



BANK OF GHANA

Credit Risk Management Directive

*for Banks, Savings and Loans, Finance Houses and
Financial Holding Companies*

Prepared by the Bank of Ghana

October 2026

The Bank of Ghana (BOG) has issued the **Credit Risk Management Directive** to solicit comments and inputs from the banking industry and the general public, in line with the BOG's Procedures for Issuance of Directives, 2020.

All comments shall be sent to the Bank of Ghana via email at bsdletters@bog.gov.gh by **30th November 2026**. The Bank of Ghana shall consider all material comments received and provide a written explanation for comments that were incorporated into the final guideline or otherwise.

PUBLIC

Preamble

The effective management of credit risk within a comprehensive risk management framework is fundamental to the safety and soundness of banks, finance houses, savings and loans companies or financial holding companies regulated under the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), hereinafter referred to as Regulated Financial Institutions (RFIs).

Over the past two decades, global financial developments have underscored the critical importance of robust credit risk management frameworks in safeguarding the stability of the financial system. Events such as the 2008-2009 global financial crisis revealed how weak credit underwriting standards, excessive leverage, and inadequate risk governance can rapidly translate into widespread loan defaults and systemic distress.

The Ghanaian banking sector clean-up exercise in 2017-2019 also highlighted significant deterioration in asset quality and, consequently, pressure on capital and liquidity resulting from weaknesses in underwriting standards, risk management, governance, and related-party practices. Conversely, RFIs that established and adhered to sound credit risk management practices demonstrated stronger financial resilience.

Generally, a substantial proportion of an RFI's balance sheet comprises credit exposures such as loans and advances, investments, and off-balance-sheet exposures, the quality of which is central to the RFI's financial soundness. The risks associated with credit creation should therefore be effectively identified, measured, monitored, reported, and controlled or mitigated across the full credit cycle, in a manner consistent with the RFI's risk appetite and informed by market conditions, macroeconomic factors, and forward-looking information.

In view of the significance of credit risk in the banking sector, the Bank of Ghana (BOG) is issuing this Directive to set clear and enforceable supervisory expectations for RFIs. This Directive will provide a consistent baseline for prudent credit underwriting, ongoing credit portfolio monitoring, early identification of problem exposures, and adequate provisioning and reserves, thereby supporting timely supervisory intervention where warranted.

This Directive will contribute to building a more resilient financial system by preventing and addressing the build-up of non-performing exposures, and strengthening credit discipline, which can otherwise adversely affect RFIs' solvency and liquidity position. It will further ensure that RFIs adopt sound credit risk management practices that support the prudent balancing of risk and returns while maintaining credit risk exposure within Board-approved limits and supervisory expectations.

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PART I – PRELIMINARY

Title

1. This Directive shall be cited as the Bank of Ghana Credit Risk Management Directive, 2026.

Application

2. This Directive is issued under the powers conferred by Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) as well as Section 44(1) of the Non-Bank Financial Institutions (NBFI) Act, 2008 (Act 774) and shall apply to all Banks, Specialised Deposit-Taking Institutions (SDIs), NBFIs and Financial Holding Companies (FHC) collectively referred to in this Directive as “Regulated Financial Institutions (RFIs)”.
3. This Directive shall be read in conjunction with the Notice on Regulatory Measures to Reduce Non-Performing Loans in Banks, SDIs and NBFIs, 2025, Large Exposures Directive, 2025, Guidelines on Management and Measurement of Credit Concentration Risk, 2025, Risk Management Directive, 2021, Corporate Governance Directive, 2018, as well as any other relevant Directive issued by BOG, where applicable.

Definitions and Interpretation

4. In this Directive, unless the context otherwise requires, words used have the same meaning as that assigned to them in Act 930 and other Directives issued by the BOG or as follows:

“Act 930” means the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930);

“BOG” means the Bank of Ghana;

“Bank” means a body corporate which engages in the deposit-taking business and is issued with a banking licence in accordance with Act 930;

“Board” means the Board of Directors of a Regulated Financial Institution;

“Concession” means special contractual terms and conditions provided by a lender to a counterparty facing financial difficulty so that the counterparty can sufficiently service its debt.

“Counterparty” means a natural or legal person to which an RFI has

exposure;

“Credit Risk” means the potential loss arising from the likelihood that a borrower or counterparty fails to meet its obligations in accordance with agreed terms of a lending agreement.

“Exposure” means the aggregate of;

- a) the loans, advances, placements, and credit facilities including off-balance sheet obligations given to a counterparty/borrower, and
- b) the value of the holdings by RFIs of shares and debentures and other debt securities issued by that counterparty/borrower;

“Loan to Value Ratio” means the current amount of a loan divided by the value of the collateral (as prescribed by BOG).

“Non-performing exposure” means an exposure that is in default. A default is considered to have occurred with regard to a particular borrower when either, or both, of the events in sub-paragraphs (a) or (b) have taken place:

- a) the RFI considers that the borrower is unlikely to pay its credit obligations to the RFI in full, without recourse by the RFI to actions such as realising available security;
- b) the borrower is 90 days or more past due on a credit obligation to the RFI.¹ Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstandings.

“Past-due” means an exposure for which any amount due under a contract (interest, principal, fee or other amount) has not been paid in full at the date when it was due. An exposure is considered past-due from the first day of missed payment.

“Regulated Financial Institution (RFI)” means a bank, SDI, NBFIs or financial holding company regulated under Act 930;

¹ An exposure subject to a regular repayment schedule is considered 90 days past due when:

a) at least 90 calendar days have elapsed since the due date of a contractual payment which has not been met in full; and b) the total amount unpaid outside contractual arrangements is equivalent to at least 90 days' worth of contractual payments (this includes all fees and any charges that are due but unpaid as a result of missed payments)

“Related interest” means

- a) a firm or company in which an insider is interested, directly or indirectly as a director or controlling shareholder, partner, proprietor, employee or guarantor; and
- b) a holding company, subsidiary, or affiliate of that company in which an insider is interested, directly or indirectly, as a director, key management personnel, controlling shareholder, partner, proprietor, employee or guarantor.

“Related Party” means:

- a) the RFI's subsidiaries, affiliates (including their subsidiaries, affiliates and special purpose entities), and any other party that the RFI exerts control over or that exerts control over the RFI;
- b) the RFI's significant shareholders, including ultimate beneficial owners;
- c) directors, key management personnel, corresponding persons in affiliated companies and parties that can exert significant influence on the directors or key management personnel; and
- d) related persons and related interests of natural persons identified in a, b, and c above.

“Restructured exposure” means an exposure for which:

- a) a borrower is experiencing financial difficulty or hardship in meeting its financial commitments; and
- b) the RFI grants a concession to the borrower that it would not otherwise consider, whether or not the concession is at the discretion of the RFI or the borrower.

“Senior Management” means members of the Executive Management Committee (EXCO) of an RFI and any other Key Management Personnel as may be determined by the RFI.

“Unlikely to Pay” means an exposure where full repayment of principal and/or interest by the counterparty is unlikely without relying on the RFI's realisation of collateral or risk mitigants, even when it is not past due or has been past due for less than 90 days (refer to Appendix 2).

Objectives

5. The broad objective of this Directive is to enhance the resilience of RFIs by ensuring that they establish and fully implement adequate and effective credit risk management systems that commensurate with their risk-taking activities and capital strength. The specific objectives are to:
 - a) Ensure that RFIs develop an appropriate framework for the management of their credit risk by:
 - (i) establishing an appropriate credit risk environment;
 - (ii) operating under a sound credit granting process; and
 - (iii) maintaining an appropriate credit administration, measurement and monitoring process; and
 - b) Specify the supervisory expectations in relation to the RFI's governance and internal processes for managing credit risk.

Proportionality

6. RFIs shall align their credit risk management practices with the requirements of this Directive. However, in assessing the quality of RFIs' management of credit risk, the BOG will take into account the principle of proportionality. In particular, the assessment will be aimed at ensuring that:
 - a) RFIs' credit risk management processes and tools are commensurate with their risk profile, systemic importance, market and macroeconomic conditions as well as the scale and complexity of their activities; and
 - b) the regulatory objectives of ensuring the safety and soundness of RFIs and promoting the stability of the financial system are effectively achieved.

Transitional Arrangements and Effective Implementation Date

7. The effective implementation date of this Directive shall be **1st July 2027**.
8. RFIs are required to align their governance arrangements, as well as their internal policies and processes with the requirements of this Directive by **30th June 2027**.

PART II – GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

Roles and Responsibilities of the Board

9. The Board shall bear the ultimate responsibility for the credit risk assumed by the RFI and for ensuring the existence and ongoing effectiveness of the credit risk management framework.
10. The Board shall review and approve the RFI's credit risk appetite, credit risk management strategy, as well as credit policies, procedures, controls and management information system (MIS) at least annually or whenever there are material changes, to ensure continued adequacy, relevance and effectiveness.
11. The Board shall regularly challenge Senior Management and seek assurance, supported by timely and reliable information, that the credit risk policies, processes and practices are consistent with the approved credit risk management strategy and credit risk appetite. The Board shall satisfy itself that the RFI's credit risk profile is consistent with the approved credit risk management strategy and risk limits and shall require Senior Management to take appropriate and timely corrective action where inconsistencies and breaches are identified.
12. The Board shall ensure that Senior Management has appropriate skills, experience, knowledge, systems and resources to manage the RFI's credit risk activities effectively and that such activities operate in accordance with the approved credit risk management strategy, credit risk policies and credit risk appetite.
13. RFIs shall ensure that new credit products, significant modification of existing products, entry into new lending markets, and the adoption of new delivery channels (including digital or technology-enabled lending) are supported by a robust documented credit risk assessment, which shall be reviewed and approved by the Board or an appropriately delegated Board committee, prior to launch or implementation².
14. The Board shall approve remuneration policies that are consistent and appropriate with the RFI's risk culture and appetite, sustainable business model, performance and control environment as well as with any legal or regulatory requirements.

² The credit risk assessment shall cover, at a minimum, borrower suitability, data reliability, business model risk, operational capacity, and the potential impact on portfolio quality.

15. The Board shall approve material credit facilities and write-offs. Materiality thresholds shall be defined by each RFI in a manner proportionate to its risk appetite, capital base, and operating environment. At a minimum, material facilities shall include:
 - a) Any facility that results in an exposure equal to or exceeding 10% of the Net Own Funds (NOF) of the RFI, subject to a lower threshold, where warranted by risk considerations; and
 - b) Any facility granted to a related party. Board members and members of staff shall recuse themselves and not participate in the approval, management, or oversight of any credit facility in which there is a conflict of interest.
16. For credit facilities that do not require Board approval, the Board shall establish and approve a clear and documented delegation framework that defines the roles, responsibilities, and approved limits of Senior Management, credit committee, and individual credit officers, taking into account any capacity constraints and the need to ensure effective internal controls.

Roles and Responsibilities of the Senior Management

17. Senior Management of an RFI shall be responsible for implementing the Board-approved credit risk management strategy and for establishing, maintaining, and enforcing appropriate policies and processes for identifying, measuring, monitoring, reporting, and controlling or mitigating credit risk. Such policies and processes shall cover all credit-related activities of the RFI and apply at both the individual exposure and portfolio levels.
18. Senior Management's responsibility for implementing the credit risk management strategy and operationalising the RFI's credit risk policies includes ensuring that:
 - a) credit origination, credit assessment, approval, monitoring, and review responsibilities are clearly defined, properly assigned, and supported by appropriate segregation of duties;
 - b) credit origination, assessment, approval, and review activities conform to the approved strategy and policies;
 - c) written credit risk policies and procedures are developed and maintained in line with the credit risk management strategy;

- d) the strategy, policies and processes are effectively communicated throughout the RFI, and that all relevant personnel clearly understand their roles and responsibilities in managing credit risk and are held accountable for complying with approved policies and processes;
- e) effective internal controls are established and enforced to ensure that exceptions to policies, procedures, and limits are identified, documented, and reported in a timely manner to the appropriate level of management for corrective action.
- f) regular independent internal assessments of the RFI's credit-granting and credit risk management functions are conducted. Such assessments shall be independent of the business function and may be performed by the risk management and compliance function, internal audit function or, where appropriate, a qualified external party in accordance with the BOG Outsourcing Directive, 2024.
- g) the implementation of a management information system that:
 - i. monitors the evolving risk profile of individual credits, including repayment performance, the borrower's financial condition, and the value and enforceability of collateral or other credit risk mitigants; and
 - ii. aggregates credit exposures by relevant portfolio characteristics, including single and connected borrowers, types of credit facilities, economic/industrial sectors, and geographical concentrations;
- h) robust reporting and monitoring arrangements are in place to enable timely oversight of the credit portfolio, including information on:
 - i. large exposures, past-due and non-performing accounts as well as other material risk concentrations;
 - ii. the volume, composition, and quality of credit activities and the credit portfolio;
 - iii. significant impaired credits, provisioning levels, and recovery or collection prospects;
 - iv. credit transactions or practices that deviate from credit policies; and
 - v. trends in portfolio quality, level of diversification, emerging credit risks, and remedial actions taken or contemplated.

19. Senior Management shall ensure that timely and accurate internal credit risk reports are provided to the Board and relevant committees to support effective oversight and decision-making.

Credit Risk Management Framework

20. An RFI shall implement a credit risk management framework that is appropriate to its size, business mix, complexity, and operating environment. The credit risk management framework shall, at a minimum, include:
 - a) a credit risk appetite statement that is approved by the Board and aligned with the RFI's overall business strategy, capital strength and liquidity capacity;
 - b) a credit risk management strategy that translates the risk appetite into operational limits, controls, and procedures;
 - c) policies and processes supporting clearly defined and documented roles, responsibilities and formal reporting structures for the management of credit risk;
 - d) detailed criteria for assessing borrowers' financial health, credit history, industry risks, and macroeconomic indicators;
 - e) implementation of appropriate internal ratings systems (IRS) or other credit assessment tools based on qualitative and quantitative factors, commensurate with the RFI's size and sophistication;
 - f) a designated credit risk management function that reports to the Head of the Risk Management Function (Chief Risk Officer);
 - g) a management information system that is adequate, both under normal circumstances and in periods of stress, for measuring, assessing and reporting on credit risk;
 - h) an independent review process to ensure that the credit risk management framework is effective in identifying, measuring, evaluating, monitoring, reporting, and controlling or mitigating credit risk; and
 - i) continuous and timely updates to the framework reflecting changes in the economic environment, regulatory requirements, and borrower circumstances.

Outsourcing

21. An RFI shall not outsource its decisions to any third party, including its

Parent Company and affiliates, on whether or not to grant credit³. RFIs may use external parties for ancillary services, such as technical support, credit bureau information, valuation services, or data collection, provided that lending decisions remain the sole responsibility of the RFI.

Credit Risk Management Function

22. An RFI shall establish a dedicated risk management function which is, among others, responsible for the independent monitoring and reporting of credit risk exposures, ensuring compliance with regulatory requirements, and promoting the consistent application of credit risk management practices across all business units within the RFI.
23. The credit risk management function shall not have a decision-making role in the acquisition of credit risk, in order to preserve its independence. The function shall not have management or approval-granting responsibility related to any operational business lines or revenue-generating functions (including the credit-granting and monitoring functions).
24. The Chief Risk Officer (CRO) or any other employee within the credit risk management function shall not be a member of the Board and Management Credit Committees.
25. An RFI shall ensure that the credit risk management function has adequate resources, systems, and appropriately skilled employees dedicated to credit risk management.
26. Credit risk management oversight responsibilities shall be embedded in the RFI's risk management function, for which the CRO shall be ultimately responsible, as prescribed in BOG's Corporate Governance Directive, 2018, and Risk Management Directive, 2021.

Credit Risk Appetite

27. An RFI shall maintain an appropriate, clear, proportionate, and well-documented credit risk appetite statement. The statement shall, at a minimum, articulate:
 - a) the degree of credit risk that the RFI is prepared to accept in pursuit of its business objectives (credit risk appetite);
 - b) the maximum level of credit risk that the RFI is willing to operate within

³ This is stipulated in Annexure II of the Bank of Ghana Outsourcing Directive, 2024.

(credit risk tolerance);

- c) the process for ensuring credit risk tolerance is set at an appropriate level;
- d) the process for monitoring compliance with credit risk tolerance and for taking appropriate action in a timely manner in the event they are breached; and
- e) the timing and process for periodic review of the credit risk appetite and tolerance.

Credit Risk Management Strategy

- 28. An RFI shall maintain an appropriate and well-documented credit risk management strategy that outlines the objectives guiding the RFI's credit origination, credit assessment, and approval activities and sets out the necessary policies, procedures, and processes for conducting such activities.
- 29. An RFI's credit risk management strategy shall reflect the RFI's tolerance for risk and the level of sustainable returns the RFI expects to achieve for incurring various credit risks, taking into account prevailing market conditions, macroeconomic factors and relevant forward-looking information, to the extent feasible given data availability.
- 30. An RFI's credit risk management strategy shall describe the RFI's willingness to accept credit risk across key dimensions, including exposure type, economic or industry sector, geographical location, currency, maturity and anticipated profitability. This shall also include the identification of target markets and the overall characteristics that the RFI seeks to achieve in its credit portfolio, including appropriate levels of diversification and concentration tolerances.
- 31. An RFI's credit risk management strategy should provide continuity in approach. Accordingly, the strategy should take into account the cyclical nature of the economy and the resulting shifts in the composition and quality of the overall credit portfolio. While the strategy should be periodically assessed and, where necessary, amended, it should be robust and sustainable over the long term and through various economic cycles.
- 32. When developing credit risk strategy, RFIs shall take into account the anti-money laundering, counter-terrorist financing and proliferation financing (AML/CTF/PF) risk profile of their clients.
- 33. When developing credit risk strategy, RFIs shall assess qualification,

capacity and availability of staff required for its effective implementation, as well as the adequacy of MIS and the organisational structure for the implementation of the strategy.

Credit Risk Policies and Processes

34. An RFI shall maintain and implement prudent, Board-approved, well-documented credit risk policies and supporting processes to identify, assess, measure, monitor, report and control or mitigate credit risk across all credit exposures (including on- and off-balance sheet exposures).
35. Credit risk policies should be clearly defined, consistent with prudent banking practices and applicable regulatory requirements, and proportionate to the nature, size and complexity of the RFI's activities. The policies should be designed and implemented with due regard to current and forward-looking internal and external conditions, including the RFI's business model and market position, macroeconomic and sector conditions, data quality, staff capacity and the adequacy of supporting systems and technology.
36. RFIs shall include ethical standards and codes of conduct in their policies, applicable to all employees associated with the credit-granting, approval, and monitoring processes, which align with the Banking Code of Ethics and Business Conduct of the Chartered Institute of Bankers, Ghana.
37. RFIs shall identify, assess, and incorporate climate-related, liquidity, interest rate, concentration, business model, and sovereign exposures into their credit underwriting and portfolio management processes in proportion to institutional capacity and complexity.
38. Credit risk policies and procedures should promote adequate diversification and effective concentration management, having regard to the RFI's target markets and overall credit risk strategy. Such policies should establish targets for portfolio mix as well as set exposure limits for single counterparties and groups of connected counterparties, taking into account, as relevant, industries or economic sectors, geographic regions, product type, currency and maturity. RFIs should ensure that their internal exposure limits are consistent with, and do not exceed, applicable prudential limits or restrictions set by the BOG.
39. Credit risk policies should be communicated throughout the organisation, embedded in operating procedures, supported by appropriate MIS, and monitored as well as reviewed at least annually or

whenever there are material changes, to reflect changing internal and external circumstances. Material exceptions and policy breaches shall be documented, tracked and escalated in accordance with the RFI's governance arrangements.

40. Credit risk policies should be applied, where applicable, on a group-wide (consolidated) basis and at the level of individual subsidiaries/affiliates. In addition, the policies should address both (i) transaction-level credit assessment and review, and (ii) portfolio-level oversight, including diversification and concentration monitoring.
41. RFIs that engage in cross-border lending, investments, trade finance, or foreign currency exposures shall have adequate policies and procedures for identifying, assessing, measuring, evaluating, monitoring, reporting and controlling or mitigating country risk and transfer risk on a timely basis. Monitoring of country risk and transfer risk factors should incorporate, at a minimum:
 - (a) the potential default or deterioration in credit quality of foreign counterparties arising from country-specific macroeconomic, fiscal, political or financial sector conditions; and
 - (b) the enforceability of credit agreements and the timing and ability to realise collateral, taking into account relevant legal, regulatory, convertibility and transfer constraints in the applicable jurisdictions.

Credit Products and Activities

42. RFIs should identify and assess all credit risks inherent in the products they offer and the activities in which they engage, including all on-balance and off-balance sheet exposures, both before product launch (or material change) and on an ongoing basis. This assessment should be based on a documented review of the product's credit risk characteristics, including underwriting standards, collateral and enforceability considerations, stress scenarios, and risk mitigants.
43. RFIs shall not introduce or implement such products, market entries, or delivery channels unless the required regulatory approvals have been obtained, where applicable.

PART III – CREDIT RISK MANAGEMENT PROCESS

Credit Origination

44. An RFI shall establish and enforce strict policies to avoid association with individuals involved in fraudulent activities or other serious financial crimes or misconduct.
45. An RFI shall employ robust due diligence measures, including obtaining references from known parties, accessing credit reference bureaus, and becoming familiar with individuals responsible for managing a company, including checks on their integrity, experience, and financial condition. An RFI shall not grant credit simply because the borrower or counterparty is familiar to the RFI or is perceived to be highly reputable.
46. An RFI shall recognise and address the risks arising from different credit origination channels in its credit risk management framework. An RFI shall exercise a higher level of diligence where credit assessment and approval decisions are made away from the geographical location of the borrower or underlying collateral.
47. Where there are material changes to origination channels, including their relative significance, an RFI shall assess the impact of these changes on its credit risk profile and update policies, controls, and monitoring arrangements accordingly.
48. Where third parties (such as external service providers engaged for technical support or data collection) are involved in credit origination but have no authority to approve credit, an RFI shall maintain effective oversight and accountability arrangements. In particular, an RFI shall ensure that reasonable inquiries are made and reasonable steps taken to verify the accuracy, completeness, and reliability of borrower information provided by the third parties, and document outcomes of these processes.
49. Where actual or potential conflicts of interest exist within the RFI, internal confidentiality arrangements (such as “Chinese walls”⁴) should be established to ensure that the RFI can obtain all relevant information from the borrower without undue influence or interference.

⁴ A Chinese wall is an information barrier established to prevent the exchange of sensitive information in order to avoid conflicts of interest and maintain confidentiality.

Credit Appraisal and Approval

50. An RFI shall establish sound, well-defined credit-granting criteria for approving credit in a safe and sound manner. The criteria shall specify eligible borrowers, the types, amounts, and tenors of credit the RFI is willing to provide, and the terms and conditions under which credits may be granted.
51. An RFI shall undertake a comprehensive credit risk assessment that is proportionate to the nature, type and size of the exposure. An RFI shall apply experienced credit judgement using a scalable and flexible approach to its credit risk assessment of a borrower, particularly where borrower information is limited.
52. RFIs shall diversify their loan portfolios across sectors, geographical locations, borrower types and credit risk mitigants within the constraints of local market structures.
53. An RFI shall assess credit risk primarily on the borrower's capacity and willingness to repay. Collateral shall not be used as a substitute for a comprehensive assessment of repayment capacity.
54. RFIs shall assess the potential impact of material credit exposures on their solvency and liquidity position.
55. An RFI shall not place undue reliance on external credit ratings. An RFI shall conduct its own independent credit assessment, supported by robust internal risk-rating systems, even where external ratings are used.
56. RFIs may strengthen credit screening processes through the use of alternative data sources and analytics where reliable, explainable and proportionate.
57. An RFI shall give due consideration to the integrity, reputation and legal capacity of the borrower to fulfil the proposed credit obligation.
58. RFIs shall apply consistent and rigorous credit assessments and underwriting standards across portfolios.
59. An RFI shall obtain sufficient information to ensure a thorough understanding of the borrower's risk profile and key characteristics that may materially impact the performance of the respective exposures, recognising data limitations common in developing countries such as Ghana.

Exposures to individuals

60. For exposures to individuals, an RFI's credit assessment shall, at a minimum and where relevant, consider the following:
- a) the purpose and structure of the exposure and sources of repayment, including reasonable verification of income or cash flows using formal or alternative documentation;
 - b) the borrower's or counterparty's current risk profile (including the nature and aggregate indebtedness) and its sensitivity to economic and market developments;
 - c) the nature, type and value of collateral and its sensitivity to economic and market developments;
 - d) the borrower's or counterparty's repayment history and current capacity to repay, assessed under plausible stress scenarios, including:
 - i. an increase in interest rates;
 - ii. changes between fixed-rate and floating rates;
 - iii. reduction in income or cash flows, particularly for informal or seasonal income sources; and
 - iv. the ability to service the loan on a full principal and interest basis following any interest-only period;
 - e) the borrower's expenses, based on reasonable estimates. Benchmarks may be used as reference points but not as a substitute for borrower-specific inquiries;
 - f) the proposed terms and conditions of the credit, including covenants where appropriate;
 - g) the adequacy and enforceability of collateral, guarantees and other risk mitigants, taking into account legal and practical enforceability in all relevant jurisdictions; and
 - h) to the extent feasible, the impact of climate-related and broader sustainability risks on the borrower's capacity to meet obligations.

Exposures Other than to Individuals

61. For exposures other than to individuals, an RFI's credit assessment shall consider the following, in addition to Paragraph 60:
- a) the borrower's business expertise, governance, the conditions of the relevant economic sector and its position within that sector;

- b) historical financial performance and forward-looking cash-flow sustainability;
 - c) the borrower's equity contribution and risk sharing capacity; and
 - d) the availability and enforceability of non-collateral risk mitigants, such as insurance and hedging, where available.
62. An RFI shall maintain procedures to identify connected counterparties and aggregate exposures to groups exhibiting control relationships and economic interdependence consistent with the Bank of Ghana's Large Exposures Directive, 2025.
 63. In the case of loan syndications, RFIs shall not rely solely on the credit risk analysis done by the lead underwriter or on external credit ratings. Each participant should perform its own due diligence, including independent credit risk analysis and review of syndicate terms before committing to the syndication.
 64. Where an RFI grants environmentally sustainable loans, it shall document clear eligibility criteria, monitoring arrangements, and reporting mechanism consistent with Bank of Ghana's Sustainable Banking Principles, 2019 and Climate-Related Financial Risk Directive, 2024.

Collateral and Guarantees

65. An RFI shall maintain prudent policies governing collateral acceptability, valuation, and enforceability consistent with the Bank of Ghana's relevant regulations on collateral.
66. An RFI shall have appropriate mechanisms to ensure the value of collateral, guarantees and other risk mitigants are reassessed regularly taking into account their materiality and risk.
67. An RFI shall ensure all collateral valuations are conducted independently from credit origination, credit assessment and approval functions.
68. The valuation of collateral shall reflect fair values, accounting for market liquidity and realisation timeframe.
69. In determining the fair value of a security, an RFI may utilise the valuations of suitably qualified internal appraisers or external valuers in good standing.

70. For land and other physical assets used as collaterals, valuations should, to the extent possible, consider the likely occurrence and impact of external events, including fire, drought and flood.
71. An RFI shall establish prudent limits on loan-to-value ratio (LTV) and subject high-LTV lending to enhanced scrutiny.
72. An RFI shall appropriately evaluate the credit quality of the guarantor and legal enforceability of the guarantee.
73. A repossessed collateral or interest acquired in a collateral security shall be kept off-balance sheet with the corresponding exposures and related provisions/impairments kept on-balance sheet until the disposal of the collateral security.

Credit Approval and Experienced Credit Judgement

74. An RFI shall maintain clear process for:
 - a) approving new exposures (including prudent credit standards);
 - b) renewing and refinancing existing exposures;
 - c) changes in terms and conditions of previously approved exposures; and
 - d) identifying the appropriate approval authority for the size and complexity of the exposures.
75. An RFI shall establish and clearly assign accountability for credit decisions taken, and designate who has the absolute authority (including individuals and committees) to approve credits or changes in credit terms.
76. An RFI shall adopt a credit approval structure that appropriately aligns approval authority levels with expertise and complexity of risk. This may include a combination of individual signature authority, dual or joint authorities, and a credit approval group or committee, depending on the size and nature of the credit.
77. An RFI shall, where relevant, develop and maintain expertise or solicit external expert advice in prudent lending practices, particularly in higher-risk activities such as project and structured finance.
78. An RFI shall maintain appropriate audit trails for all credit decisions and

make them readily available to the Bank of Ghana as and when requested.

79. An RFI shall specify the validity periods for all credit approvals and where transactions are not executed within the specified validity period, information used in the credit decision making shall be updated.
80. An RFI shall ensure that staff involved in the credit assessment and approval processes possess appropriate experience and competence to exercise prudent credit judgement. The experience and competence should be commensurate with the nature, size and complexity of the relevant transaction.
81. An RFI shall ensure that credit approval authority is segregated from customer relationship management responsibilities.
82. The CRO or any employee of the credit risk management function shall not have credit approval authority.
83. Board members or staff of an RFI shall recuse themselves and not participate in credit decision-making where conflict of interest exists, including personal, financial, or political relationships.
84. An RFI shall maintain prudent credit risk policies and processes governing overrides, waivers, and exceptions, including clear identification of approval authorities and limits that reflect the maximum level of allowable overrides, waivers or exceptions⁵. All overrides, waivers, and exceptions to credit risk policies shall be regularly reported to an RFI's relevant internal governance bodies and review functions.
85. All extensions of credit shall be made on an arm's-length basis, with heightened controls over, and monitoring of, related party exposures.
86. An RFI may use automated credit decision tools (ACDT) subject to clear governance, data quality, model explainability, oversight and Board understanding, and with appropriate human accountability, creditworthiness assessment and credit decision-making for loan granting, provided the following conditions are met:
 - a) The RFI provides written rules for using ACDT, including stating the products and limits for which automated decision-taking is allowed,

⁵ An override occurs when an exposure is approved outside the RFI's credit assessment criteria. This may also include when decisions suggested by models, such as a scorecard, are overridden. Overrides may occasionally be needed to deal with exceptional or complex credit applications.

and the decision types that shall be escalated for human review, considering the limits of ACDT;

- b) The RFI duly incorporates risks pertaining to the use of ACDT in its risk management and control systems, providing for appropriate control mechanisms, for instance, early warning criteria, override thresholds, exception reporting, and criteria for suspending the operation of ACDT;
- c) The model applied by the RFI is fit for purpose (including for the target borrower segments and data environment);
- d) The RFI ensures model input data quality and the appropriateness of assumptions used in the model and methodology applied. The RFI should be able to explain the underlying model of the ACDT used and shall ensure its traceability and stability through documented version control, audit trails, and reproducible results;
- e) The RFI monitors the performance results of ACDT on a regular basis and compares actual performance with the modelled performance, including monitoring for material bias or unfair outcomes;
- f) The RFI duly documents and reviews the automated processes and models from time to time (including independent validation appropriate to the size and complexity of the RFI);
- g) The RFI ensures that Board and Senior Management have sufficient understanding of the use of ACDT, their limitations and impact on the credit granting process, and that final accountability for credit decisions remains with the RFI;
- h) Where data quality, coverage, or digital infrastructure is insufficient to support reliable automated decisions, the RFI shall apply appropriate safeguards, including limiting use cases, requiring manual review, and maintaining a documented fallback process; and
- i) Where ACDT is used, the RFI shall be able to provide the borrower with a clear explanation of the principal factors driving the decision and a channel to request human review, subject to applicable laws and regulations.

87. Prior to entering into the loan agreement, an RFI shall provide the borrower with clear, complete and fair information about all contractual terms, risks, and obligations, including⁶:

⁶ Where feasible, disclosure should be provided in plain language and, where appropriate, in a language the borrower understands, with reasonable accommodation for varying levels of financial literacy.

- a) the total loan amount, interest rate, fees, charges, and any other costs payable throughout the life of the facility (including any insurance or third-party charges where required for the loan);
- b) the repayment schedule, instalment amounts, and consequences of late or missed payments;
- c) the terms and conditions governing collateral, including the borrower's obligations, rights, and potential loss of collateral in the event of default in accordance with the BOG Disclosure and Product Transparency Rules for Credit Products and Services, 2017.
- d) all rights and responsibilities of the borrower under the agreement, including early repayment conditions and any prepayment fees (where applicable) and dispute-resolution procedures;
- e) any material risks associated with the loan, such as interest rate changes, currency exposure (where applicable), or impacts of default on the borrower's credit history;
- f) any requirement for the borrower, upon default or persistent delinquency, to waive their rights to privacy or confidentiality, including the disclosure or publication of the borrower's name and default status in accordance with applicable laws, regulations and the RFI's policies; and
- g) the RFI's policies on restructuring, refinancing, and enforcement actions where financial difficulties arise and how the borrower may request assistance or lodge a complaint.

Loan pricing

- 88. RFIs shall adopt transparent and risk-based pricing practices that avoid undue burden on otherwise creditworthy borrowers.

Consideration of Climate-Related Factors

- 89. RFIs should understand the impact of climate-related risk drivers on their credit risk profiles and ensure that credit risk management systems and processes consider material climate-related financial risks.
- 90. RFIs shall develop and implement appropriate processes to identify, monitor, report and mitigate the impacts of material climate-related risk drivers on their credit exposures in a timely manner.
- 91. RFIs shall incorporate climate-related considerations into the entire credit life cycle, including due diligence on borrowers as part of the onboarding process and ongoing monitoring of borrowers' risk profiles.

92. RFI shall apply appropriate risk mitigation measures where climate-related risks are material.

Credit Administration

93. An RFI shall have effective systems and processes for the ongoing administration of its credit portfolio.
94. An RFI's credit administration system shall, at a minimum, ensure:
- a) efficient and effective administration of credit exposures, including ongoing assessment of a borrower's ability and willingness to meet contractual obligations, and monitoring of documentation, contractual terms, legal covenants, collateral, and, where relevant, performance of underlying assets;
 - b) the accuracy and timeliness of information provided by management information systems;
 - c) adequate segregation of duties between credit origination, approval, administration, and review functions;
 - d) the effectiveness of internal controls over all credit administration activities; and
 - e) compliance with credit risk policies and procedures as well as applicable laws and regulations.
95. An RFI shall ensure its credit administration system captures all information necessary to ascertain the current financial condition of the borrower, maintain a complete audit trail of credit decisions, and preserve the full history of each exposure. The credit risk review or internal control function shall periodically verify that credit administration is complete and that all required approvals and documents are in place.
96. Given the wide range of responsibilities of the credit administration function, each RFI shall structure this function in a manner commensurate with its size, complexity, nature of activities, and risk profile.
97. Individuals performing sensitive functions, such as custody of key documents, wiring out funds or entering limits into the computer database, shall report to managers who are independent of the business origination and credit approval processes.
98. An RFI shall monitor the condition of individual credit exposures, including the appropriateness of credit classification and adequacy of provisions.

99. An RFI shall have in place an appropriate system for monitoring the overall composition and quality of the credit portfolio, including trends in asset quality, concentrations, and emerging risks.

Credit Documentation

100. An RFI shall establish policies that clearly define the information and documentation required to support the approval of new credits, the renewal of existing credits, and any material changes to the terms and conditions of approved credits.
101. An RFI shall ensure that credit applications are documented irrespective of whether they are approved, declined, or withdrawn, so as to ensure transparency, accountability, and an audit trail of credit decisions.
102. An RFI shall maintain complete and up-to-date credit files containing all information necessary to ascertain the current financial condition of the borrower or counterparty and to evidence the basis for credit decisions throughout the life of the credit exposure. Credit files shall, where applicable, include financial statements, credit analyses, internal risk ratings, internal approval memoranda, reference letters, valuation and appraisal reports, and relevant correspondence.
103. The credit risk review, internal control, or loan-review function shall periodically verify that all credit files are complete and that all required approvals and supporting documentation have been properly obtained and retained.
104. A separate credit file should be maintained for each customer, and any subsidiary file created should be properly cross-referenced to the main credit file to ensure completeness and ease of retrieval.
105. Physical documents shall be stored securely and not be taken off an RFI's premises unless authorised under documented policies and procedures in accordance with relevant laws and regulations. This includes approved offsite storage, archiving, retention period or digitisation arrangements that ensure confidentiality, integrity, and availability of records.

Credit Risk Measurement

106. RFIs shall ensure that their credit risk measurement framework is

supported by robust, reliable, and timely MIS, as the effectiveness of credit risk measurement is fundamentally dependent on the quality of such systems.

107. RFIs shall maintain information systems and analytical techniques that enable management to measure the credit risk inherent in all on- and off-balance sheet activities. The MIS should provide adequate information on the composition of the credit portfolio, including timely identification of any concentrations of risk.
108. An RFI's information system should be capable of aggregating credit exposures to individual borrowers and counterparties and reporting breaches and exceptions to credit risk limits on a meaningful and timely basis.
109. The analysis of credit risk data should be undertaken at an appropriate frequency with the results being reviewed against approved limits and risk appetite parameters.
110. RFIs shall analyse credit risk at the transaction, product, sectoral, and portfolio levels in order to identify key sensitivities, emerging risks, and concentrations, including those arising from geographic or sector exposure.
111. The measurement of credit risk should, at a minimum, take account of:
 - a) the specific nature of the credit (such as loan, guarantee, derivative, or commitment) and its contractual and financial terms (including tenor, repayment structure, and reference rate);
 - b) the exposure profile over the life of the facility, taking into account potential market, interest rate, and foreign exchange movements, where applicable;
 - c) the existence, quality, enforceability, and valuation of collateral or guarantees; and
 - d) the likelihood of default based on the RFI's internal risk rating system.
112. RFIs shall use credit risk measurement techniques that are appropriate to the complexity and scale of their activities, supported by reliable internal and external data, and subject to periodic review and validation.

Credit Risk Monitoring

113. RFI shall establish comprehensive and documented policies, processes, and methodologies for grading, classifying, and monitoring all credit exposures (including off-balance sheet and forbore/restructured exposures) at the individual obligor or homogeneous portfolio level, as appropriate.
114. These policies and processes shall define clear criteria for identifying, escalating, and reporting early warning signals and potential problem exposures in a timely manner, to ensure enhanced monitoring, corrective action, reclassification, and provisioning, where necessary.
115. An RFI shall implement a structured and continuous credit monitoring process to ensure compliance with approved limits and timely regulatory reporting to BOG.
116. RFI shall maintain appropriate early warning systems and credit stress testing to enable the timely identification and management of potential asset quality deterioration, and contingency plans, including clearly defined remedial tools such as loan restructuring and enhanced monitoring.
117. RFI shall continually assess the impact of lending rates and potential rate changes on borrowers' debt-servicing capacity.
118. An RFI shall monitor credit quality at the borrower and facility level, as well as for each significant group of loans with shared risk characteristics (such as sector, product type, geographical location or borrower segment), in order to detect deterioration early and initiate remedial measures promptly.
119. A sound credit monitoring system shall provide the basis for early intervention and prompt corrective actions when warning indicators suggest a deterioration in the borrower's financial condition or repayment capacity.
120. An RFI shall conduct a formal credit review of each exposure and borrower's financial condition regularly. RFI shall conduct more frequent reviews for large exposures, higher-risk or non-performing credits, or where the borrower's operating environment is subject to significant economic, sectoral, or regulatory changes.
121. RFI shall designate specific independent officers or units responsible for

monitoring credit quality and ensuring that relevant information is communicated to those responsible for assigning and reviewing internal credit risk ratings. RFIs shall also designate specific officers responsible for the ongoing monitoring, valuation, and legal enforceability of all underlying collateral and guarantees. Such monitoring shall facilitate timely escalation to the Board or Senior Management, support adjustments to contractual arrangements where necessary, and ensure adequate provisions and reserves for credit losses are maintained.

122. In assigning these responsibilities, RFIs shall identify and mitigate actual or potential conflicts of interest, especially where staff remuneration or performance assessment is linked to loan origination, portfolio growth or short-term profitability.
123. In broad terms, the monitoring activity of the RFI shall, amongst others, ensure that:
 - a) funds advanced are used solely for approved purpose as stated in the borrower's credit application and credit agreement;
 - b) the borrower's financial condition and repayment capacity are regularly assessed, and material adverse developments are promptly reported to the Board and Senior Management;
 - c) borrowers comply with contractual covenants (financial and non-financial);
 - d) collateral coverage is regularly reassessed, taking into account market conditions and enforceability;
 - e) internal credit risk ratings accurately reflect the borrower's current risk profile;
 - f) payment arrears and other warning signs are identified early, and problem credits are classified in a timely manner; and
 - g) problem credits are escalated to Management without delay for appropriate remedial and recovery actions.
124. More specifically, the above credit monitoring shall include a review of up-to-date information on the borrower, including, where applicable:
 - a) information from credit reference bureaus, other financial institutions that have dealings with the customer, or industry sources;
 - b) findings from site visits or customer engagements;
 - c) audited financial statements and latest management accounts;
 - d) the borrower's business plans and operating strategy;

- e) financial budgets and cash flow projections; and
- f) any relevant Board or shareholder resolutions for corporate customers.

Credit Risk Control

Review of Credit Risk Management Processes

125. RFIs shall establish and maintain an independent credit risk review function, separate from credit origination and relationship management, responsible for the regular and ad hoc reviews of its credit risk management processes and practices, including the assessment of credit quality, underwriting standards, internal risk ratings, and compliance with approved credit policies⁷. The results of such reviews shall be reported promptly and directly to the Board and Senior Management and shall be made available to the BOG upon request.

Internal Controls and Limits

126. An RFI shall implement robust and proportionate internal controls to ensure compliance with regulatory requirements, which shall include conducting regular internal audits and reviews to assess the effectiveness of credit risk controls, as well as clear processes for the timely remediation of any identified deficiencies.
127. Given that multiple officers within an RFI may have delegated credit approval authority, the RFI shall maintain an effective internal review, escalation, and reporting framework to support effective management of its portfolios. This framework shall provide the Board and Senior Management with relevant, accurate, adequate, and timely information to assess portfolio quality, adherence to the approved limits, and the performance of account and approval officers.
128. The credit review function shall assess the effectiveness of the overall credit administration process, verify the accuracy and consistency of internal risk ratings, and evaluate whether account officers are adequately monitoring individual credit exposures.
129. An RFI shall ensure that internal credit reviews are conducted by employees who are independent of the credit origination and approval functions. This is to provide an objective and unbiased assessment of individual credit exposures and the quality of the overall credit portfolio.

⁷ Refer to paragraph 18(f) of this Directive.

130. The credit review function shall report directly to the Board or Senior Management and operate independently of the credit approval process. Accordingly, personnel performing the credit review function shall not possess direct lending or credit approval authority (such as the risk management or internal control function).
131. An RFI shall ensure that the credit-granting function is effectively managed, and that credit exposures remain within levels consistent with applicable prudential standards and approved internal limits.
132. An RFI shall establish and enforce exposure limits for specific industries or economic sectors, geographical locations, and specific products to ensure appropriate diversification and limit excessive concentrations of risk. In order to be effective, such limits should be approved by the Board, clearly documented, binding, and effectively monitored, and shall not be driven solely by customer demand.
133. An RFI shall not engage in credit activities or transactions with borrowers or counterparties it does not adequately understand merely for the sake of diversification.
134. An RFI shall ensure that credit limits fully reflect the risks associated with the potential deterioration and near-term liquidation of exposures in the event of borrower or counterparty default. Such limits should also factor in any unsecured or residual exposure under stressed conditions.
135. An RFI shall establish and enforce internal controls to ensure that all policy overrides, waivers, or exceptions are clearly justified, documented, and reported in a timely manner to the Board or Senior Management for review and action.

Internal Audit

136. Internal audits of the credit risk management processes shall be conducted on a periodic basis to confirm that credit activities are in compliance with the RFI's approved credit policies and procedures, credit approvals are within Board-approved limits, and the existence, quality, and valuation of credit exposures are accurately reported to the Board and Senior Management.
137. The findings of such audits shall be used to identify control weaknesses, policy breaches, and exceptions to limits, as well as to support timely corrective actions and continuous improvements in the RFI's credit risk management framework.

Credit Risk Rating Systems

138. Where appropriate for the nature, size and complexity of its operations, an RFI shall establish and maintain an internal credit risk rating system.
139. An RFI shall have documented and prudent policies and processes governing the development, implementation, validation, operation, and oversight of its internal credit risk rating system.
140. Internal risk ratings shall be adequately granular and reliable to support the identification, measurement, and monitoring of credit risk for all credit exposures, including on- and off-balance sheet exposures. The internal rating system shall be integrated into an RFI's overall credit risk management as well as its internal capital adequacy assessment processes and shall not be limited to the identification of problem exposures. This integration shall support the assessment of the quality of the credit portfolio, risk concentrations, problem exposures, and the adequacy of credit loss reserves and provisions.
141. More advanced and sophisticated internal risk rating systems may be applied, where appropriate, to support internal capital allocation, risk-based pricing of credits, and profitability analysis, provided such systems are commensurate with the RFI's risk profile and data availability.
142. Internal risk rating systems shall classify credits into clearly defined risk grades that reflect meaningful gradations of credit risk. The system shall consistently differentiate and rank credit risk over time. Smaller and less sophisticated RFIs may apply broader rating categories, while larger or more complex RFIs should adopt finer gradations, particularly for performing exposures. The definitions, criteria and thresholds for each risk grade shall be clear, plausible and consistently applied.
143. To facilitate early identification of changes in credit risk profiles, an RFI's internal risk rating system should be responsive to relevant quantitative and qualitative risk indicators. Credits with deteriorating ratings shall be subjected to enhanced oversight and monitoring, including, where appropriate, increased review frequency, borrower engagement, and placement on a watchlist that is regularly reviewed by Senior Management.
144. The internal risk ratings shall be used to monitor portfolio composition and trends and to inform changes to the RFI's credit strategy, risk appetite, and provisioning practices. Accordingly, the Board and Senior

Management shall receive regular and timely reports on the condition of the credit portfolios based on internal risk ratings to support sound, timely and risk-informed decision-making.

145. To promote objectivity and consistency, responsibility for assigning or confirming internal risk ratings should rest with a credit review or risk control function independent of credit origination. The RFI shall also ensure that the consistency and accuracy of ratings are periodically reviewed by an independent function, such as internal audit.
146. An RFI shall conduct validation of its internal risk rating system, at least annually, or more frequently where the risk profile or operating environment changes materially, to ensure that it remains reliable, relevant, and capable of distinguishing between exposures of varying credit quality.

Stress Testing

147. An RFI shall incorporate forward-looking information and potential changes in economic conditions when assessing material individual exposures and the credit portfolio, and shall assess the resilience of credit risk exposures under adverse stressed conditions.⁸
148. Stress tests shall be proportionate to the size, risk profile and systemic importance of the RFI and shall evaluate the impact of adverse conditions on: (i) credit quality and losses, (ii) provisioning/expected credit loss (ECL) outcomes, and (iii) capital adequacy. Where relevant, the RFI shall also assess related liquidity pressures arising from credit deterioration.
149. An RFI shall define a suite of scenarios, including severe but plausible macroeconomic downturns and sector-specific shocks, that could lead to material increases in delinquencies and defaults, declines in collateral values, and elevated credit losses. Scenarios should consider relevant risk drivers such as inflation, fiscal and monetary policy, exchange rate, commodity price shocks affecting key sectors, sovereign stress, and climate-related disruptions where material.
150. An RFI shall conduct regular stress testing at portfolio level and for material risk concentrations (including sector, geography, large

⁸ RFIs should refer to the BOG Guideline on Stress Testing for further details on the overall stress testing process.

exposures/connected counterparties). These tests shall capture key risk drivers of borrowers' repayment capacity and loss severity (such as interest rate and exchange rate movements where relevant, income/cash flow shocks, collateral valuations and haircuts, and behavioural responses affecting arrears and recoveries).

151. The complexity, data requirements and granularity of stress testing shall be commensurate with the nature, scale and complexity of the RFI's credit portfolio. RFI's stress test shall be sufficiently granular to reflect differences across exposure types (including retail, MSME, corporate, real estate, sovereign and off-balance sheet exposures) and shall use severe but plausible adverse conditions. Where data is limited, the RFI shall apply conservative assumptions, expert judgement with clear justification, and incremental improvements to data quality and methods over time.
152. Stress testing results shall be reported regularly to the Board (or its relevant committee) and Senior Management at appropriate levels of aggregation and with clear commentary on key assumptions, limitations and sensitivities.
153. Stress testing shall be linked to actionable contingency planning. The RFI shall define credible management actions and triggers (such as tightening underwriting standards, adjusting sector and/or borrower limits, increasing collateral haircuts, intensifying monitoring and collections, restructuring and/or work-out strategies, provisioning overlays, capital conservation measures, and funding/liquidity contingency actions) and assess the feasibility and impact of those actions under stress.
154. The RFI shall use the results of stress testing as an important input into its credit risk management framework, including risk appetite and limits, underwriting standards, management of concentration risk, assessment of provisioning levels/ECL, and early warning and monitoring processes.
155. An RFI's stress testing programme shall be governed by well-documented and sound policies and procedures covering objectives, scenario design, data methodologies, model governance, roles and responsibilities, frequency, and escalation. Information on scenarios, key assumptions, results and capital impacts shall be communicated to the Board and Senior Management in a timely manner.

156. Stress testing methodologies and models shall be subject to independent review and validation (commensurate with size and complexity) by a function independent of model development (such as internal audit or a qualified external reviewer). Validation shall cover conceptual soundness, data quality, implementation/deployment quality, and ongoing performance monitoring.
157. Stress testing and contingency planning frameworks shall include clearly defined remedial action plans with assigned owners and timelines, including loan restructuring/work-out options, intensified monitoring, and prudent provisioning approaches (such as overlays where warranted), consistent with applicable accounting and prudential requirements.
158. Stress testing results shall be explicitly integrated into the RFI's capital planning and internal capital adequacy assessment processes (ICAAP), including the assessment of capital buffers needed to absorb potential credit losses under stressed conditions.

Classification and Provisioning

159. An RFI shall maintain Board-approved policies and processes for:
 - a) early identification and management of deteriorating and problem exposures;
 - b) classifying and monitoring of all credit risk exposures (including on- and off-balance sheet, and forborene/ restructured exposures); and
 - c) the timely and robust recognition of provisions, reserves and write-offs.
160. These policies shall be reviewed by the Board at least annually and shall reflect market conditions, macroeconomic factors, and forward-looking information.
161. An RFI shall maintain adequate documentation to support grading/classification decisions, collateral valuation and other risk mitigants, and provisioning levels, including key judgements, data sources and approvals.
162. RFIs shall implement a forward-looking provisioning framework consistent with IFRS 9 objectives and supervisory expectations, and shall ensure capital planning appropriately reflects expected and unexpected credit losses, consistent with the applicable BOG regulations and directives on classification and provisioning
163. An RFI shall regularly review its exposures, at the individual level or, for

homogeneous segments, at the portfolio level to ensure:

- (i) appropriate classification;
- (ii) timely detection of deterioration; and
- (iii) adequate provisions and write-offs.

164. An RFI shall maintain sound provisioning methodologies that ensure provisions and write-offs are timely and reflect realistic repayment and recovery expectations, incorporating reasonable and supportable forward-looking information, including macroeconomic conditions.
165. An RFI's Board shall receive timely and sufficient information on the condition of the RFI's credit portfolio, including classification of exposures as performing and non-performing, level of provisions, major problem exposures, concentrations, and the results of credit risk reviews and trends in deterioration and expected losses.
166. RFIs should ensure that valuation, classification and provisioning are conducted on an individual exposure basis or, where appropriate, on a collective basis for exposures that are performing or unimpaired and with similar risk characteristics.
167. Provisioning models and methodologies, and classification practices shall be subject to independent review or validation by a function independent from credit origination and risk-taking functions.

Microcredit classification

168. Notwithstanding the general loan classification criteria, RFIs shall ensure that microcredit facilities are subject to more frequent and proactive credit risk assessment, having regard to their typically short tenors, repayment structures, and vulnerability to rapid deterioration in repayment capacity.
169. A microcredit exposure shall be classified as non-performing or credit-impaired where there is objective evidence that full repayment is unlikely, including situations involving repeated missed instalments, significant weakening of the borrower's repayment capacity, restructuring due to financial difficulty, or other indicators of unlikeliness to pay, irrespective of whether the facility is 90 days past due.

Accounting for Expected Credit Losses

General Requirements for ECL Models

170. An RFI shall adopt, document and consistently apply sound methodologies for assessing and measuring expected credit losses (ECL), commensurate with the nature, scale and complexity of their credit portfolios. These methodologies shall be supported by appropriate policies, procedures, internal controls, and governance arrangements, and shall result in the timely and unbiased recognition of ECL in accordance with IFRS 9.
171. RFIs shall apply ECL frameworks to all lending exposures and other financial instruments within the scope of IFRS 9 impairment requirements, including loans, loan commitments, financial guarantee contracts, debt securities, trade receivables, lease receivables, and other financial or contract assets that are measured at amortised cost or at fair value through other comprehensive income (FVOCI). RFIs shall clearly document the linkage between IFRS 9 classification, staging, and the ECL methodologies applied.

ECL Calculation Methodologies

172. An RFI shall employ appropriate, transparent and explainable ECL calculation methodologies depending on portfolio characteristics, data availability, and proportionality considerations. These methodologies may include loss-rate or vintage approaches, migration analysis, discounted cash flow techniques, or approaches regarding probability of default (PD), loss given default (LGD), and exposure at default (EAD), with LGD estimates derived from historical recovery experience and observed recovery rates.
173. ECL methodologies shall be grounded in reliable historical loss experience and adjusted, as necessary, to reflect current conditions as well as reasonable and supportable forward-looking information. Where advanced or automated techniques, including machine-learning-based models, are used, RFIs shall demonstrate model interpretability, robust governance, appropriate controls, and ongoing performance monitoring.
174. The aggregate level of loss allowance, and the related impairment charge recognised in profit and loss, shall be adequate and consistent with the objectives of IFRS 9. Allowances shall not be systematically biased, overly optimistic, or designed to delay the recognition of credit deterioration.

Use of Forward-Looking Information

175. RFIs shall incorporate forward-looking information into ECL estimates using reasonable and supportable forecasts that are relevant to the Ghanaian economy and, where appropriate, comparable developing-economy contexts. Forward-looking information shall include macroeconomic and sector-specific variables that materially affect borrowers' repayment capacity, such as GDP growth, inflation, unemployment rates, interest rates, exchange rates, and key commodity or sectoral indicators.
176. RFIs shall apply scenario analysis, at a minimum considering baseline and adverse scenarios, to assess the impact of changes in macroeconomic conditions on ECL. The assumptions, scenario selection, probability weightings, and any overlays applied shall be clearly documented.
177. Experienced credit judgement is essential in the incorporation of forward-looking information. RFIs shall ensure that key judgements are subject to appropriate oversight, internal challenge, and governance. Relevant information shall not be excluded from ECL estimation solely because the probability of an event is low or its impact is uncertain, except in exceptional circumstances supported by robust and well-documented justification.

Model Validation and Back-Testing

178. RFIs shall establish sound policies and processes for the validation of ECL models and methodologies. These shall include clearly defined roles and responsibilities, independent review arrangements, approval process for model changes, and formal documentation of validation outcomes.
179. ECL models and methodologies shall be validated at least annually. In addition, re-validation shall be conducted promptly following any material changes in portfolio composition, data, methodology, assumptions, or the macroeconomic environment.
180. RFIs shall conduct back-testing of ECL estimates, at least quarterly or more frequently whenever there are material changes, against actual (realised) credit losses and key risk parameters, including PD, LGD, and EAD, to assess predictive accuracy, identify potential bias, and support timely remediation. Where internal capacity is limited, validation and back-testing may be supported by suitably qualified external experts. However, accountability for the ECL framework shall remain with the RFI.

Training and Competence

181. RFIs shall develop and maintain an operational manual for the ECL models to guide employees.
182. RFIs shall implement role-specific training programs for employees involved in the ECL estimation, validation, oversight, and reporting. Training shall cover IFRS 9 requirements, data quality standards, model limitations, governance arrangements, and the appropriate use of expert judgement.
183. Ongoing training and structured knowledge-transfer arrangements shall be maintained to ensure continuity and competence, particularly where RFIs rely on external expertise or operate under resource constraints.
184. Model validation shall be performed by staff with appropriate qualifications, expertise, and experience, who are independent of the model development and credit origination functions. Independence may be achieved through a dedicated validation unit, internal audit, or a qualified external reviewer, subject to effective oversight by Senior Management.

Non-Performing Exposures (NPEs)

185. RFIs shall effectively monitor their exposures to ensure that non-performing exposures (NPEs) are promptly identified and managed actively to mitigate credit losses.
186. Where an RFI has more than one exposure to a borrower, the RFI must consider all exposures to that borrower as non-performing when any one of the exposures is non-performing.
187. RFIs shall immediately apply any cash collateral to outstanding exposures that move to the non-performing category.
188. RFIs shall ensure that NPE management and work-out decision-making is performed by individuals not involved in the origination of that credit facility, with appropriate authority and expertise.
189. Collateral and other mitigants may be considered in assessing unlikelihood-to-pay but shall not affect past-due counting or the determination of non-performance. An exposure must be classified as non-performing where it meets the definition of non-performing even if

the collateral value exceeds the amount of the past-due exposure.

190. RFIs shall continually strengthen institutional capacity and risk management frameworks to mitigate asset quality deterioration and maintain stakeholder confidence.
191. Under IFRS 9, interest on credit-impaired (Stage 3) exposures is recognised on the net carrying amount⁹. For prudential reporting, the BOG may require RFIs to track, in a separate memorandum account, interest amounts that would otherwise have accrued on the gross basis but is not recognised under IFRS 9, and to recognise such amounts in profit or loss only upon actual cash receipt, with reconciliations evidencing consistency between IFRS 9 accounting and prudential requirements.

Off-Balance Sheet Exposures

192. An RFI shall classify off-balance sheet exposures (including commitments and guarantees) as non-performing where the RFI has cause to believe that it is unlikely to recoup, in a timely manner, the full amounts it may be required to advance, or where the borrower's creditworthiness has deteriorated such that full and timely repayment of potential drawdowns are unlikely.

Where an RFI considers it unlikely to receive timely repayment, in full, of cash flow entitlements from a derivative counterparty, it shall classify such an exposure as non-performing and measure exposures using the standardised approach or the current exposure method prescribed in Capital Requirements Directive 2018, with regular revaluation and add-ons that reflect facility characteristics¹⁰.

Reclassification of Non-Performing Exposures (NPE) to Performing

193. An exposure may be reclassified from non-performing to performing only when all of the following are met:
 - a) no exposure to the borrower is 90 days or more past-due;
 - b) a sustained period of timely repayments has occurred (minimum 90 days, and for restructured exposures the probation period defined in Paragraph 200(a) of not less than six consecutive full repayments (principal and interest) for monthly and quarterly repayments and 4

⁹ This approach eliminates the accrual of interest on non-recoverable amounts and therefore replaces the traditional use of "Interest in Suspense" for financial reporting purposes

¹⁰ Derivative transaction exposures must be revalued regularly so as to maintain reasonably current assessments of the extent of credit risk attaching to these transactions.

consecutive full repayments for semi-annual repayments, while any restructured bullet loan shall remain classified as non-performing until the full settlement of principal and interest at maturity (the probation period);

- c) the borrower's financial condition has improved such that full repayment is likely under the applicable contractual terms; and
- d) the exposure no longer meets the definition of non-performing.

194. An RFI shall not reclassify an NPE as performing solely due to:

- a) partial write-off of an existing NPE (that is, when an RFI writes-off part of a non-performing exposure where that exposure is deemed to be uncollectable);
- b) repossession of collateral on an NPE until disposal and realisation of proceeds; or
- c) extension or granting of restructure measures to an already NPE unless the applicable exit criteria for NPE are met (refer to Paragraphs 192(a) to 192(d)).

Managing Problem Credits/Recoveries

- 195. The Board and Senior Management of an RFI are responsible for the quality of the RFI's credit portfolios and timely action to address deterioration in credit quality.
- 196. RFIs shall maintain effective early warning indicators, escalation triggers, and scalable collections or work-out capacity to manage high volumes during stress.
- 197. RFIs shall establish a suitably resourced work-out function segregated from origination, responsible for rehabilitation strategies and maximising recoveries, with clear governance and performance measures.
- 198. Credit files shall show evidence of recovery steps (such as legal actions, negotiated settlements, use of external collection agents, realisation of collaterals, and sale or transfer of the claim to third parties where applicable), delays in the liquidation of collateral or other credit recovery process and rationale, and updated recovery plans.

Restructuring

199. Any restructuring of an exposure shall be supported by current, well-documented credit assessment of the borrower's repayment capacity under modified terms. Restructuring shall not be used to mask deterioration or avoid appropriate provisioning. The appropriate RFI's management level (authority) shall approve any concessions before the restructuring.
200. Where additional forbearance is granted during probation, the probation period restarts, and classification shall be reassessed.
201. Restructured exposure shall remain classified as non-performing until:
 - a) all payments under the revised contractual terms have been made on time over the probation period of at least six consecutive full repayments (principal and interest) for monthly and quarterly repayments and four consecutive full repayments for semi-annual repayments, while any restructured bullet loan shall remain classified as restructured until the full settlement of principal and interest at maturity (probation period)¹¹; and
 - b) the borrower has resolved the underlying financial difficulty.

Write-Off of Non-Performing Exposures

202. RFIs shall maintain Board-approved loan write-off policies that define, amongst others, the approval authorities, documentation requirements, governance controls, and treatment of recoveries in accordance with relevant BOG Regulations and Notices.
203. Where a credit exposure is fully provisioned, and there is no reasonable expectation of recovery, the RFI shall write off the exposure in a timely manner, consistent with BOG's supervisory expectation. Write-off does not extinguish legal recovery rights. RFIs shall therefore continue to take the necessary steps to recover written-off exposures. This may include the sale or transfer of the credit to another entity.
204. RFIs shall obtain prior written approval from BOG for all write-offs, including partial or negotiated settlements. BOG may determine write-offs that do not require BOG's approval.

¹¹ The starting date of the probation period must be the scheduled start of payments under the revised terms

205. Residual exposures resulting from the application of proceeds of all realised securities or collateral to any outstanding exposure shall be eligible for write-off.
206. Write-offs constitute de-recognition events; post-write-off recoveries shall be recognised in the statement of profit and loss when received, and recovery efforts shall continue.
207. RFIs shall ensure that each write-off is supported by a complete credit file that includes:
- a) borrower repayment history;
 - b) recovery actions and outcomes;
 - c) status of collateral realisation;
 - d) legal actions taken;
 - e) updated valuations and recoverable estimates;
 - f) provision computation evidencing full coverage; and
 - g) approvals by the Senior Management and Board of the RFI as well as the Bank of Ghana.

PART IV – MANAGEMENT INFORMATION SYSTEMS

208. RFI shall have management information systems (MIS), processes, and controls that accurately identify, measure, aggregate and report, on a timely basis, credit exposures and related risk concentrations, including large exposures to a single counterparty or a group of connected counterparties, across products, business lines, and legal entities, to support active limit setting, monitoring and decision-making¹².
209. The RFI's Senior Management, together with relevant business line owners and the risk management functions, shall review at least annually (and following material changes in products, portfolio composition, systems, or the operating environment) the scope, frequency, and quality of credit risk MIS to ensure it remains adequate for the RFI's activities and risk profile.
210. The MIS shall be sufficiently flexible to produce forward-looking enterprise-wide scenario and stress analyses that capture evolving market conditions and severe but plausible stressed conditions (including relevant macroeconomic and sectoral shocks), and to report the results in a form usable for risk appetite, limits, provisioning or impairment analysis, and capital planning where applicable.
211. MIS shall maintain complete, current, and auditable records for each credit facility throughout its life cycle, including the borrower or obligor facility terms, collateral and guarantees (and their legal enforceability), collateral values and revaluations where relevant, covenants, and the linkage between exposures and credit risk mitigation.
212. MIS shall support timely escalation to the appropriate level of management when credit risk limits are breached or are at risk of breach (including concentration and large exposure limits), and shall support documented follow-up actions, approvals of exceptions (where permitted), and remediation plans.
213. MIS outputs shall enable the Board (or its relevant committee) and Senior Management to monitor credit risk over the full credit life cycle at obligor and portfolio levels, including risk grading or classification, arrears and non-performance metrics, collateral coverage, provisioning or impairment outcomes and the analysis and use of the results of stress

¹² Where systems are evolving, RFIs may use appropriately controlled interim/manual processes, provided data are reconciled, governed, and reliably escalated.

testing.

214. An RFI's MIS and supporting processes shall ensure that all sources of credit risk (on- and off-balance sheet, including contingent exposures) are identified and monitored, taking into consideration the relevant macroeconomic conditions and market information where practicable, and support measurement and monitoring of credit risk at both the individual exposure and portfolio levels, including concentrations by counterparty or group, sector, geography, product, collateral type, and currency where material.
215. An RFI shall establish and document a transparent communication and reporting mechanism to ensure timely sharing of relevant information across business units, risk management, finance, and Senior Management, including changes in credit risk levels, limit breaches or exceptions, portfolio trends and concentrations, key watch list or problem credits, and comparison of expected loss calculation with the actual losses, and analysis of drivers of deviations.
216. An RFI shall, prior to using internal or external data in credit risk management, carry out appropriate data quality checks (including completeness, accuracy, timeliness, consistency, and reconciliation), assign data ownership and maintenance responsibilities, and ensure data are fit-for-purpose, with limitations clearly identified and, where necessary, compensated through conservative assumptions or additional controls.

PART V – USE OF ARTIFICIAL INTELLIGENCE IN CREDIT RISK MANAGEMENT

217. An RFI shall establish a governance framework for the use of artificial intelligence (AI) and other advanced analytical models in credit risk management. This shall include clear allocation of oversight responsibilities to ensure alignment with the RFI's risk appetite and regulatory requirements¹³. Additionally, the RFI's Board shall retain overall responsibility for the use of AI in credit risk management, ensuring that adequate resources are allocated for the effective governance, monitoring, and control of AI systems.
218. An RFI shall adhere to documented standards for the development, testing, and implementation of AI models, including the use of reliable data, appropriate methodologies, and controls to mitigate bias and ensure consistency with credit policies. AI models shall be subject to initial and ongoing independent validation, including back-testing and performance benchmarking, commensurate with their materiality and impact on credit decisions.
219. An RFI shall implement comprehensive data governance policies and controls to ensure the quality, accuracy, completeness, and timeliness of data utilised in AI systems for credit risk assessment, is consistent with the RFI's broader data governance and risk management framework.
220. An RFI shall establish mechanisms for the ongoing monitoring of AI systems to detect model drift, instability, or deterioration in predictive performance and ensure compliance with regulatory standards.
221. An RFI shall establish clear accountability for credit decisions supported by AI systems, and document policies to ensure meaningful human oversight, review, and the ability to override AI-supported outcomes, where necessary. AI systems shall be subject to periodic independent review or audit to assess compliance with established internal policies and regulatory requirements, where applicable.
222. An RFI shall implement appropriate training programs for employees involved in the development, validation, use, and oversight of AI systems, with a focus on the risks, limitations, and regulatory requirements specific to the Ghanaian banking context. Additionally, RFIs shall promote ongoing awareness of material developments in AI and their implications for credit risk management, consistent with the RFI's size,

¹³ The oversight responsibility may be assigned to an existing risk or technology committee.

complexity, and use of such technologies.

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PART VI – REPORTING AND DISCLOSURE REQUIREMENTS

223. An RFI shall maintain robust credit risk reporting mechanisms that support timely, accurate, and comprehensive reporting of credit risk information to the BOG, including, where applicable: details on non-performing exposures, provisioning or impairment levels, sectoral and other material concentrations.
224. RFIs shall submit to the BOG, at least annually or whenever there are material changes, summary reports on material AI models used in credit risk management, including key performance indicators, validation outcomes, and significant issues or breaches.
225. RFIs shall submit quarterly reports to the BOG on written-off exposures and recovery progress as per the prescribed format.¹⁴
226. RFIs shall submit annual stress test results to the BOG in line with the BOG Guideline on Stress Testing.
227. RFIs shall disclose accurate, relevant, and timely information regarding their expected credit losses (ECL), including, where applicable, the methodology used for ECL calculation, key assumptions and inputs to the ECL models, as well as information on the credit quality of financial assets and any significant changes in credit risk in line with BOG's reporting requirements.
228. RFIs are required to, on an annual basis, submit to the BOG reports on ECL estimates, methodologies, and material model changes.
229. RFIs are required to disclose information that explains the basis for their ECL calculations and how they measure ECLs and assess changes in credit risk. They shall also provide a reconciliation of the opening and closing ECL balances and carrying values of the associated financial assets, disaggregated by ECL stage (for example, 12-month and lifetime ECL) and by asset class, in line with applicable accounting standards.
230. RFIs shall disclose all write-offs of assets recorded during the reporting period, including, where material, separate disclosure of amounts arising from restructured or modified facilities, in accordance with applicable accounting and regulatory requirements.

¹⁴ Refer to Appendix 1 for the format of the reports.

231. RFIs shall disclose all the cumulative and current year's exposures which have been written off, in both their audited and unaudited financial statements.
232. RFIs shall comply with applicable IFRS and other regulatory disclosure requirements to ensure comparability and consistency of published financial information.

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PART VII – SUPERVISORY REVIEW

233. As part of its supervisory review process, the BOG will assess RFI's credit risk management frameworks to ensure that they adequately identify, measure, evaluate, monitor, report and control or mitigate credit risk on a timely and forward-looking basis.
234. In conducting supervisory reviews under this Directive, the BOG shall make use of quantitative and qualitative credit risk indicators, peer comparisons, trend analysis, and thematic reviews to identify emerging risks, outliers, and potential weaknesses in RFI's credit risk management practices¹⁵.
235. In conducting supervisory reviews under this Directive, BOG will determine whether RFI's have:
- a) an adequate and proportionate credit risk management framework that is commensurate with the RFI's size, risk profile and systemic importance and considers its risk appetite, portfolio composition, market conditions, relevant macroeconomic developments, and forward-looking information as well as sound policies and procedures. This will enable the RFI to effectively identify, measure, evaluate, monitor, report, and control or mitigate credit risk (including counterparty credit risk) on a timely basis; and
 - b) effective policies and procedures for the early identification and management of watchlist and problem exposures, including the maintenance of adequate provisions and reserves.
236. BOG will evaluate the adequacy and effectiveness of the strategies, policies, procedures, and practices related to the granting of credit and the ongoing management and monitoring of the portfolio as well as whether the RFI's Board and Senior Management recognises problem exposures at an early stage and takes timely and appropriate corrective actions.
237. Where BOG determines that an RFI is taking excessive or imprudent credit risk relative to its financial condition, capital adequacy,

¹⁵ These indicators may include asset quality metrics, restructuring and forbearance trends, sectoral and borrower concentrations, underwriting standards, stress testing results, and provisioning adequacy. The outcomes of such analysis may inform supervisory ratings, remedial actions, and prudential requirements.

governance arrangements, or risk management capacity, BOG may require remedial actions, including;

- a) setting limits on particular exposures or categories of exposures,
 - b) restrictions on portfolio growth,
 - c) caps on concentrations, or
 - d) requiring the RFI to cease specific activities
- until the risks are adequately addressed.

238. Where BOG considers that there is a system-wide excessive growth or material build-up of higher risk lending, BOG may set prudential limits¹⁶ or supervisory expectations on particular types of lending, including growth rates, portfolio shares, underwriting standards, to be complied with by all RFIs or a specified class of RFIs, taking into account proportionality.
239. Where BOG considers that an RFI's credit risk governance, policies, processes, systems, or practices do not meet the requirements of this Directive or otherwise considers its credit risk management materially deficient, BOG may require the RFI to revise or strengthen its credit risk management framework, increase provisioning levels, hold additional capital, or implement any other supervisory measure deemed necessary to address the deficiencies.
240. Without limiting the foregoing, where BOG identifies weaknesses in an RFI's underwriting standards, early warning systems, stress testing, provisioning methodologies, or write-off policies, BOG may require time-bound remedial actions, enhanced reporting, targeted portfolio or thematic reviews, independent validation, or temporary restrictions on specific lending activities until such deficiencies are satisfactorily remedied.
241. BOG may require an RFI to appoint an independent and suitably qualified party, at the RFI's expense, to review and report to BOG on all or specific aspects of the RFI's credit risk management, including classification and provisioning practices. BOG may determine the scope, terms of reference, and timing of such a review and may require it without prior consultation where supervisory concerns warrant immediate action.

¹⁶ The BOG may prescribe capital buffer in line with the BOG Capital Requirements Directive, 2018.

242. The BOG shall assess whether an RFI's classification of exposures is appropriate and its determination of provisioning levels is adequate for prudential purposes, taking into account prevailing economic conditions and emerging risks.

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PART VII – SANCTIONS AND REMEDIAL MEASURES

243. An RFI that fails to comply with the requirements of this Directive shall be sanctioned in accordance with section 92 (8) of Act 930, in addition to any other relevant remedial measures and related sanctions as stipulated in this Act.
244. BOG shall evaluate RFIs' treatment of exposures to identify any material circumvention of classification and provisioning requirements, including through forbearance or restructuring practices. Where policies, processes, methodologies, classification, or provisioning levels are found to be inadequate, BOG may require an RFI to:
- a) revise its policies, procedures or methodologies for classification and provisioning;
 - b) reclassify exposures where necessary;
 - c) increase provisions, reserves or capital; and/or
 - d) implement other appropriate remedial measures.

Appendix I - Progress Report on Written-off Exposures

Individual Exposures

No	Name of Borrower	Date of Disbursement	Original Loan Maturity Date	Type of Facility	Purpose of Facility	Gender	Geographic Location (Town and Region)	Original Loan Amount (GHe)	Date of Write-off	Type of Write-off (Full or Partial or Negotiated Settlement)	Principal Amount Written-off (GHe)	Interest Accrued Written-off (GHe)	Total Amount Written-off (GHe)	Recoveries Made Within the Quarter	Cumulative Recoveries	Outstanding Recoverable Amount (GHe)	Collateral Type used by Borrower	FSV or Estimated Value of Collateral	Status of Collateral	Recovery and Collection Actions Taken	Willful Defaulter (Y/N)	Write-off caused by Death of Individual (Y/N)	Reason for Write-off other than Death of Individual

Non-Individual Exposures

No	Name of Borrower	Date of Disbursement	Original Loan Maturity Date	Type of Facility	Purpose of Facility	Sector of Borrower	Geographic Location (Town and Region)	Original Loan Amount (GHe)	Date of Write-off	Type of Write-off (Full or Partial/Negotiated Settlement)	Principal Amount Written-off (GHe)	Interest Accrued Written-off (GHe)	Total Amount Written-off (GHe)	Recoveries made within the Quarter	Cumulative Recoveries	Outstanding Recoverable Amount (GHe)	Collateral Type used by Borrower	FSV or Estimated Value of Collateral	Status of Collateral	Recovery and Collection Actions Taken	Willful Defaulter (Y/N)	Reason for Write-off

Appendix 2 - Financial Difficulty and Unlikelihood to Pay

RFIs should assess whether a borrower is experiencing financial difficulty, and indicators of unlikelihood to pay to support default (non-performing) classification, as part of a timely and well-documented assessment of credit deterioration.

In determining financial difficulty and unlikelihood to pay, RFIs should use experienced judgement and maintain clear documentation of the evidence relied upon.

Financial difficulty

In order to identify cases of restructuring, RFIs should first determine if the counterparty is experiencing financial difficulty at the time when the restructuring is granted.

Financial difficulty may exist even where there are no arrears on an exposure (such as where forward-looking evidence shows an inability to meet contractual payments without concession). The following list provides examples of possible indicators of financial difficulty, but is not intended to constitute an exhaustive enumeration of financial difficulty indicators with respect to restructuring:

- a) A counterparty is currently past due on any of its exposures, other than for purely technical or administrative reasons.
- b) A counterparty is not currently past due, but it is probable that the counterparty will be past due on any of its exposures in the foreseeable future without the concession, for instance, when there has been a pattern of delinquency in payments on its material exposures.
- c) Where applicable (such as for listed entities), the counterparty's outstanding securities have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange due to non-compliance with the listing requirements or for financial reasons.
- d) On the basis of actual performance, estimates and projections that encompass the counterparty's current capabilities, the RFI expects the counterparty's committed or available cash flows to be insufficient to service all of its loans or debt securities (both interest and principal) in accordance with the contractual terms of the existing agreement for the foreseeable future.
- e) A counterparty's existing exposures are categorised as exposures that have already evidenced difficulty in the counterparty's ability to repay in accordance with the supervisory categorisation scheme in force or the credit categorisation scheme within an RFI's internal credit rating system.

- f) The counterparty is classified as non-performing (defaulted) or would likely be categorised as non-performing without the concessions (i.e., the concession is preventing recognition of non-performance).
- g) The counterparty cannot obtain funds from sources other than the existing RFIs at an effective interest rate equal to the current market interest rate for similar loans or debt securities for a non-troubled counterparty.

When a borrower is assessed as experiencing financial difficulty, examples of potential concessions are:

- a) extending the loan term;
- b) rescheduling the dates of principal or interest payments;
- c) granting new or additional periods of non-payment (grace period);
- d) reducing the interest rate, resulting in an effective interest rate below the current interest rate that counterparties with similar risk characteristics could obtain from the same or other institutions in the market;
- e) capitalising arrears;
- f) forgiving, deferring or postponing principal, interest or relevant fees;
- g) changing an amortising loan to an interest-only payment;
- h) releasing collateral or accepting lower levels of collateralisation;
- i) allowing the conversion of debt to equity of the counterparty;
- j) deferring recovery/collection actions for extended periods of time; and
- k) easing of other covenants.

Unlikelihood to Pay

Elements to be taken as indications of unlikelihood to pay include:

- a) the RFI puts the credit obligation on non-accrued status;
- b) the RFI makes a charge-off or a credit quality driven exposure -specific provision resulting from a significant perceived decline in credit quality subsequent to the RFI taking on the exposure;
- c) the RFI's willingness to sell the credit obligation at a material credit-related economic loss;
- d) the RFI consents to a distressed restructuring of the credit obligation

where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or fees;

- e) the RFI has applied for the borrower's bankruptcy or a similar order in respect of the borrower's credit obligation to the RFI; and
- f) the borrower has sought or has been placed in bankruptcy or afforded similar protection where this would avoid or delay repayment of any of the credit obligations to the RFI.

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