risk.

5.11 Counterparty Credit Risk

Counterparty credit risk is the risk of losses arising from the default of the counterparty to derivatives, margin lending, securities lending, repurchase and reverse repurchase or long settlement transactions before final settlement of the transaction's cash flows and where the exposure at default is crucially dependent on market factors. The Bank does not participate in any of the above-mentioned activities and therefore counterparty credit risk is not considered a material risk.

5.12 Securitisation Risk

Securitisation risk is the risk that the own funds held by a firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction including the degree of risk transfer achieved. The Bank does not undertake such transactions and therefore securitisation is not considered a material risk.

5.13 Regulatory and Compliance Risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. The banking industry faces a major challenge in meeting Capital Requirements Directive (CRD) IV rules, which are now in effect and impacts on the calculation of capital and risk weighted assets.

5.14 Risk of Excessive Leverage

Financial leverage refers to the proportion of a business's operations that are financed through debt funding rather than equity funding. The Bank's financial leverage levels are monitored by ALCO and are reported to EXCO, BRC and the Board on a regular basis. On a day-to-day basis, leverage is managed by Treasury. The Bank's leverage ratio as at 31 December 2021 was 15.2% (using a transitional definition of Tier 1 capital) which is well above the 3% minimum leverage ratio requirement. The leverage ratio had remained above the minimum requirement throughout 2021.

5.15 Financial Crime Risk

GHIB appreciates and understands the need to identify and manage the potential Financial Crime risks posed by various types of customers and this is assessed through the Bank's Customer Risk Assessment Framework. The Bank has established an appropriate approach to identify and categorise risks customers to ensure they remain within the Bank's risk appetite and also monitored appropriately throughout the customer relationship as part of the on-going monitoring controls in place.

5.16 Strategic and business risk

Business risk represents the risk that a business will be materially altered or even rendered unviable through a shock or other change, as happened to the securitization and structured-finance businesses during the 2008-09 financial crises.

Business risk is evaluated through a Business and Strategy Development process. The Bank's actual performance is compared with the detailed financial plan, including the historical volatility in earnings, which supports both the decision making and the planning process.

5.17 Group Risk

Group risk, represents the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group, including reputational contagion.

GHIB's parent is a central bank in a politically stable African country and therefore both the nature of the parent's activities and the track record of the country lead to a perceived "Low" group risk.

5.18 Libor Transition

A Working Group is in place to manage the various transition implementation workstreams and systems have been upgraded where necessary. The Bank's Libor exposure relates to USD loans and the Bank monitors developments in relation to USD requirements. The Bank expects to be able to comply with new requirements as they are introduced. The impact of changing benchmark interest rates is not expected to be material to the financial statements and the Bank continues to closely monitor this as part of its management of interest rate risk in the banking book. The Bank does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

5.19 Financial Risk of Climate Change

Financial risk arising from climate change refers to the risk arising from specific weather events, longer term shifts in climate change and financial risks arising from the process of adjusting to a low-carbon economy. GHIB considers financial risks from climate change that may arise through either physical and transition risk factors. GHIB will continue to monitor and report its exposure to financial risks arising from climate change including those risks arising from outsourcing arrangements and supply chains.

In 2021, we reviewed our governance structure and allocated roles and responsibilities relating to climate risk to various committees and executive managers across the 3 lines of defense. We have reviewed and updated policies, procedures and controls in the second line of defense to ensure that climate risk is effectively monitored, managed and reported across GHIB.

During 2021 we developed risk appetite statement that includes qualitative and quantitative parameters. We believe that metrics on climate change are still in development. We will continue to follow regulatory guidance and to develop our limits and targets to ensure that they continue to be aligned to our strategy, our key customers, our environmental values and principles and that they provide us with an accurate assessment on the achievement of our climate strategy.

During 2021 we developed part of our stress testing and scenario analysis approach. We will continue to develop our approach to scenario analysis considering our scale, complexity and the nature of our loan portfolio.

6. Asset Encumbrance

The Bank held a total £17.92m in encumbered assets at the end of 31 December 2021. The activities that resulted in asset being encumbered are limited to Trade Finance LCs.

7. Remuneration Policy

For the year-ended 31st December 2021, the current remuneration guidance for the Bank is based on the PRA Rulebook, the PRA Supervisory Statement – SS2/17 on Remuneration as updated in December 2021, SYSC 19D and the FCA statement on dual-regulated firms. As a Small CRR Firm with less than £4bn of assets, the Bank is classified as a Proportionality Level 3 firm and has followed the PRA's guidance on materiality and proportionality. Disclosures are required in line with Article 450 of the CRR as interpreted by PS22/21: Reporting and disclosure templates and instructions. This statement sets out the disclosures required as they apply to GHIB.

(A) Information relating to the bodies that oversee remuneration

The main body overseeing remuneration in GHIB is the Remuneration and Nominations Committee (REMCO) which meets quarterly. The REMCO ("the Committee") is a sub-committee of the Board to whom it reports on a regular basis. Committee membership comprises of Non-Executive Directors ("NEDs") only and is chaired by an independent Non-Executive Director ("INED.") The Board Chair is not a member of the Committee.

The remuneration of Non-Executive Directors is benchmarked to industry standards. NEDs do not receive any variable remuneration payments.

Generally, the purpose of REMCO is to:

- Establish and implement policies and procedures for the identification, nomination, screening and appointment of Directors to Board and the termination of any such appointments in line with the Bank's Articles of Association

- Review regularly the Board structure, size, composition and make recommendations to the Board of adjustments that are deemed necessary, in order to ensure an adequate size and well-balanced composition
- Oversee the induction of new Members to the Board and to any Board Committee
- Regularly review and evaluate the skills and experience of Board Members and ensure the adequacy of their training and development in addition to supporting the Board Chair with the periodic evaluation of the Board's performance as a whole and that of each director
- In consultation with the Chair of BRC, as appropriate, review and make recommendations to the Board on the Bank's Remuneration Policy as this pertains to the FCA's Remuneration Code
- Review and assess changes, if any, to the Bank's approach to corporate governance and having oversight for the maintenance of acceptable standards and best practice
- Oversee, monitor, review and recommend for approval, the Bank's key human resource policies; and
- Review GHIB's constitutional documents from time to time and recommend modifications as necessary for approval by the Board and shareholders.

The Bank's remuneration policy applies to all employees in the London office and to the Bank's representative office in Accra.

Identified Staff

For the purposes of this remuneration policy, GHIB has determined Identified Staff to include Senior Managers (Executive Committee members, NEDs and staff performing Senior Management Functions, as defined by the Regulators) and Material Risk Takers (Staff whose actions are deemed to have a material impact on the Bank's risk profile) as defined using the Regulatory Technical Standards 2020 from the European Banking Authority.

(B) Information regarding the design and structure of the remuneration processes:

Key Features & Objectives of the Remuneration Policy

The Bank's remuneration policy reflects the objectives of good corporate governance as well as supporting the Bank's strategic objectives. The overarching principles of the policy are to:

- attract and retain high performing staff.
- encourage behaviours consistent with the Bank's core values.
- provide Bank employees with a market competitive remuneration package that is affordable to the Bank.
- ensure remuneration is in line with regulatory requirements.
- ensure appropriate procedures are in place for the identification of material risk takers
- ensure remuneration meets GHIB's commitment to equal pay, gender pay and is non-discriminatory.

The Bank aims to provide market competitive base pay aligned to the markets in which it operates. Salaries of all London employees, including those engaged in control functions are benchmarked annually to similar positions in the market. Similarly, the Bank's Annual Incentive Plan (AIP) is reviewed annually relative to the external market data and salary surveys to ensure that it is in line with schemes in similar sized Banks in London.

The Board is fully engaged with the remuneration process and is instrumental in agreeing the budget for annual salary awards and agreeing the size of the annual bonus pool, based on the recommendations of the REMCO.

The Bank's Annual Incentive Plan (AIP) provides a method for the creation of a discretionary bonus pool out of which cash bonus awards ('Awards') can be paid to eligible employees including Material Risk Takers based on a combination of the Bank's overall performance and their own individual contribution, subject always to any regulatory or legal obligations and to the interests of shareholders following authorisation by the REMCO ('Committee') and ratification by the Board.

The Committee monitors progress against a Balanced Scorecard and at the end of the year the CEO will present an evaluation of performance and propose a bonus pool based on the Bank's performance. The Committee will make an assessment of performance taking input from the Board Risk Committee and Board Audit & Compliance Committee as appropriate. The mid-year review will help inform the bonus accrual process.

On reviewing the Bank's performance, the Committee will determine its overall performance and make its decision on the size of the bonus pool taking into account the Bank's overall financial position, the short-term outlook and shareholder interests.

The indicative discretionary bonus pool will be set out in-line with the table below based on the sum of individual maximum awards.

The overall pool will be made up of the pots allocated for the Executive, Senior Managers and Heads and Other staff. For accounting purposes however, there will be one overall bonus figure approved by the Committee.

The Committee will need to consider if Bank performance at a given level would justify the funding to meet maximum. In practice it is proposed that funding is initially set at 75% of maximum for a mid-range Target performance with any adjustment to this total made at the Committee's discretion to reflect Bank performance above or below this level.

Bank Performance	A Executive Directors	B Senior Managers & Heads	C Other Staff	A + B + C Total £
Below Threshold	As determined	Individual awards to support retention etc.	Individual awards to support retention etc.	A + B + C
Threshold	As determined	Enough to pay target bonus (Rating 2)	Enough to pay target bonus (Rating 2)	A + B + C
Target	As determined	Enough to pay target bonus (Rating 3)	Enough to pay target bonus (Rating 3)	A + B + C
Strong	As determined	Enough to pay target bonus (Rating 4)	Enough to pay target bonus (Rating 4)	A + B + C
Outstanding	As determined	Enough to pay target bonus (Rating 5)	Enough to pay target bonus (Rating 5)	A + B + C

The Board Risk Committee and Board Audit & Compliance Committee could make a recommendation for the Bonus Pool to be reduced. Equally the Board may not ratify the pool recommended by REMCO and may reduce it.

The rationale for discretion by the Board on the pool size would be in line with the Balance Score Card measures taking into account the Bank's overall financial position, the short-term outlook and shareholder interests.

The AIP includes a Balanced Scorecard which is reviewed and agreed annually (by the REMCO. The four broad categories in the Bank's Scorecard applicable to the Performance Period are Financial; Customer Services; Banking Operations & Controls; and Organisational Capacity.

Awards are allocated to employees in accordance with their performance rating against annual objectives. Performance Periods for determining both the Pool and individual awards will be aligned with the GHIB financial year starting 1 January and ending 31 December. Awards will be paid as soon as practicable after the end of each Performance Period subject to any requirement for Deferred Awards.

No person may receive in any financial year Awards under the AIP with a value of more than 100% of their base salary (as at the date of payment of the Award) or, in the case of Executive Directors, up to 200% with shareholder approval.

All GHIB employees will be eligible to be considered to receive awards if they have been employed for the whole of the performance year. Awards will be paid at the discretion of the CEO and the Committee and will not form part of employees' contracts of employment. Whilst the rules say that an employee must have been employed for the whole of the performance year discretion may be applied to consider those who started during the performance year. In the 2021 performance year the scheme had 177 participants (2020: 139).

Allocation of Awards for the CEO and the Deputy Chief Executive Officer & Chief Operating Officer will be at the discretion of the Board through REMCO. For other employees, allocation of awards will be at the discretion of the CEO or his delegate(s). Individual Awards will be allocated as follows.

Awards will be allocated to employees in accordance with their performance against annual objectives defined under categories in the form of a performance scorecard over a 12-month period as indicated by their performance rating. The score card will incorporate appropriate risk criteria and the Committee will seek input on any risk adjustments from the BACC and BRC respectively.

Award levels will vary by employee level and individual performance– actual award levels will be subject to Pool funding and the distribution of Ratings across all employees.

Indicative Individual Awards are determined by an assigned rating subject to moderation based on available Pool funding and the distribution of Ratings across all GHIB employees i.e. the allocation of awards is predicated on a broadly normal distribution of Ratings across all GHIB employees. Final Award Determined: If the distribution is skewed such that more employees are rated 4 and 5 than are rated 1 and 2, funding will be insufficient and Final Awards will be lower on average than indicative.

Pool funding is absolute and may not be exceeded. Pool funding may only be transferred between the Senior Manager & Heads funding allocation and the Other Staff funding allocation with the approval of the Committee.

A review of the general principles of the Bank's Remuneration Policy takes place on a regular basis and is reported to the Committee.

The GM Compliance and MLRO and CRO report to Executive Management, but with dotted reporting lines to the Chairs of the BACC and BRC respectively. This ensures that Risk and Compliance measures are incorporated into the remuneration policies and awards.

The Heads of the control functions are fully empowered with direct access to Board members and are not directly controlled or constrained by Management.

Remuneration of the Heads of Control functions is determined following prior consultation with the Committee. Control Function Head's Awards will be subject to the procedures applied to all staff generally. However, given their role, their awards will be subject to specific additional comments, and where necessary additional recommendations by the CEO. In such circumstances such recommendations should also be supported by the BACC and BRC and recommended for approval by REMCO.

Both the GM Compliance and MLRO and CRO are remunerated against external management data for fixed remuneration and against personal objectives for bonus purposes linked to Compliance and Risk Management deliverables.

The AIP is discretionary and has in-built mechanisms for determining a bonus pool. In the event that performance is weak or loss-making the determination to make any bonus award is at the discretion of the Board and on the recommendation of REMCO. It could be a pool of zero.

The Bank only offers cash variable remuneration, other instruments are not applicable.

Due to the Bank being proportionality level 3, deferrals are not a mandatory aspect of the GHIB Bonus policy. However, there may be instances when part of an award could be considered for a deferral if the Committee believes an award materially exceeds an individual's full year salary.

Such deferral should be for one or two years. Where an Award is made with a significant consideration to retention of the employee, in such a scenario the payment may be spread over more than one or two years mentioned above. Deferred Awards may be cancelled by the Committee in the event of:

- material misstatement of results
- material breaches of risk controls
- participation in or responsibility for conduct which results in significant losses to the institution
- failure to meet appropriate standards of fitness and propriety
- resignation or termination of employment for any reason other than redundancy, disability or death; or
- Any other event which in the opinion of the GHIB Board constitutes a failure, breach, act or omission which negatively impacts the Bank's liquidity, capital, reputation or risk profile.

In addition to cash remuneration, a pension contribution of 12.5% per annum of base salary and other core benefits such as private medical insurance and death in service cover are provided to all employees.

The Bank does not have any staff whose remuneration is more than €1m and qualify as high earners.

REM 1 Remuneration during the Financial Year 2021

			A	B
	Remuneration Amount		Senior Management	Other Material Risk Takers
1	Fixed Remuneration	Number of Employees	18	10
2		**Total fixed remuneration (3+5+7)**	£2,914,797	£771,299
3		of which cash based	£2,820,508	£771,299
4		of which deferred	Na	Na
5		of which shares or other share linked instruments	Na	Na
6		of which deferred	Na	Na
7		of which other forms	£94,289	Na
8		of which deferred	Na	Na
9	Variable remuneration	Number of Employees	10	10
10		**Total variable remuneration (11+13+15)**	£340,017	£66,260
11		of which cash based	£340,017	£66,260
12		of which deferred	Na	Na
13		of which shares or other share linked instruments	Na	Na
14		of which deferred	Na	Na
15		of which other forms	Na	Na
16		of which deferred	Na	Na
17		Total remuneration (rows 2 + 10)	£3,254,814	£837,559

NB: Fixed remuneration consists of base salary, company pension and any other fixed allowances. Variable remuneration consists of the discretionary annual bonus awarded in respect of performance during 2021.