



**Chartered  
Institute  
of Bankers,  
Ghana**

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**ASSOCIATESHIP EXAMINATION – APRIL 2025**

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**STRATEGIC LEADERSHIP IN FINANCIAL SERVICES**

**LEVEL IV – CASE STUDY**

**PRE-SEEN MATERIAL ON SIMPLE BANK PLC**

**NOTE: CANDIDATES ARE EXPECTED TO READ, ASSESS, ANALYSE, CRITICALLY EXAMINE AND EVALUATE THE CASE STUDY TO BE ABLE TO ADVISE SENIOR LEADERS OF BANKS ON HOW TO RESOLVE SPECIFIC PRACTICAL ISSUES IN AREAS DRAWN FROM THE PRE-SEEN MATERIAL.**

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## **1.0 INTRODUCTION**

Simple Bank Plc has operated in Goldland since 1970. It has 167 branches and is headquartered in Nyanoase, the capital of Goldland. It is a listed indigenous Bank on the Goldland Stock Exchange. It is one of the leading equities on Goldland Stock Exchange because it is positioned and known for its excellent operational performance, highly satisfied customers and clients, strong liquidity, capital and risk management, and predictable, attractive shareholder returns. The functional and reporting currency is in goldis (GLD).

## **2.0 THE ECONOMIC AND BUSINESS ENVIRONMENT**

Goldland is recovering from the recent economic downturn. Key economic indicators show that the environment is turbulent. The industry-wide level of Non-Performing Loans (NPLs) stands at 23 % to the Total Gross Loans and Advances. The Average Interest Rate for businesses stands at 32% except for some targeted loans funded by Development Partners and or Development Financial Institutions (DFIs) that attract an Average Interest Rate of 10%. Recent market research findings show that the market remains sensitive to high interest rates. The economy is heavily dependent on SMEs that have less than 20% of Bank Credit and 10% of their capital needs from Financial Institutions. The fiscal space is tight for the Government, with a Debt to Gross Domestic Product (GDP) standing at 78%. The presence of taxes on financial transactions has affected digital transaction costs. It has also affected the Cash Reserve Holdings of Retail Banks in the country. The Exchange Rate is relatively unstable and has contributed to imported inflation in the country. The current rate of inflation is around 22% with the 3-year Average Rate of Inflation (2022- 2024) in the region of 25%. The economic dislocation caused by the unstable Exchange Rate and Inflation suggests a new approach to Leadership, Governance and Risk Management of banks in Goldland. The uncertainties have fueled the appetite to control costs and review the Business Models of banks in Goldland. The Board of Simple Bank Plc has carried out a review of the previous year's Business Plan which was impacted negatively by these macroeconomic factors like Inflation, Exchange Rate Movement, Debt Sustainability and Prices and Incomes Policies.

The economic situation affected the performance of some major projects in the Transport, Energy, Hospitality and Manufacturing sectors, financed by the Bank. The Finance and Commerce sectors were equally affected. It also affected the level of provisioning made by the Bank and the Business Model being adopted by the Bank.

### **3.0 LEADERSHIP**

The Board of the Bank is the apex body that leads and governs the organisation. The Chairperson of the Board leads the Board and its overall effectiveness in directing the Bank. The Chairperson is to help ensure that the Board and the Executive Team are focusing on the right issues and developing the right purpose and strategy, executing it effectively and with the right values and cultures of the Bank. The Chair is further responsible for:

- Promoting a culture of openness and inclusiveness and facilitating and encouraging open constructive challenge and debate among Directors.
- Ensuring the Board has a clear understanding of Shareholder views at all times.

In a dynamic and rapidly evolving Financial Services sector in Goldland, effective Leadership and Management Theories are essential for shaping organizational strategies and guiding practices. The Board in its recent meeting recognised that Simple Bank Plc, like any other bank, has used Classic Management and Modern Management Theories and Practices to construct its successful organisational structures that have facilitated communications, swift decision-making and execution. Human Resources have made Simple Bank Plc more productive and collaborative. The leadership practices likely to drive success should continue to provide valuable insights into the symbiotic relationship between leadership and organizational performance of the Bank in the Financial Services arena.

The Board and Management recognise that people are crucial to the success of the Bank and its purpose. To retain this source of competitive advantage, leadership's approach had been the rapid evolution of colleague proposition to reflect new working patterns and colleague expectations, while also delivering a sustainable workspace that supports increased collaboration and

innovation. The Bank has sustained its investment in the development of future skills, ensuring that everything done in the Bank is underpinned by a purpose-driven and inclusive culture. The long-term vision is to create a purpose-led future, ready and inclusive workforce in a transformed workspace.

The Chief Executive Officer (CEO) is responsible for driving Customer and Commercial Growth as well as Innovation across all the Bank's Customer Segments - both business and retail - with a focus on the development and launch of new products, customer propositions and go-to-market strategies.

The Deputy Chair and Senior Independent Director supports the Board Chairperson in representing the Board, and acts as a spokesperson for the Bank. He deputises for the Chair and is available to the Board for consultation and advice. The Deputy Chair may also represent the Bank's interests with respect to official enquiries and review bodies. As Senior Independent Director, the position serves as a sounding board for the Chair and CEO. The Deputy Chair acts as a conduit for the views of other Non-Executive Directors (NEDs) and conducts the Chair's Annual Performance Appraisal. He is available to help resolve Shareholders' concerns and attends meetings with major Shareholders and Financial Analysts to understand issues and concerns.

The Non-Executive Directors (NEDs) consist of Independent Non-Executive Directors (INEDs) and Non-Independent Non-Executive Directors (NNEDs). The NEDs challenge Management constructively and help develop and set the Bank's Strategy. They actively participate in Board Decision-Making and scrutinise Management Performance. The Non-Executive Directors satisfy themselves of the integrity of financial information and review the Bank's Risk Exposures and Controls. The Non-Executive Directors, through the Remuneration Committee, also determine the remuneration of Executive Directors.

The Company Secretary or the Chief Governance Officer (CGO) advises the Board on matters relating to governance, ensuring good information flows and comprehensive practical support is available to Directors. The Chief Governance Officer (CGO) maintains the Bank's Corporate Governance Framework and organises Directors' induction and training. Both the appointment and removal of the Bank's Company Secretary is a matter for the Board as a whole.

## 4.0 GOVERNANCE

The Appointments Committee leads the process for Board appointments, ensuring that all appointments are based on merit and objective criteria - focusing on the skills, experience and knowledge required for the Board's effectiveness and to support the continued delivery of the Bank's Strategy - while also promoting diversity of background and opinion. Appointments to the Board are made following a formal, rigorous and transparent procedure, facilitated by the Committee with the aid of external search consultancy firms.

The Board has eleven (11) members. The Board Governance Matrix is presented in Table 1 below.

**Table 1A: Board Governance Matrix- Committees and Membership**

No.	Name of Directors	Position	Number of Years on the Board	Type of Directorship	Qualification and Experience
1	Dr. Mrs. Christine Mercy	Chairperson	6 years	Independent	PhD, FCIB, FCCA
2	Mr. Frank Doe	Member	3 years	Non-Independent	MSc. (Information Security) CISO
3	Dr. Dan Boye	Member	7 years	Independent	PhD in Informatics and Security
4	Mrs. Lily Awo Manu	Member	7 years	Non-Independent	MBA (Finance), CFA
5	Mrs. Rita Adu-Poku	Member	4 years	Executive	MBA (Banking & Finance), FCIB (GH), FCIM (GH), FCCA
6	Mr. Kwame Agyei	Member	5 years	Independent	MSc. (Strategic Management) CIPD
7	Mr. Seth Atsu	Member	6 years	Independent	MSc. (Sustainable Finance) FCCA
8	Mr. John Foli	Member	2 years	Independent	MSc. Finance
9	Dr. Ivy Dame	Member	5 years	Independent	PhD (Organisational

					Science) MBA (Finance)
10	Mr. Ben Sally	Member	6 years	Independent	MSc. (Sustainable Finance) FCCA, ACII
11	Mrs. Jane Fosuah	Member	3 years	Independent	MSc (Development Economics) FRM

**Table 1B: Board Governance Matrix - Experience and Contribution**

No.	Name of Directors	Position	Number of Years on the Board	Skills, Experience and Contribution	Scope of Experience
1	Dr. Mrs. Christine Mercy	Chairperson	6 years	Deep Financial Services Knowledge including Insurance and Banking	Domestic, Regional and International
				Significant Experience with Strategic Planning and Implementation	
				Credibility with Key Stakeholders and Strong Leadership Qualities	
2	Mr. Frank Doe	Member – IT and Risk Committees	3 years	Strong Digital Experience	Domestic
				ICT and Risk Management	
3	Dr. Dan Boye	Chairman -IT Committee and Member Audit Committee	7years	IT Governance & Security	Domestic and International
				Insights into Financial Services	
4	Mrs. Lily Awo Manu	Chairperson - Risk Committee and member	7 years	Financial Services Marketing	Domestic, Regional and International
				Passionate Advocate of Customers, the Community, Financial	



		of the Audit Committee		Inclusion and the Development of Digital Skills	
5	Mrs. Rita Adu-Poku	Member – Appointments Committee	4 years	Strategy, Marketing and Regulations Governance Experience and Strong Leadership Qualities	Domestic, Regional and International
6	Mr. Kwame Agyei	Member-Appointments Committee	5 years	Human Capital Management and Strategy Governance Experience and Strong Leadership Qualities	Domestic and Regional
7	Mr. Seth Atsu	Member – Audit Committee	6 years	Extensive Knowledge of Financial Markets, Treasury and Risk Management Significant Experience in Financial and Regulatory Reporting	Domestic and Regional
8	Mr. John Foli	Member-Risk Committee	2 years	Strong Strategic, Risk and Core Banking Experience Regulatory and Public Policy Experience	Domestic
9	Dr. Ivy Dame	Chairperson-Appointments Committee	5 years	Financial Services; Regulations Strong Board Governance Experience, including Investor Relations and Remuneration	Domestic, Regional and International
10	Mr. Ben Sally	Chairman - Audit Committee	6 years	Audit; Regulations; Tax Financial Expert	Domestic, Regional and International
11	Mrs. Jane Fosuah	Member – Risk Committee	3 years	Passionate Advocate of Customers, the Community, Financial Inclusion and the Development of Digital Skills	Domestic and Regional

				Significant Experience in Sustainability Practices and Implementation	
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The Chairperson, having consulted with key stakeholders, have been asked to reorganise the Board and its Committees to reflect the strategic direction and vision of the organisation.

There are some matters reserved solely for the decision-making power of the Board and are set out in the bespoke matters reserved for the Board. Those matters include material decisions relating to Strategy, Risk Appetite, Medium Term Plans, Capital and Liquidity Plans, Risk Management and Controls Frameworks, Approval of Financial Statements, Approval of Large Transactions, and Approval of Share Allotments, Dividends and Share Buybacks.

Responsibility for the Bank's business on a day-to-day basis has been delegated by the Board to the Bank's Chief Executive, supported by his Executive Committee to make and implement operational decisions.

## 5.0 BUSINESS PLANNING AND STRATEGY

In the previous year's strategy, the Board recognised the effects of innovations in the regulatory platforms on Payment Systems. The Bank had strategized to improve its marketing efforts in order to wade off potential competition as a result of the Open Banking Regime being introduced by the regulator. Currently, an identified threat to the Bank's strategy is the emergence of Fintech Credit which could revolutionalise the Micro, Small and Medium Loans Market. The signal from the Central Bank also indicated that remittances would be given intense regulatory focus to improve investments into emerging, but strategic and sustainable major diaspora funded projects in infrastructure and other sectors that require huge and patient capital.

In developing the strategy, the Board engaged a Consultant to undertake the gathering of information from all the stakeholders and in particular, the expectations of shareholders, regulators, businesses and clients. This information was compared with the internal and external analysis done by the Management Team of Simple Bank Plc.

The key findings are presented in Table 2 which compares Simple Bank Plc with two (2) major banks in its Strategic Group. The findings were as follows:

**Table 2: Comparative Performance of Simple Bank Plc and Two Banks in its Strategic Group**

<b>Item</b>	<b>Simple Bank Plc</b>	<b>Lakeside Bank Plc</b>	<b>Momo Bank Plc</b>
Cost-Income Ratio	1: 3.3	1: 2.5	1: 2
Return of Tangible Capital (RoTC)	25%	20%	20%
Capital Adequacy Ratio (CAR)	18%	14%	14%
Non-Performing Loans (NPLs) using Prudential Standards	14%	15%	13%
Security Cover Multiplier	2 times	2 times	1.9 times
Percentage of Physical Property to Total Security Taken	60%	40%	40%
Percentage of Cash Collateral in the Security Mix	25%	40%	40%
Net Promoter Score	45%	45%	45%
Growth in Active Customers	12%	13%	15%
Employee Net Promoter Score (eNPS)	35%	40%	50%
Women in Senior Management	40%	45%	48%

Average Learning Hours (ALHs)	80	80	78
Brand Warmth Score	7%	7%	6.5%
Customer Satisfaction Index	8.5	8.0	8.5

Warmth appeal (social perception warmth) and competence are two basic dimensions of social perception of banks. The former describes how people behave socially, while the latter refers to how they behave in terms of effectiveness. Warmth primarily includes perceptions and judgments of generosity, kindness, honesty, sincerity, helpfulness, trustworthiness, and consideration for others, while competence refers mainly to perceptions of confidence, effectiveness, diligence, ability, professionalism, and competitiveness. The feedback from the Customer Satisfaction Index shows that at a higher level, showing warmth implies an orientation toward others as well as motivation to follow moral norms; demonstrating competence implies the capacity to achieve one's intention. Although warmth and competence are originally used to assess people's perceptions and evaluations of the image of others, they are often used to "personify" an organization's image. On the other hand, warmth appeal may provide an important cue for people's judgement of the competence dimension of a product.

## 5.1 Strategic Vision

In response to these emerging challenges, two related visions had been communicated by the Board to Management and Staff. The Bank's strategic visions include:

- To be the leading Digital SME Bank; disciplined and strengthened large client proposition.
- To deliver a modernised Technology Architecture by promoting an efficient, scalable and resilient cloud-based architecture, supporting business transformation.
- Seizing the payments growth opportunity in our customers' channel of choice.
- Leading in Sustainable Finance.

## 5.2 Measures of Success

The possession of a modernised Technology Architecture has become relevant to customers and to retain the Bank's cost leadership position in an increasingly competitive operating environment, the Bank will need to continue modernising its Technology Architecture. Through this, the Bank aims to deliver a further improvement in agility and responsiveness to customer trends, while also supporting its broader strategic priorities around enhanced Data Insights, improved Customer Experience and Operational Resilience and Efficiency. The main measures of success would be to:

- Develop partnerships with Fintechs and Money Transfer Organisations (MTOs) to maintain remittances market share of 35% in 2025.
- Maintain leading Digital Payment or Spend Market Share of 25% in 2025, with an annual growth rate of 5% in Digital Payment or Spend Market Share from 2025.
- Triple (3 times(x) increase in) corporate clients on new Cash Management and Payments Platform in 2025.
- 15 per cent to 20 per cent new client growth per annum in Merchant Services.
- More than 50 per cent growth in SME Products originated via a digital source in 2025.
- 5-point increase in SME and Retail Business Banking Digital Net Promoter Score by 2025.
- Profitably improve share in markets and products for core clients in 2025.
- Profit after Tax target for 2025 is GLD 1.1 billion.

Table 3A presents the Key Sectoral Allocation of the resources of the Bank, while Table 4 presents the Key Market Characteristics and Targets that can be used to assess the robustness of the measures of success. This will require that planned targets must be stress-tested to challenge the underlying assumptions by the Board and Management.

**Table 3A: Sectoral Allocation of Loans and Advances in 2024 (Previous Year)**

No.	Concentration by Industry	Gross Amount (Amount in '000 GLD)	Percentage (%)
1	Agriculture	3,153,339	24.1
2	Manufacturing	322,887	2.5
3	Commerce and Finance	2,780,961	21.5
4	Transport and Communications	581,103	4.5
5	Mining and Quarrying	646,923	5.0
6	Building and Construction	964,794	7.4

7	Services	4,434,120	34.2
8	Electricity, Gas and Water	115,873	0.8
	Total	13,000,000	100

**Table 3B: Treasury and Banking Books Credit Exposures**

No.	Item	Amount (GLD)	Percent
1	Investment Portfolio by the end of 2025	4,000,000,000	
2	Average Return on Investments		20%
3	Net Return on Investments Portfolio		10%
4	Regulatory Loan Deposit Ratio		0.65: 1
5	Total Deposit (Stable)	20,000,000,000	5.0
6	Total Deposit Target (Stable and Unstable) by the end of 2025	24,000,000,000	

**Table 4: Key Market Characteristics and Targets**

	Corporate Clients	SME Clients	Retail Customers	Transactional Clients
Number of Active Clients	300	20,000	1.2 million	200,000
Share of Loan Wallet	80%	75%	50%	
Transactional to Client Conversion Ratio				10%
Average Sustainable Growth	5%	5%	-	-
Average Growth	15%	10%	-	-

<b>Minimum Turnover</b>	GLD 300 million	GLD1.2 million		
<b>Average Minimum Asset Holding</b>	GLD 20 million	GLD 300,000	GLD 50,000	
<b>Net Interest Margin on Loans</b>	6.0%	4%	2.5%	
<b>Stressed Net Interest Margin on Loans</b>	5%	3%	2%	
<b>Transaction Value</b>				GLD 1.800 billion
<b>Minimum Transaction Value</b>				GLD 5,000
<b>Average Transaction Charges</b>				2%
<b>Average Operating Charge</b>	GLD 500 per month	GLD 200 per month	GLD 15 per month	-
<b>Net Operating Charge Margin</b>	70%	65%	60%	69%
<b>Average Retail Loans</b>	-	-	GLD 25,000 per Client	

## 6.0 ETHICS AND PROFESSIONALISM

The Board of Simple Bank Plc has identified the need to develop a comprehensive strategy that will require that Ethics and Conduct would not be seen as mere business virtues but fundamental to the Bank's strategic drive. In reviewing the current strategy of the Bank, the Chairperson, Mrs Christine Mercy has looked at the number of regulatory breaches and the size of charges that had been imposed on the Bank. The Bank recently had its license in the Foreign Exchange Operations suspended as a result of gaps in the Regulatory Reporting on the Remittances activities. These challenges affected the Reputation Index or Brand Warmth of the Bank.

The Bank continued to incur costs in relation to litigation and conduct matters. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters

remains a necessary and important part of delivering the Bank's strategy and an ongoing commitment to improve Oversight of Culture and Conduct. The Bank has operated at the overall rate of tolerance for Conduct Risk throughout 2025. The tolerance adherence is assessed by the business areas through key indicators which are aggregated and provide an overall rating which is reported to relevant Board Level Committees. This is supported by additional tools such as the Risk and Control Self-Assessment.

An Internal Report showed that Management turned a blind eye to the 'need to report and explain' to the regulator, the extent to which the products or solutions had evolved from being transactional to a relationship situation where some liabilities management and their latent exposures were being created for the Bank. It appears that the level of Profit Appetite affected the ethical stance of Management. Furthermore, the third quarter report was due, which would naturally dictate the extent to which the profit target, rewards and other incentives could be predicted. Also, the Board's desire to protect shareholder's funds and organically strengthen the Common Equity Tier 1 (CET1) position as communicated to shareholders by the Board in the previous Annual General Meeting (AGM).

The Execution, Delivery and Process Management (EDPM) impacts decreased to GLD 10m (2023: GLD 13m) and accounted for 60% (2023: 57%) of Total Operational Risk Losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis, mapping mainly to Simple Bank Plc's Transaction Operations Risk type. The overall frequency of events in this category remained stable year on year at 28% (2023: 31%) of total events by volume.

External Fraud remains the category with the highest frequency of events at 67% of total events in 2024 (2023: 62%). In this category, high volume, low value events are driven by Transactional Fraud often related to Debit and Credit Card usage. Ratio of Losses in this category increased to 28% of total 2024 losses (2023: 21%), driven mainly by increased fraud attacks on the Simple Bank Plc's systems following implementation of Cheque Imaging, as part of the Clearing Process.

The Board is questioning the rationale for the Ethics Charter and Conflict of Interest Policy that should regulate the conduct of Directors. In addition, an approved Code of Conduct must regulate



the conduct of all employees. The Directors have signed off as having read and understood the contents of the Ethics Charter whilst employees, including Key Management Personnel (KMP) who have signed off the Code of Conduct as having read and understood the Code of Conduct and sanctions for breaching the policy. Management had communicated the principles in the Bank's Code of Conduct to employees to provide guidance in the discharge of their duties.

The above-mentioned policies set the standards of professionalism, integrity and acceptable standards of conduct required for the Bank's operations, which cover compliance with applicable laws, conflict of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to laid-down procedures, to eliminate the potential for illegal and unethical practices.

## 7.0 RISK MANAGEMENT

Simple Bank Plc faces significant risks due to the changing regulatory and competitive environments in the Financial Services sector, with an increased pace, scale and complexity of change. Customers, Shareholders and Employees' expectations continue to evolve and current societal trends are likely to be accelerated by the recovery of the economy.

Generally, the following Risks facing the Bank were exacerbated by the weak Risk Governance Framework which was well designed but not effective. The Risk Governance is framed in the Table 5 below.

**Table 5: Hierarchy of Risk Governance and Oversight**

Item	Hierarchy	Risk	Responsibility
1	Board of Directors	Gross and Net Risk Management	The Board including the Risk Committee
2	Management and Supporting Staff	Strategic Risk	Executive Management and Chief Risk Officer (CRO)
		Credit Risk	Chief Risk Officer (CRO) and Functional Heads
		Market Risk	Chief Risk Officer (CRO) and Functional Heads
		Liquidity Risk	Chief Risk Officer (CRO) and Functional Heads
		Operational and Resilience Risks	Chief Risk Officer (CRO); Chief Information Officer; Director of Human Capital and Functional Heads

		Reputational	CRO and Chief Marketing Officer
		Sustainability Risk	CRO and Chief Sustainability Director
		Interest Rate Risk in Banking (IRRBB)	Chief Risk Officer (CRO)
		Compliance Risk	Chief Risk Officer (CRO) and Chief Compliance Officer (CCO)

Despite the well-designed organisational structure to respond to these environmental, business and non-business challenges, the internal systems were not proactively designed and communicated to allow the Board and Senior Management Teams to identify triggers for a Proactive and Anticipatory Governance from the ends of the organization (i.e. the bottom up and top down).

The Chairperson recognizes that the Board did not fully analyse the quality and communication of its Risk Appetite Statement (RAS). The current Risk Appetite Statement exists as a published statement of the overall risk expectation of the Board but not developed to guide it and management in the day-to-day management of risks in the activities carried out in the Bank. It appeared that industry-wide, Competitor Risk Appetite Statements were mimicked in response to the Risk Management Directive issued by the Central Bank of Goldland. A review of the existing document had defined what Risk Appetite, Risk Tolerance, Risk Limits and Triggers were. In addition, the scalability of the appetite is presented in Table 6 below:

**Table 6: Scalability of Simple Bank Plc's Risk Appetite Levels**

No.	Appetite Level	Description
1	High Appetite	The Bank takes risk for important objectives, while managing the potential downside and the upside.
2	Balanced Appetite	Risk exposures arising from pursuit of these opportunities will be managed, considering costs, benefits and consequences.
3	Limited Appetite	Risk exposures will be minimised to as low as reasonably practicable. Further reductions in risk exposures would

		require considerable use of public money that is not desirable for the benefits that will be derived.
4	No Appetite	Risk exposures will be avoided as any incidents arising would be outside of appetite.
Note	<ul style="list-style-type: none"> <li>▪ The establishment of defined, preventive, actionable, quantifiable Risk Acceptance Criteria for all the identified risks are the bases of any regular Enterprise Risk Management Framework for the Bank.</li> <li>▪ The selection of any Appetite Level requires the identification of limits outside of which will define what is termed the tolerance. This measures the upper limit of risk and once reached, indicates that risks are outside Acceptance Risk Appetite. Immediate action needs to occur to bring risks within acceptable limits.</li> <li>▪ Below the limit are triggers and expected levels of appetite. The trigger measure indicates that while risks are operating within acceptable Risk Appetite Levels, they are approaching the maximum tolerance level. Action is required to ensure risks remain within an acceptable level.</li> <li>▪ Expected means that risks are operating within a normal range and considered to be within the Risk Appetite.</li> </ul>	

The Bank's Business Planning Process, encapsulated in the SIP, sets balanced objectives in terms of Geographical, Sector and Product Distribution of Banking activities, taking into account the level of available Capital and the desired Risk Profile of the Bank as set out in the Appetite Statement.

## 8.0 SUSTAINABILITY

The Board in its recent meeting, decided that in times of uncertainty, it intends to diversify its funding sources through access to funding for recognized Sustainable Financing Institutions to improve the Bank's competitiveness.

The market is sensitive to High Interest Rates and as a result tend to hamper Quality Asset Growth. The economic dislocation is generally triggered if the loans allocated to the various sectors are not strategically reviewed by banks. The economy is heavily dependent on SMEs that have less than 20% of Bank Credit and 10% of their Capital needs from Financial Institutions. The

hyperinflationary situation has increased costs faster than the ability of businesses to achieve costs passthrough to customers.

Simple Bank Plc faces exposure to Climate-Related Risks either directly through its operations and infrastructure or indirectly through its Financing and Investment Activities. Nature-Related Risks arise from Simple Bank Plc's dependencies and impacts on nature. These risks can be Physical Risks and Transition Risks, which in turn can present Financial Risks.

As such, this year the Board and Management have undertaken further work to develop the Bank's understanding of Nature-Related Risks and how these relate to different industry sectors. The two main categories of Climate-Related Risks are Physical Risks and Transition Risks. Physical Risks result from a changing climate and can be event-driven (Acute Risks), including increased frequency and/or severity of extreme weather events such as flooding. Physical Risks can also be driven by longer-term shifts in climate patterns (Chronic Risks) from sustained higher temperatures, leading to rising sea levels, rising mean temperatures and more severe weather events. Transition Risks result from the transition to a Lower-Carbon Economy. This is likely to involve significant, rapid policy, regulatory and legal changes, as well as the evolution of technology and markets to adapt to a changing climate and associated impacts.

## **8.1 Time Horizons**

The impact of Physical and Transition Risks can be significant and widespread, affecting Simple Bank Plc's Portfolio and Financial Performance over short, medium and long-term horizon. In the short term, Physical Risks arising from extreme weather events and climate-related disasters pose a direct threat to Simple Bank Plc's physical assets and infrastructure. This can potentially result in immediate losses, increased costs for repair and higher insurance premiums.

Similarly, acute events may also potentially damage the physical facilities of Simple Bank Plc's clients or cause business disruptions, which may adversely impact the value of clients' assets, reduce their profitability and subsequently lead to potential increase in Credit Risk for Simple Bank Plc.

Additionally, operations in regions prone to high Physical Risks may also experience higher insurance premiums or limited insurance coverage.

When considering the timescales of climate related risks, Simple Bank Plc has categorised short, medium and long terms as follows:

- Short Term (S): 0-1 year
- Medium Term (M): 1-5 years
- Long Term (L): 5-30 years

The Board has initiated efforts towards Sustainability to raise funds through Partnerships, Sustainable Bonds or Accruing Sustainable Funds. The current Government and World Bank statistics show that the two largest contributors to Greenhouse Gas (GHG) emissions in Goldland is the Agriculture, Forestry and Land Use (AFOLU) and Energy sectors — accounting for more than 63% of Total Climate Finance in Goldland. While largely public investment driven, the AFOLU sector received 38% (USD 400 million) of Total Climate Finance Investment, the highest amount for any sector, over half of which was dedicated for adaptation, with mitigation receiving 41% of funds. Given that the Agriculture sector employs over 50% of Goldland's population, and accounts for 20% of its GDP and 50% of exports, focusing on Adaptation-Centric Investment is crucial due to the sector's vulnerability to climate change. With more than 49% of Goldland's population dependent on Rainfed Agriculture, the effects of changing rainfall patterns coupled with flooding in coastal areas and increased number and intensity of droughts generate severe risks for Health and Agriculture. Considering the needs of the sector, its contributions to Goldland's GDP, and its vulnerability to climate change, the current climate inflows are insufficient, especially those from the Private Sector.

The Management Team visited a manufacturer in North Africa and discussed with the company the possibility of their entry into the Goldland market for the distribution of their solar panels as an integral part of its planned Green Energy Solutions.

Previously, an International Consultant was engaged to develop a Sustainable Policy for the Bank. In the subsequent review of the policy, the Board indicated that it is skewed more towards businesses in transition for the corporate and mid-size business entities. Clients facing Physical Risks seem to be the emerging area of interest to the Government and providers of climate funds.

The value the Bank got from the Consultant's work, was his analysis of the Heatmap of the country. The preliminary Heatmap Analysis highlighted that, for most of the priority industry sectors, there are a number of potential impacts and dependencies rated as high or very high, including impacts related to land-use change, water use and pollution, as well as dependencies on ecosystem services such as ground and surface water, climate regulation and flood-storm protection. These insights will be used to help inform Simple Bank Plc's future analysis, taking into account that this represents one data source, and specific Nature Related Risks within the same sector might vary substantially from company or project and an Aggregated Heatmap is not necessarily representative of the actual impacts and dependencies of Simple Bank Plc's client base.

The policy developed considered all the seventeen (17) Sustainable Development Goals (SDG) that satisfy the Sustainability Risk Appetite of the Bank. The focus of the Bank had been on tree and cash crops for export such as Rubber, Cocoa and Cashew. The recent growth in Artisanal Mining activities have affected these investments. The Bank in its recent evaluation of its exposures to the Agro-Export Crops Segment had to make over 30% provision on such exposures. This Asset Quality challenge has undermined the Bank's ability to qualify for funding from the International Finance Corporation (IFC) and the European Investment Bank (EIB) due to the poor Portfolio Ownership, Weak Physical Control and Unpredictability of Production by these farmers.

The Board is determined to reposition itself as a Climate and Sustainability Finance-Oriented Bank. The Bank has decided to minimize the environmental threat posed by the Artisanal Mining activities and with data and information provided by the Area Manager of the Northern Sector of the Bank has identified a cluster of 900 farmers in the Northern part of Goldland covering over 10,000 hectares. The average yield per acre expressed in monetary terms are as follows: Sorghum 95,000 GLD; Soya which can be planted at least twice: 85,000 GLD per cycle; Maize also can be planted twice: 70,000 GLD per cycle. Farmers allocate 50% of their land to Soya, 25% to Maize and 25% to Sorghum. There are five (5) Aggregators who fall under the SME Segment of the Bank's client base. These Aggregators provide the distribution link between the farmers and the off takers. A Development Financing Institution (DFI) is prepared to provide some funding to support these farmers at an interest rate of 14% p.a. to Simple Bank Plc. The area is noted for its

successful production of Sorghum, Soya Beans and Maize. The area lacks irrigational facilities, but it is close to Black Fraw River where farmers can draw water from some of its tributaries. The Average Cost of ploughing, tilling and planting per hectre is 10,000 goldis. There is a potential off taker for Sorghum by one of the international producers of food drinks for the product malt food drink, while the poultry enclave in the Wam-Ahenkro Area would use the Maize and Soya to produce over USD 102 million worth of products for the Poultry Industry in that Region. Given the secured market, the Board believes that it should accelerate and use the proposal from the Area Manager as a strategic springboard to achieve its sustainability objectives.

## **9.0 CONCLUSION**

Simple Bank Plc must take advantage of all the emerging opportunities and develop a strategic approach to handle all the emerging risks and opportunities. The Board has the overall responsibility and authority to ensure that its oversight promotes viability and sustainability of the Bank. The overall impact of internal and external challenges increases the complexities the leadership of the Bank must deal with. It is expected that the regulatory developments complementing the other emerging risks would also demand a sound, proactive and anticipatory governance framework.

