Ghana International Bank plc

Pillar 3

as at 31st December 2022

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ACRONYMS

ALCO	Asset and Liability Management Committee
BACC	Board Audit & Compliance Committee
BCBS	Basel Committee on Banking Supervision
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 Operating 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
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 although it is majority owned by the Bank of Ghana with a 65% ownership stake as at 31 December 2022. 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 CRR 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 the 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 2022 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 2022.

1.2 Highlights

Slower global economic growth in 2022 meant a tougher operational environment than anticipated in our key markets. Our major markets, Ghana and Nigeria, experienced the effects of the slowdown in global growth.

In Ghana, the operating environment was challenging, and the economy faced significant headwinds as the effects of the Ukraine-Russia war and Covid-19 adversely impacted the economy. GDP growth for 2022 was estimated at 3.7%, lower than the previous year's growth of 5.4%. Food and non-food price rises drove a sharp increase in inflation. The monetary policy rate almost doubled, from 14.5% in January to 27% in December 2022. The Ghana Cedi depreciated significantly against the major currencies.

During the year, the Ghana sovereign rating was downgraded by several rating agencies and the country stopped paying most of its external debts at the end of the year, while discussions were held with the International Monetary Fund (IMF) to secure a credit facility to complement ongoing efforts to achieve debt sustainability. In May 2023, the IMF approved a $3bn loan necessary for its debt-restructuring that was vital to resolving the country's long-running economic and financial crisis.

Against this backdrop, a post-tax loss of £10.1m was recorded by GHIB in 2022, compared to a post-tax loss of £12.5m in the previous year.

A one-off financial penalty of £5.8m, relating to historic matters was imposed on the Bank in 2022. This fine significantly contributed to the above statutory loss. The Bank directors are of the view that the fine should be excluded in assessing the underlying performance for the year. On this basis, the underlying performance of the Bank was a loss before tax of £4.3m in 2022, a significant improvement on losses in 2021 of £12.5m. This was predominantly a result of operating income, which grew by £10.7m (66%). Total interest income grew by £11.2m (88%) and Total non-interest income was up £1.5m (25%). Interest income improved, particularly as a result of a rise in market interest rates and favourable exchange rates. Underlying operating expenses (excluding the impact of the financial penalty) increased by £1.7m (6%) driven by further investment to enhance customer experience and operational resilience, as well as to strengthen systems and controls across the Bank. As planned, the annual rate of increase in operating expenses has reduced, comparing 6% in 2022 to 21% in 2021.

Total provisions for credit losses increased from £2.6m in 2021 to £4.9m in 2022. Underlying operating expenses (excluding impact of the financial penalty) increased by 6% to £29.3m (2021: £27.7m). Staff costs went up by 13% to £18.9m. The Bank invested significantly in people and the average headcount, including the Executive Directors, was up 7% to 182. This investment was a continuation of the Bank's efforts to strengthen our staff base and governance structure, controls and compliance with regards to financial crime. We have grown our teams in our Onboarding, Transformation and Program Management Office, Technology, Compliance, Legal, and Client Coverage departments. This investment in talent will help us to achieve our business strategy through an improved base strength and technology innovation.

In December 2022, the Board of Directors approved a three-year business plan to run from 2023 to 2025. The Plan re-emphasises GHIB's trade finance focus and diversification strategy outside its main market, Ghana. The Bank has built strong relationships in the West African Sub-region and plans to consolidate these relationships within the strategic period, whilst tapping into new markets in East Africa.

With regards to new business, which was limited in recent years whilst the focus was on strengthening internal controls and governance in consultation with the regulators, the Bank will take a considered and measured approach in 2023 and beyond, to grow its client base and deliver on its diversification strategy. GHIB will also build strong partnerships with like-minded commercial and development finance institutions to support development of Africa trade through the provision of funding or other capital enhancing instruments, to deploy scale.

Ongoing investments to enhance customer experience and operational resilience, as well as the further strengthening of systems and controls across the Bank, have increased costs in the short-term. The challenging global economic environment, whilst presenting risks, especially to the valuation of securities and loan loss provisions, also presents a number of business opportunities for GHIB in its existing and new markets.

Following reduced losses before tax in 2022, improved operating income and a slowdown in increases in operating expenses, GHIB has forecasted a return to profitability in 2023. GHIB's focus on investment, supported by a strong balance sheet, will provide a robust foundation for future growth, and prepare GHIB for a bright and bold future in an increasingly challenging market.

CET1: The Bank is well capitalised with a Common Equity Tier 1 (CET1) ratio of 28.27%, 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 2022, (a measure of capital as a proportion of total assets), of 23.9%, 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	28.27%	Minimum amount of CET1 capital that needs to be maintained, expressed as a % of the total risk exposure amount.	
Surplus(+)/Deficit(-) of CET1 capital	127,822		4.50
T1 Capital ratio	28.27%	Minimum amount of Tier1 capital that needs to be maintained, expressed as a % of the total risk exposure amount.	
Surplus(+)/Deficit(-) of T1 capital	119,756		6.00
Total capital ratio	28.27%	Minimum amount of total capital that needs to be maintained, expressed as a % of the total risk exposure amount.	
Surplus(+)/Deficit(-) of total capital	109,002		8.00

The Bank complied with all externally imposed capital adequacy requirements throughout the year ending 2022. The Bank's total equity as at 31 December 2022 was £157.8m as published in the Bank's Annual Report and Financial Statements 2022. However, regulatory available capital used for calculating capital ratios stood at £152.0m (adjusted for items such as other intangible assets, and additional valuation adjustments (AVA)).

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 2022. In 2022, the majority shareholder injected £50m of common equity (Common Equity Tier 1 or CET1) capital, to support risk asset and income growth.

1.3 Scope of Application

The Bank has complied with the PRA's prudential capital regulations (CRR), as set out 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 2022.

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 2022 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 2022.

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 2022. This Pillar 3 Disclosures report was reviewed by the Bank's Executive Committee (EXCO), Asset and Liability Management 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 2022 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 2022 it had a total regulatory capital base of £152m, with strong key ratios created under CRR2 are shown below. Because the rules governing the creation of one of the ratios (NSFR) changed from 1st January 2022, the comparative data for the prior years are not available.

Table1: Key Metrics ratios as at 31 December 2022

	Available own funds (amounts)	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
1	Common Equity Tier 1 (CET1) capital	152,019	120,301	131,539	137827.8	137,348
2	Tier 1 capital	152,019	120,301	131,539	137827.8	137,348
3	Total capital	152,019	120,301	131,539	137827.8	137,348
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	537,708	450,231	372,287	329,256	367,149
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	28.27%	26.72%	35.33%	41.86%	37.41%
6	Tier 1 ratio (%)	28.27%	26.72%	35.33%	41.86%	37.41%
7	Total capital ratio (%)	28.27%	26.72%	35.33%	41.86%	37.41%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure					
UK 7a	Additional CET1 SREP requirements (%)1	7.37%	7.37%	7.37%	5.80%	5.80%
UK 7d	Total SREP own funds requirements (%)	15.37%	15.37%	15.37%	13.80%	13.80%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	1.88%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.00%	0.00%	0.01%	0.01%
11	Combined buffer requirement (%)	2.55%	2.50%	2.50%	2.51%	1.88%
UK 11a	Overall capital requirements (%)	17.92%	17.87%	17.87%	16.31%	13.80%
12	CET1 available after meeting the total SREP own funds requirements (%)	12.90%	11.35%	19.96%	28.06%	23.61%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	637,251	791,289	767,198	686,553	716,336
14	Leverage ratio excluding claims on central banks (%)	23.86%	15.18%	17.10%	19.99%	19.07%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	306,067	236,427	199,128	206,996	243,374
UK 16a	Cash outflows - Total weighted value	298,700	249,962	256,894	221,049	196,857
UK 16b	Cash inflows - Total weighted value	345,041	249,320	248,271	146,701	92,595
16	Total net cash outflows (adjusted value)	74,675	62,491	64,224	74,348	104,262
17	Liquidity coverage ratio (%)	409.87%	378.34%	310.06%	278.41%	233.43%
	Net Stable Funding Ratio*					
18	Total available stable funding	370,817				
19	Total required stable funding	126,647				
20	NSFR ratio (%)	292.79%				

* Comparable figures for other periods are not available because the new NSFR rules from CRR2 only commenced in 2022

The Bank experienced an increase of 19% in risk weighted assets (£450.23m in 2021 to £537.71m in 2022) which was driven by increased risk weights on exposures arising from the Ghana sovereign credit downgrades during the year. In line with the measured approach taken by management in granting credit, the Total tier 1 ratio was 28.27% which is above the 2021 calculation of 26.72% and well above the Bank's regulatory requirement.

As at 31 December 2022, the composition of GHIB's high quality liquid assets (HQLA) was as follows: £157,500,000 in GHIB's Bank of England reserve account, £135,122,228 in US Treasury Bills, £13,294,150 in German Government Treasury Bills and £150,933 held at the Bank in its vault.

The leverage ratio as at 31 December 2022 was 23.86%, 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.

Following the Coronavirus epidemic, the UK began to gradually open up, and GHIB transitioned to a hybrid working model, a mix of remote and office work. We continue to monitor the pandemic's potential impact.

During the year, the Ghana sovereign rating was downgraded by several rating agencies and the country stopped paying most of its external debts at the end of the year, while discussions were held with the International Monetary Fund (IMF) to secure a credit facility to complement ongoing efforts to achieve debt sustainability. In May 2023, the IMF approved a $3bn loan necessary for its debt-restructuring that was vital to resolving the country's long-running economic and financial crisis. The following key movements were experienced in credit exposures:

• Twelve obligors had their credit gradings downgraded to the extent that their balances were transferred from stage 1 to stage 2 and lifetime expected credit losses recognised. Expected credit losses for these twelve obligors were £0.4m at 1 January 2022 and had increased to £1.6m at 31 December 2022. These movements from stage 1 to stage 2 during the year were due to the downgrade of obligors in GHIB's main market, Ghana. The Ghana sovereign rating was downgraded by a number of rating agencies in the year, reflecting a perceived increase in the risk environment.

• One exposure was transferred from stage 1 into stage 3 as credit impaired. Lifetime expected credit losses were recognised and interest calculated on a net basis, where interest income is calculated based on the gross carrying amount less ECL. This exposure pertains to $7m of Ghana Sovereign Eurobonds, for which there has been a suspension of debt service payments and are part of an ongoing debt restructuring program. The bonds are classified as FVOCI, which as at 31 December 2022 had a carrying amount of £2.5m

• One obligor had their credit gradings upgraded to the extent that their balances were transferred from stage 2 to stage 1 and twelve month expected credit losses recognised. This pertained to an exposure in Nigeria that had improved credit risk, for which expected credit losses were £76k at 1 January 2022 and had decreased to £15k at 31 December 2022.

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 adequacy requirements throughout 2022. 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 designed 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-22	Capital Requirement (£ '000)	RWA (£ '000)	Exposure at Default (£ '000)
Central Gov/Central Banks	2,805	35,066	338,968
Corporates	21,991	274,893	185,252
Insitutions	10,025	125,314	355,672
Other Items	1,671	20,893	37,639
Public Sector Entities	3,009	37,618	25,733
Retail	11	133	178
Total	**39,513**	**493,919**	943,443
Credit and counterparty risk			39,513
Operational Risk basic Indicator Approach			2,690
Market risk			813
Total Pillar 1 Requirement			43,017

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 2022	(£ '000)
Equity as per published financial statement		**157,849**	
Adjustments:			
-Deferred Tax		4	
-FVOCI revaluation Reserve		(413)	
-Value adjustment (due to prudent valuation)		(170)	
-Other intangibles assets		(5,252)	
Common Equity Tier 1 (CET 1) capital regulatory adjustments		**152,019**	

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 Bank's 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 GHIB is, or may become, exposed to. It also ensures that the risks which the Bank is or may become exposed to, are appropriately identified and that those which the Bank decides to assume, are managed, so that GHIB 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, 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 role 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 to the achievement of business objectives
- define our risk appetite and ensure that business plans and deliverables are consistent with the risk management strategy
- ensure that the risk appetite and business plans are supported by effective processes, risk controls, technology, and people capabilities
- ensure a sound oversight of the control framework and risk-aware culture
- monitor and report the level of our key risks against the defined risk appetite
- Manage GHIB's risk profile to ensure that the business strategy can withstand a range of adverse conditions
- manage risk within the business units with effective independent oversight; and
- Construct our compensation practices to reward only prudent risk taking within our 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 governance Committees. The Bank`s approach includes identification of Inherent Risks and of Residual Risks after considering 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, and also by Line Management at monthly meetings 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 a 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 to 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 markets 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 measures 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) overseeing that a sufficient control environment is in place 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.

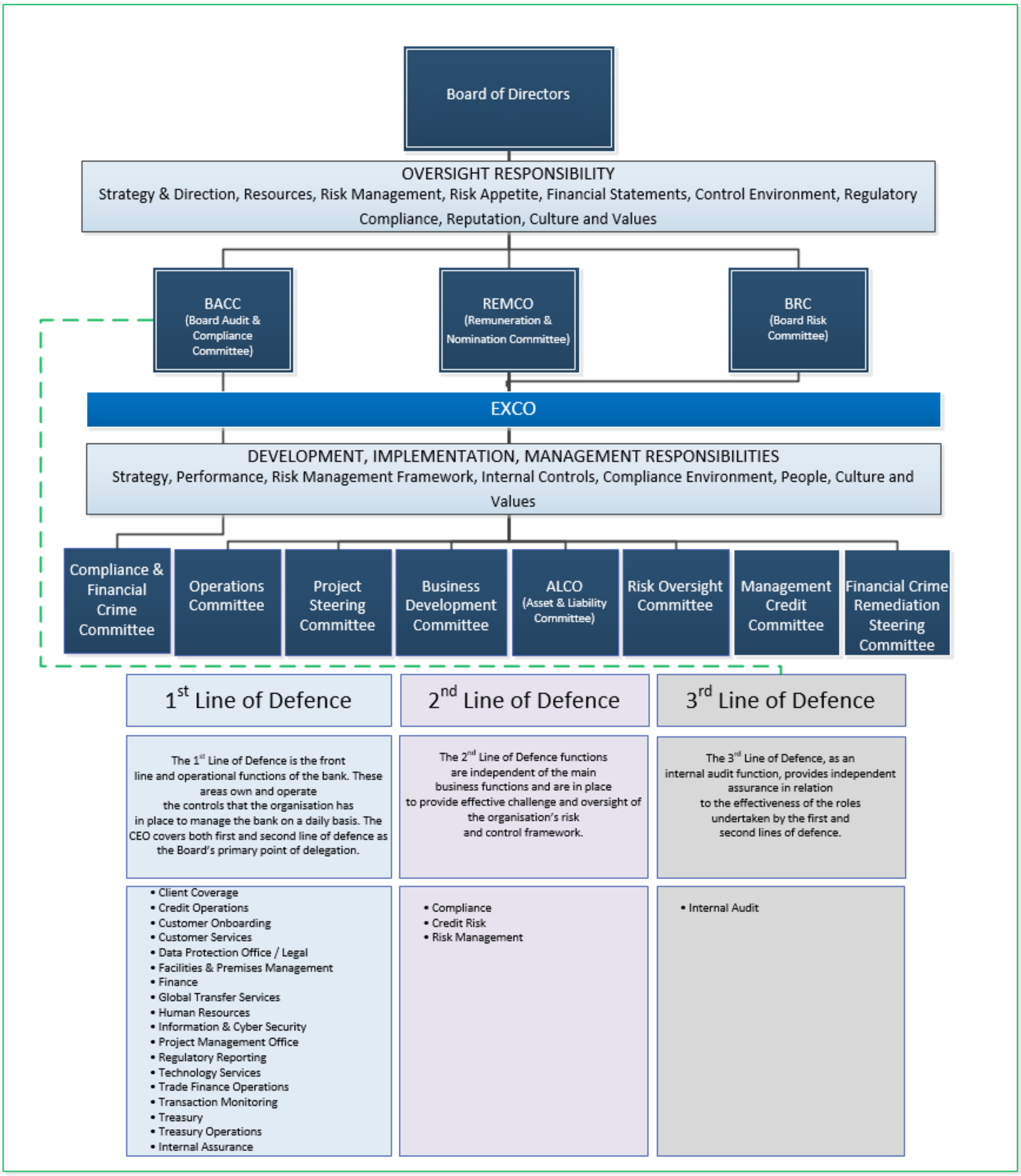
4.5.1 Three Lines of Defence

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 by 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) and two Executive Directors as follows: five NEDs, including the Board Chair, are nominees of the Bank's key shareholders; three (3) of our NEDs are independent (INEDs); and two (2) Executive Directors, the Chief Executive Officer and, Deputy Chief Executive Officer & Chief Operating Officer.

The Board meets as a minimum, at least five times a year.

Board Recruitment and Diversity Policies

Our Board Recruitment and Diversity Policies support GHIB's commitment to cultivating a diverse and inclusive culture. The RemCo reviews the composition of the Board and its Committees on a periodic basis, identifying and recommending for approval suitable candidates to fill any Board vacancies. Appointments are made on merit, following an evaluation of the balance of knowledge, skills, diversity, and experience of the Board. The Committee aspires to meet the targets set out in the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity, albeit, the Board recognises the limitations posed by the size of the Bank and its atypical structure, by which its largest Shareholders may respectively nominate Directors to the Board. Only firms which have signed up to the 'Standard Code of Conduct for Executive Search Firms" are retained by the Board to identify Board candidates for which a market hire is sought. The Bank remains fully committed to the elimination of unlawful and unfair discrimination and values the differences a diverse Board brings to the Bank.

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 and Compliance Committee

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 content of the Annual Report and Financial Statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the Shareholders to assess the Bank's performance, business model and strategy as well as to recommend the Annual Report and Financial Statements to the Board for approval.
- 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, in relation to the appointment, re-appointment and removal of the External Auditor and to 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's 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 have 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.

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 - General Manager Compliance/MLRO
- General Manager Client Coverage - **GM CC**
- General Manager Operations - **GM OPS**
- General Counsel/Company Secretary - **GCCS**
- Head of People, Culture and Communication - **HPCC**

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 in 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 provide oversight of certain risk areas and report back to **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. It has a delegated credit sanction authority (below £15 million) which is exercised by the Management Credit Committee.

Operations Committee (OPC)

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

Generally, **OPCO's** responsibilities are to ensure that **GHIB**'s operations are aligned 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 of up to a maximum limit of fifteen million pounds (£15 million)
- Monitor the performance and management of approved credits.

Asset and Liability Management Committee (ALCO)

ALCO is generally responsible for prudently 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.

The subcommittee comprises nine (9) members and is chaired by the CEO.

Compliance and Financial Crime Committee (CFCC)

CFCC comprises twelve (12) members and is chaired by the General Manager Compliance & MLRO. The Subcommittee's responsibilities include, to:

- Regularly review 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.

Risk Oversight Committee (ROC)

ROC provides 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:

- To provide management oversight and recommend the approval of the enterprise risk management framework to the BRC.
- to propose the Bank's risk appetite and risk tolerance appropriate to each business line of the Bank.
- to recommend the design and provide management oversight of the design and execution of stress and scenario testing.
- to 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.
- to provide management oversight of processes and systems for identifying and reporting risks and risk-management deficiencies, including emerging risks, on an enterprise-wide basis.
- to 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.
- to implement effective and timely corrective actions to address risk management deficiencies; and
- to integrate risk management and control objectives in Management goals and the Bank's compensation structure.

ROC has ten (10) members and is chaired by the **CRO**.

Business Development Committee (BDC)

The main purpose of the Subcommittee is to develop and recommend business development strategies to **EXCO** and the Board and continuously assess the implementation of business strategies in line with set objectives which among others includes the development of new products. In addition, **BDC** monitors customer satisfaction and develops strategies to enhance customer experience; identifies new business in selected segments and jurisdictions and develops new markets in Africa. Further, its responsibilities also include ensuring the activities of the Bank's Front Office comply with applicable internal and external regulations and is adequately resourced and structured for the effective management of all risk including financial crime risk. The Subcommittee is chaired by the **CBO** and has ten (10) members.

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 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, Gambia, Kenya 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 Risk Committee respectively and reported to the Board of Directors in accordance with the Bank's Risk Appetite Statement and Credit Risk Management Policy, including large exposures.

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 2022

Template UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques					As at 31 December 2022 (£'000)
Exposure Category	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	£'000	£'000	£'000	£'000	£'000
1 Loans and advances	553,867	24,604	24,604		
2 Debt securities	170,000	-	-		
3 Total	**723,867**	**24,604**	**24,604**	-	
* Exposures are reported gross (before netting off provisions) 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 2022

Maximum Exposure		
Exposure Class	**EAD (£'000)**	**RWA (£'000)**
Agriculture, Forestry and Fishing	22,705	5,964
Sovereign	340,762	35,365
Finance Industry	503,749	344,787
Business Services	12,209	18,314
Transport, Utilities & Storage	51,824	68,761
Personal	178	133
Other Items	12,016	20,594
TOTAL	**931,427**	**473,324**

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 2022

As at 31 December 2022	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	29,004	31,293	157,776	-	13,294	-	138,895	3,772	338,968	35,066
Corporates	184,422	274,064	-	-	-	-	830	830	185,252	274,893
Institutions	2	1	111,493	46,543	41,526	8,305	202,652	70,465	355,672	125,314
Other items	25,624	299	12,016	20,594	-	-	-	-	37,639	20,893
Public sector entities	25,733	37,618	-	-	-	-	-	-	25,733	37,618
Retail	55	41	112	84	11	8	-	-	178	133
Total	264,839	343,316	281,396	67,222	54,831	8,313	342,376	75,067	943,443	493,919

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 2022

Industry Analysis of Exposure

Exposure Class	Agriculture (£'000)	Business Services(£'000)	Finance Industry-Banks(£'000)	Personal(£'000)	Sovereign(£'000)	Transport, Utilities and Storage(£'000)	Others(£'000)
Central governments / central banks	-	-	-	-	338,968	-	-
Corporates	829.57	12,209	146,615	-	-	25,598	-
Institutions	-	-	355,672	-	-	-	-
Other items	18,453	-	48	-	1,794	5,329	12,016
Public sector entities	3,423	-	1,413	-	-	20,897	-
Retail	-	-	-	178	-	-	-
Total	22,705	12,209	503,749	178	340,762	51,824	12,016

5.1.2.4 Maturity Analysis of Exposure

Table 8: The Bank's credit exposures by residual contractual maturity date as at 31 December 2022

Maturity Analysis of Exposure

	<1 Year £'000	1-5 years £'000	>5 years £'000	Total £'000
Central governments / central banks	315,936	14,848	8,184	338,968
Corporates	180,749	4,503	-	185,252
Institutions	354,754	919	-	355,672
Other items	33,499	-	4,140	37,639
Public sector entities	14,351	11,383	-	25,733
Retail	21	157	-	178

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 2022.

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	-	557,678	17,750	-	-	575,429
2	Debt securities	-	148,815	9,154	12,031	-	170,000
3	*Total*	-	706,493	26,904	12,031	-	745,428

* 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 or past due as at 31 December 2022. The non-performing exposures reported below (Table 10) are from exposures to the Ghana government, which were prompted by various rating agencies downgrading the country's credit rating.

Table 10: Exposure at Default (EAD) displayed by risk weight band as at 31 December 2022

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%	306,192	-	-	24,280	-	-
1-20%	-	-	175,072	1,495	-	-
21-50%	-	-	180,600	-	-	-
51-75%	-	-	-	-	-	178
76-100%	28,196	5,969	-	11,865	1,964	-
101-150%	4,580	179,283	-	-	23,770	-
>150%	-	-	-	-	-	-
Total	**338,968**	**185,252**	**355,672**	**37,639**	**25,733**	**178**

Table 11: Credit quality of performing and non-performing exposures as at 31 December 2022

Template UK CR1: Performing and non-performing exposures and related provisions.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
1	**Loans and advances**	**423,737**	**311,059**	**112,678**	-	-	-	**1,978**	**681**	**1,377**	-	-	-
2	*Central banks*												
3	*General governments*	17,650	16,541	1,109				84	81	3	-		
4	*Credit institutions*	354,125	283,833	70,292				1,118	407	711	-		
5	*Other financial corporations*	16	16					-	-		-		
6	*Non-financial corporations*	51,769	10,492	41,277				776	114	662	-		
7	*Of which SMEs*												
8	*Households*	178	178					0	0		-		
9	**Debt securities**	**167,490**	**165,421**	**2,069**	**2,510**		**2,510**	**71**	**26**	**44**	**1,731**	-	**1,731**
10	*Central banks*												
11	*General governments*	162,068	159,999	2,069			2,510	67	23	44	1,731		1,731
12	*Credit institutions*	4,592	4,592					3	3		-		
13	*Other financial corporations*												
14	*Non-financial corporations*	830	830					-			-		
15	**Off-balance-sheet exposures**	**107,023**	**21,775**	**85,248**				-	-	-	-	-	-
16	*Central banks*	-											
17	*General governments*	3,181		3,181									
18	*Credit institutions*	23,637	11,995	11,643									
19	*Other financial corporations*	-											
20	*Non-financial corporations*	80,205	9,780	70,424									
21	*Households*	-											
22	***Total***	**698,251**	**498,255**	**199,996**	**2,510**	**-**	**2,510**	**2,048**	**627**	**1,421**	**1,731**	**-**	**1,731**

5.1.2.6 Expected Credited Losses under IFRS 9

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: 12 months ECL

Financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date and for which 12-month expected credit losses are recorded at the reporting date are classified in stage 1.

Stage 2: Lifetime ECL- not credit impaired.

Financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date but are not credit impaired and for which lifetime expected credit losses are recorded at the reporting date, are classified in stage 2.

Stage 3: Lifetime ECL - credit impaired

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, are classified in stage 3.

As at 31 December 2022, the Bank recorded a total of £4,888k of provisions for doubtful debts under IFRS 9 (see Table 12 below). This amount represents an increase of £2.3m over last year's amount (£2,551k). It is made up of an increase of £2.8m due to £647.4m of exposures originated or purchased during the reporting period, a decrease of £1.9m due to provisions on £582.8m of exposures that were derecognised, and an increase of £1.4 in provisions on other movements in exposures that were held throughout the period. There were three forms of stage movement during the period as follows: Twelve obligors had their credit gradings downgraded to the extent that their balances were transferred from stage 1 to stage 2 and lifetime expected credit losses recognised. Expected credit losses for these twelve obligors were £0.4m at 1 January 2022 and had increased to £1.6m at 31 December 2022. These movements from stage 1 to stage 2 during the year were due to the downgrade of obligors in GHIB's main market, Ghana. The Ghana sovereign rating was downgraded by a number of rating agencies in the year, reflecting a perceived increase in the risk environment.

One exposure was transferred from stage 1 into stage 3 as credit impaired. Lifetime expected credit were recognised and interest calculated on a net basis, where interest income is calculated based on the gross carrying amount less ECL. This exposure pertains to $7m of Ghana Sovereign Eurobonds, for which there has been a suspension of debt service payments and are part of an ongoing debt restructuring program. The bonds are classified as FVOCI, which, as at 31 December 2022, had a carrying amount of £2.5m. Management have applied the use of different reasonable probability-weighted scenarios for the calculation of the ECL for stage 3 exposures.

One obligor had their credit gradings upgraded to the extent that their balances were transferred from stage 2 to stage 1 and twelve month expected credit losses recognised. This pertained to an exposure in Nigeria that had improved credit risk, for which expected credit losses were £76k at 1 January 2022 and had decreased to £15k at 31 December 2022.

Table 12: Provisions for credit losses under IFRS 9

	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£000's	£000's	£000's	£000's
Balance as at 31 December 2020	**637.263**	**825.947**	**-**	**1463.21**
Changes in loss allowance:				
Transfer between stages	-63	63	-	-
Charge to income statement	642	449	-	1,091
Foreign exchange movements	-2	-2	-	-4
Balance as at 31 December 2021	**1,214**	**1,336**	**0**	**2,551**
Changes in loss allowances:				
Transfer between stages	-487	485	2	-
Charge to income statement	31	184	1,771	1,986
Foreign exchange movements	98	253	-	351
Balance as at 31 December 2022	**856**	**2,259**	**1,773**	**4,888**
			2022	**2021**
			£000's	**£000's**
Provision on placements, loans and Advances to Banks			1,310	743
Provision on loans and advances to customers			1,733	1,727
Provision on government and other securities			1,845	81
Total provision for credit losses and provisions held on assets			**4,888**	**2,551**
			2022	**2021**
Of which provisions for Contigent liabilities:			**£000's**	**£000's**
Provision on Placements, loans and advances to banks			247	199
Provision on Placements, loans and advances to Customers			910	162
Provision on government and other securities			-	-
Total provision for credit losses on contigent liabilities			**1,157**	**361**

5.2 Market Risk

Market Risk refers to the risk of a change in the actual market value or earnings of the bond portfolio and other financial instruments caused by adverse movements in asset prices, foreign exchange or interest rates. The Bank is exposed to foreign exchange risk as a result of mismatches between the currencies of its assets and liabilities.

The Asset and Liability Management Committee (ALCO) monitors asset pricing risk and special sessions are convened when there are significant movements in the value of the portfolio. Interest Rate Risk in the Banking Book (IRRBB) arises where there is potential for changes in benchmark interest rates (including Base Rate and other benchmark rates) to result in a movement in the Bank's future revenue and net interest income.

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 £2.5m.

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 because 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 III, 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 2022, both the Bank's Liquidity Coverage Ratio (LCR), at 409%, and the Net Stable Funding Ratio (NSFR), at 292%, were well above the minimum regulatory requirement of 100%.

Table 13 LCR as at 31 December2022

C 76.00 - LIQUIDITY COVERAGE - CALCULATIONS

	Currency	Total currencies	TOT

			Value / Percentage
			010
CALCULATIONS			
Numerator, denominator, ratio			
010	1	Liquidity buffer	306,067
020	2	Net liquidity outflow	74,675
030	3	Liquidity coverage ratio (%)	409.87

5.5 Conduct Risk

The Bank has 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 overriding goals are to:

- serve its customers well
- operate with a sustainable and conservative risk profile; and
- 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 adverse 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 always protect and enhance its reputation through on-going identification and assessment of reputational risk events and establishment of clear mitigating plans and actions.

The Bank has taken several 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 activities. 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 employment laws and
- Contractual Failure

Local knowledge is paramount to mitigating legal and regulatory risks. Thus, as well as having an inhouse legal function, using reputable legal counsel (overseas and local) for documentation, developing in-house knowledge, 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 informing 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 contributes to a defined contribution scheme, and its obligations are limited to its contractual contributions which are agreed and known. Contributions are expensed as incurred. The Bank therefore does not have any pension obligation risk which is considered as 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. The risks include:

- Breach of global sanctions regimes
- Tax evasion regulations

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 2022 was 16.11% (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 2022.

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

GHIB has historically used Libor for the pricing of its USD loans. In 2022, the Bank set-up a working group to manage the transition of its exposures into alternative indices. As of December 2022, GHIB had exposures to 4 counterparties (maturing between 2024 and 2026) that were priced using USD Libor. GHIB does not have any GBP exposures pricing using Libor.

For all the syndicated Libor linked loans, GHIB has liaised with the lead arrangers to agree alternatives to Libor and is following market developments.

For all the bilateral Libor linked loans, GHIB has already contacted its customers to advise them of the impending change in the reference rate. Those exposures are predominantly short term and those customers that will be affected have agreed to the pricing that the bank will be adopting.

As part of the implementation project, GHIB has already updated its banking system to handle the calculation of interest rate using the new risk-free rates and credit adjustment.

As such the Bank considers that it does not need to allocate any Pillar 2a capital in relation to risks related to Libor transition.

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 or 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. Climate change represents a material financial risk to all regulated firms and the financial system.

The PRA issued a supervisory statement (SS3/19) in April 2019 which highlighted the Regulator's expectation on how consideration of the financial risks from climate change are embedded in banks' governance processes, incorporate the financial risks from climate change into existing financial risk management practice using scenario analysis to inform strategy setting and risk assessment and identification and develop an approach to disclosure on the financial risks from climate change.

The Bank has reviewed its governance structure and allocated roles and responsibilities relating to climate risk to various committees and executive managers across the 3 lines of defense. All policies, procedures, and controls in the second line of defense to ensure that climate risk is effectively monitored, managed, and reported across GHIB has been reviewed.

The Bank has developed an appropriate risk appetite statement that includes qualitative and quantitative parameters, as well as metrics to monitor the appetite. We will continue to follow regulatory guidance and to enhance 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 change risk strategy.

We developed 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.

5.20 Model Risk Management Risk

Model risk refers to the risks in GHIB's risk management process arising from a) the incorrect use; or b) the misuse of models. Models used in stress testing affect the decisions made by the Bank in relation to capital adequacy and incorrect models or misused outputs from models can potentially have a material impact on capital adequacy.

6. Asset Encumbrance

The Bank held a total £38.99m in encumbered assets at the end of 31 December 2022. The activities that resulted in asset being encumbered are limited to Trade Finance LCs.

7. Remuneration Policy

For the year-ended 31st December 2022, the current remuneration guidance for the Bank is based on the PRA Rulebook, the PRA Supervisory Statement – SS2/17 on Remuneration, 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 at least quarterly. 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, three of whom are independent Non-Executive Director ("INED.") including the REMCO Chair. 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.
Executive Directors of the Bank and the Head of People, Culture & Communication are standing invitees at REMCO meeting, The REMCO Chair may also invite any member of staff to attend meetings, either regularly or specifically. Senior colleagues from Compliance and Risk Management functions may also attend from time to time at the invitation of the Chair.

The Bank's remuneration policy applies to all employees in the London office and the Bank's representative office in Accra. The activities of REMCO are listed on page 13 of the document.

Identified Staff

For the purposes of the Bank's 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 and supports the Bank's strategic objectives. The overarching principles of the policy are to:

- retain, develop, and attract effective, motivated, and competent employees in a competitive market;
- encourage behaviour that is aligned and consistent with GHIB values, promoting collaboration, results, respect, and integrity;
- offer employees a competitive, market aligned remuneration package, which ensures fixed salaries form a significant part of the overall package, which is affordable to the Bank.
- foster a culture based on merit, where variable remuneration payments (bonus) are made on an entirely discretionary basis, subject to individual performance and the financial performance of GHIB;
- ensure remuneration is in line with regulatory requirements as set out in the FCA and PRA Handbooks;
- create an alignment of interest between the Bank, employees, and its customers;
- ensure GHIB has a risk-focused remuneration policy, promoting effective risk management that does not expose the Bank to excessive risk; and
- ensure GHIB's approach to remuneration meets the Bank's commitment in relation to equal pay, gender pay and non-discrimination.

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 presents an evaluation of performance and proposes a bonus pool based on the Bank's performance. The Committee assesses performance taking input from the Board Risk Committee and Board Audit & Compliance Committee, as appropriate. The mid-year performance evaluation 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 may make a recommendation for a variation of the proposed the Bonus Pool including for this 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 Balanced 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 2022 performance year the scheme had 182 participants (2021: 177).

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 2022

			A	B
	Remuneration Amount		Senior Management	Other Material Risk Takers
1	Fixed Remuneration	Number of Employees	20	24
2		**Total fixed remuneration (3+5+7)**	£3,358,970	£2,397,396
3		of which cash based	£3,260,966	£2,366,933
4		of which deferred	N/A	N/A
5		of which shares or other share linked instruments	N/A	N/A
6		of which deferred	N/A	N/A
7		of which other forms	98,004	30,463
8		of which deferred	N/A	N/A
9	Variable remuneration	Number of Employees	10	24
10		**Total variable remuneration (11+13+15)**	£662,394	£306,672
11		of which cash based	£662,394	£306,672
12		of which deferred	N/A	N/A
13		of which shares or other share linked instruments	N/A	N/A
14		of which deferred	N/A	N/A
15		of which other forms	N/A	N/A
16		of which deferred	N/A	N/A
17		Total remuneration (rows 2 + 10)	£4,021,364	£2,704,068

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 2022.