ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

ZENITH BANK

...in your best interest

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mary Chinery-Hesse (Dr)	- *Chairperson (Retired on 1 January 2020)*
	Anthony A. Ogunranti	- MD/CEO (Appointed on 2 October 2019)
	Kwame Sarpong	- *(Retired on 1 January 2020)*
	Gabriel Ukpeh	
	Anthony Oteng-Gyasi	
	Dennis Olisa	
	Freda Duplan	- *(Appointed 3 December 2019)*
	Dr. Juliette Tuakli	- *(Appointed 3 December 2019)*
	Henry Oroh	- *(Resigned 11 October 2019)*
	Ebenezer Onyeagwu	- *(Resigned 21 May 2019)*
SECRETARIES	Michael O. Otu Daniel Agamah	
AUDITOR	PricewaterhouseCoopers PwC Tower A4 Rangoon Lane Cantonments City PMB CT 42, Cantonments Accra -Ghana	
SOLICITORS	Corporate Legal Concepts Rehoboth Place No.1 North Labone Estates Accra	
REGISTERED OFFICE	Zenith Heights No. 31 Independence Avenue PMB CT 393 Accra	
BANKERS	Citibank N.A., London Citibank New York Ghana International Bank Plc. Zenith Bank (UK) Limited Standard Chartered Bank - Germany Standard Chartered Bank - China Commerzbank AG JP Morgan Chase Bank NA Sumitomo Mitsui Banking Corporation Europe Ltd. Deutsche Bank AG Bank of Beirut (UK) Limited Rand Merchant Bank Ghana Commercial Bank	

REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2019 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Zenith Bank (Ghana) Limited's financial position at 31 December 2019, and of the profit or loss and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of this directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Financial results and dividend

The financial results of the Bank for the year ended 31 December 2019 are set out in the attached financial statements, highlights of which are as follows:

31 December	**2019** ***GH¢'000***	2018 *GH¢'000*
Profit before taxation is	352,787	281,843
from which is deducted taxation of	(106,320)	(95,959)
giving a profit after taxation for the year of	246,467	185,884
less net transfer to statutory reserve fund and other reserves of	(64,693)	(115,179)
leaving a balance of	181,774	70,705
to which is added a balance brought forward on retained earnings of	206,240	459,584
less changes on initial application of IFRS 9 and other reserves of	-	(22,442)
less transfers to stated capital and cost of transfer of	-	(301,607)
leaving a balance of	388,014	206,240

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of *GH¢*61,616,817 (2018: GH¢92,942,285) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to *GH¢*305,340,523 (2018: 243,723,706) at the year end.

The Directors do not recommend the payment of a dividend (2018: Nil).

REPORT OF THE DIRECTORS (CONTINUED)

Nature of Business

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

Holding Company

The Bank is a subsidiary of Zenith Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to undertake all banking and related services.

Interest in other Body Corporates

The Bank has no subsidiaries or associate entities during the year or as at year end.

Corporate Social Responsibilities

The Bank spent a total of *GH¢*188,000 on corporate social responsibilities during the year. These are mainly in the form of educational scholarship for needy children and sponsorships of major social events.

Audit fee payable

There was no audit fee payable as at the date of this report.

Capacity of directors

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

Directors

The names of the directors who served during the year are provided on page 3. No director had any interest at any time during the year, in any contract of significance, other than a service contract with the Bank. No directors had interest in the shares of the Bank.

Auditor

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

Approval of the Financial Statements

The financial statements of the Bank were approved by the Board of Directors on **21 February 2020** and were signed on their behalf by:

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Freda Duplan (Chairperson) **Anthony A. Ogunranti (Managing Director/CEO)**

CORPORATE GOVERNANCE REPORT

Corporate governance relates to the systems, rules, processes and laws by which businesses are operated, regulated, directed and controlled with the view of achieving the long term goals of the organization while maintaining the right balance with stakeholders' interests. The stakeholders comprise both internal and external parties.

At Zenith Bank (Ghana) Limited, conscious of our enviable place in the market, we have in place a robust system of corporate governance bearing in mind our core values of Belief in God, Integrity and Keeping the Service Promise. We also pay key attention to elements of honesty, trust, openness and accountability.

The Board and Board Committees

The Board of Directors is made up of a Non-Executive Chairman, six (6) other Non-Executive Directors and one (1) Executive Director.

The Board comprises of persons of mixed skills with experience in different fields of human endeavour. The Directors are conscious of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders. The Board is responsible for the strategic direction of the Bank.

The Managing Director/Chief Executive Officer is responsible for the day-to-day running of the Bank assisted by the Executive Committee. The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

Responsibilities of the Board

The Board is responsible for:

- Review and provision of strategic direction for the Bank including major plans of action and risk policy;
- Review and approval of annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance;
- Overseeing major capital expenditures, acquisitions and divestiture;
- Monitoring the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary;
- Ensuring the integrity of the Bank's accounting and financial reporting systems;
- Ensuring that appropriate systems of control and risk monitoring are in place; and
- Establishment of the various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of the Bank's business.

The Board meets at least once every quarter, but may hold extraordinary sessions as the business of the Bank demands.

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Committees

The Board executes its functions through various committees of the Board. These committees have been set up in accordance with statutory requirements and global best practices. Each committee has well-defined terms of reference to guide their functions. The committees consider only matters that fall within their purview to avoid decision overlaps. The committees of the Board meet each quarter but may hold extraordinary meetings to address urgent issues that may arise.

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, one (1) other Non-Executive Director and one (1) Executive Director as members. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters. All loan applications above the level of Management Credit Committee are sent to the Committee for consideration and approval.

The composition of the Committee is as follows:

Name of Director	Position
Mr Dennis Olisa	Chairman
Dr Juliette Tuakli	Member
Mr Anthony A. Ogunranti	Member

Board Audit Committee

The Committee is made up of a Non-Executive Chairman and two (2) other Non-Executive Directors. The Audit Committee has oversight responsibility for the overall internal audit function and creates a comprehensive approach to anticipate, identify, prioritize and manage material risks to the Bank's business objectives. The Bank recognizes the Committee as the "guardian of public interest", and reflects this both in the composition and calibre of its membership. The Head of Internal Control and the Chief Compliance Officer have access to this Committee and make quarterly presentations for the consideration of the Committee.

Members of the Committee are:

Name of Director	Position
Mr Anthony Oteng-Gyasi	Chairman
Mr Gabriel Ukpeh	Member
Dr Juliette Tuakli	Member

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Board Risk, Cyber and Information Security Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one (1) Executive Director. Formerly known as the Board Risk Management Committee, the committee was re-designated as the Risk, Cyber and Information Security Committee on February 1, 2019. The Board Risk, Cyber and Information Security Committee assists the board by creating a comprehensive approach to anticipate, identify, prioritize and manage material risks to the Bank's business objectives. The Chief Risk Officer and the Chief Information Security Officer have access to this committee and make quarterly presentations for the consideration of the committee.

Members of the Committee are as follows:

Name of Director	Position
Mr Anthony Oteng-Gyasi	Chairman
Dr Juliette Tuakli	Member
Mr Gabriel Ukpeh	Member
Mr Anthony A. Ogunranti	Member

Board Governance, Nominations and Remuneration Committee

The Committee is made up of a Non-Executive Chairman and two (2) other Non-Executive Directors. The purpose is to seek and nominate qualified candidates for appointment to Zenith's Board of Directors. The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

Name of Director	Position
Mr Gabriel Ukpeh	Chairman
Mr Anthony Oteng-Gyasi	Member
Mr Dennis Olisa	Member

Board Finance and General Purpose Committee

The Committee is made up of a Non-Executive Chairman and one (1) Executive Director. The purpose of the Board Finance and General Purpose committee is to assist the board to discharge its obligations relating to capital expenditure, capital structure, tax planning, financial strategy, dividend policy, branch expansion, performance targets for executive directors and other senior staff and the working conditions of the bank's employees.
The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

Name of Director	Position
Mr Gabriel Ukpeh	Chairman
Mr Anthony A. Ogunranti	Member

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Schedule of attendance at Board Committee Meetings

Below is the schedule of attendance at Board Committee meetings during the year.

Directors	BC	FGPC	CC	GNRC	AC	RCISC
Mary Chinery-Hesse	5	N/A	N/A	N/A	N/A	N/A
Kwame Sarpong	5	5	5	N/A	5	5
Ebenezer Onyeagwu	2	N/A	2	2	N/A	2
Gabriel Ukpeh	5	5	N/A	5	5	5
Henry Oroh	4	4	4	N/A	N/A	4
Anthony Oteng-Gyasi	5	N/A	N/A	5	5	5
Dennis Olisa	5	N/A	5	N/A	5	N/A
Freda Duplan	1	N/A	N/A	N/A	N/A	N/A
Dr. Juliette Tuakli	1	N/A	N/A	N/A	N/A	N/A
Anthony A. Ogunranti	2	1	1	N/A	N/A	1

*Board Committee (BC), Finance and General Purpose Committee (FGPC), Credit Committee (CC), Governance, Nominations and Remuneration Committee (GNRC), Audit Committee (AC), Risk, Cyber and Information Security Committee (RCISC).

N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

Other Committees

The Bank has in place, other standing management committees in addition to the afore-mentioned Committees. These include:

Executive Committee (EXCO)

The Bank has in place an Executive Committee which has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/Chief Executive Officer. It meets once every week to discuss and adopt policy decisions. It also provides direction for the staff of the Bank and ensures effective and efficient use of the Bank's resources.

The Executive Committee is made up of the following members:

Name of Member	Position
Mr Anthony A. Ogunranti	Chairman
Mrs Maebelle Nortey	Member
Mr Abiodun Durosinmi	Member
Mr Daniel Agamah	Member
Mr George Blavo	Member
Mr Kwame Adadey	Member
Mr James Akenten	Member

Asset and Liability Committee (ALCO)

The purposes of ALCO are formation of an optimal structure of the Bank's balance sheet to provide the maximum profitability, limiting the possible risk level; control over the capital adequacy and risk diversification; execution of the uniform interest policy; determination of the Bank's liquidity management policy; control over the state of the current liquidity ratio and resources of the Bank. The Committee is chaired by the MD/CEO and consists of all the members of EXCO in addition to other senior staff members. This Committee meets every week.

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Management Committee

This Committee is chaired by the Managing Director/Chief Executive Officer. It meets weekly to deliberate on issues affecting the Bank. Membership includes EXCO members, Heads of Departments and Branch Heads, at and above the grade of Assistant Manager.

Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

Management has communicated the principles in the Staff Handbook to its employees in the discharge of their duties. This handbook sets the professionalism and integrity required for business operations which covers compliance with the law, conflict of interest, bribery and strict adherence to these principles so as to eliminate the potential for illegal practice.

Oath of Confidentiality

Pursuant to the Banks and Specialised Deposit-Taking institutions Act, 2016 (Act 930), the Board of Directors swear an oath of confidentiality before a judge of the High Court to keep the matters of the Bank confidential and not to disclose such except when lawfully required to do so by a court of law or under any enactment.

Shares of the Bank held by Directors and other related parties

No Director or related party held shares as at 31 December 2019.

Independent External Evaluation of the Board

In accordance with Section 47 and 48 of the Corporate Governance Directive, the next independent external evaluation of the Board is due in 2020. The Board is in the process of engaging a competent professional firm for the exercise. The last independent external evaluation of the Board was carried out in 2018 to appraise the Board and its members for the period January 2015 to December 2017. The scope of the engagement included roles and responsibilities, competencies, structure and composition, processes and relationships, and other key governance issues.

Conflict of Interest

A Conflict of Interest Policy has been drafted for consideration by the Board. The draft document covers areas such as duties, disclosures, responsibilities, reviews and approval process for directors in relation to activities that could result in conflict of interest. The document is expected to be approved in the course of 2020.

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Other Directorship Positions

Other directorship positions held by the Board members as at 31 December 2019 are as follows:

Name	Name of Company
Mary Chinery-Hesse (Dr)	N/A
Anthony A. Ogunranti	N/A
Henry Oroh	Zenith Bank Plc
Ebenezer Onyeagwu	1. Zenith Nominees Limited 2. Zenith Pension & Custodian Limited 3. Zenith Bank Plc
Kwame Sarpong	4. Sarp-Chin Bamboo Products Limited 5. Lowe Lintas (Ghana) Limited 6. Ghana Cocoa Board
Gabriel Ukpeh	Zenith Bank Plc
Anthony Oteng Gyasi	1. Tropical Cable & Conductor Limited 2. Western Rod & Wire Limited 3. Electronic Supplies & Engineering Services Limited 4. Ghana Integrated Aluminium Industry Dev't Corp.
Dennis Olisa	N/A
Dr Juliette Tuakli	1. Mercy Ships 2. United Way Worldwide
Freda Duplan	N/A

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

What we have audited

We have audited the financial statements of Zenith Bank (Ghana) Limited (the "Bank") for the year ended 31 December 2019.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment of financial assets

At 31 December 2019, the Bank's financial assets and respective impairment, where applicable, were as follows:

<table>
<tr><th>Financial assets measured at amortised cost</th><th>Amounts outstanding</th><th>Impairment</th></tr>
<tr><td></td><td>GH¢'000</td><td>GH¢'000</td></tr>
<tr><td>Cash and cash equivalents</td><td>1,017,077</td><td>-</td></tr>
<tr><td>Investment securities</td><td>3,616,610</td><td>7,854</td></tr>
<tr><td>Investments other than securities</td><td>538,918</td><td>617</td></tr>
<tr><td>Loans and advances to customers</td><td>648,250</td><td>32,781</td></tr>
<tr><td>Off balance sheet exposures</td><td>961,220</td><td>6,078</td></tr>
</table>

The impairment of these financial assets was determined on an expected credit loss basis under IFRS 9. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation. These judgements were key in the development of the new models which have been built and implemented to measure the expected credit losses on relevant financial assets measured at amortised cost.

The increase in the data inputs required by the IFRS 9 models increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management's view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgements.

</td><td>

We obtained an understanding of and evaluated controls supporting management's estimates, judgements and assumptions and tested selected key controls focusing on the completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment models;

We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.

We tested data used in the ECL calculation by reconciling to source systems to check data quality.

We assessed the reasonableness of forward-looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied to capture non-linear losses.

</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias: - Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank - Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank - Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon) - Exposure At Default - EAD - (amount expected to be owed the Bank at the time of default) - Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default) - Credit Conversion Factor - CCF (chance of off balance sheet credit risk exposures becoming on balance sheet items) - Forward looking economic information and scenarios used in the models - Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.10, 3.2.2, 9, 17, 18, 19 and 27 to the financial statements.	We assessed the measurement decisions and the ECL models developed by the Bank which include challenging management's determination of: - significant increase in credit risk, - definition and identification of default, - probability of default, - exposure at default, - loss given default, and - credit conversion factors. We re-performed certain model calculations to evaluate the inputs and risk parameter outputs. We considered post-model adjustments in the context of key model and data limitations identified by management, challenged their rationale and recalculated where necessary. We tested the underlying disclosures on IFRS 9 and compared these to underlying accounting records.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report, and the Value Added Statement but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Overview Report, Our Business Report, Chairman's Statement, Chief Executive Officer's Review Report, Executive Management Report and the Corporate Events & Social Responsibility Report, which are expected to be made available to us after that date.

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Overview Report, Our Business Report, Chairman's Statement, Chief Executive Officer's Review Report, Executive Management Report and the Corporate Events & Social Responsibility Report, and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

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

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

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

iv) the Bank has, in all material respects, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)

Chartered Accountants

Accra, Ghana

21 February 2020

pwc

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

	Note	For the Year Ended 31 December **2019**	2018
Interest income	5	766,551	695,268
Interest expense	5	(298,532)	(271,849)
Net interest income		468,019	423,419
Fees and commission income	6	80,537	92,924
Fees and commission expense	6	(7,941)	(6,411)
Net fees and commission income		72,596	86,513
Net trading income	7(a)	91,647	41,723
Net income - financial instruments carried at fair value	7(b)	(18,599)	7,032
Other income	8	7,897	11,618
Net trading and other income		80,945	60,373
Revenue		621,560	570,305
Impairment loss on financial assets	9	(10,093)	(56,557)
Personnel expenses	10	(142,732)	(87,646)
Operating lease expense	11	-	(6,957)
Depreciation and amortisation	20(a)	(21,178)	(17,794)
Other expenses	12	(94,770)	(119,508)
Profit before income tax		352,787	281,843
Income tax expense	13	(106,320)	(95,959)
Profit after tax attributable to equity holders of the Bank		246,467	185,884
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to equity holders of the Bank		246,467	185,884
Earnings per share - Basic & Diluted	14	0.06	0.05

The notes on pages 23 to 88 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

		As at 31 December	
Assets	**Note**	**2019**	2018
Cash and cash equivalents	15	1,017,077	754,242
Non-pledged trading assets	16(a)	312,686	112,071
Pledged trading assets	16(b)	197,839	209,109
Investment securities	17	3,616,610	2,869,292
Investments (other than securities)	18	538,918	654,431
Current tax receivable	13	25,733	-
Loans and advances to customers	19	648,250	733,084
Property, plant and equipment	20	162,424	182,307
Intangible assets	21	4,422	2,059
Right of use assets	11	88,290	-
Deferred tax assets	22	8,780	8,991
Other assets	23	69,975	46,889
Total assets		6,691,004	5,572,475
Liabilities			
Deposits from banks and non-bank financial institutions	24	36,249	26,708
Deposits from customers	25	4,457,056	3,407,542
Borrowings	26	701,818	982,901
Other liabilities	27	284,682	264,323
Lease liabilities	11	84,326	-
Deferred tax liabilities	22	8,205	5,523
Current tax payable	13	-	13,277
Total liabilities		5,572,336	4,700,274
Equity			
Stated capital	28(a)	400,000	400,000
Statutory reserve	28(b)	305,341	243,724
Credit risk reserve	28(b)	25,313	22,237
Retained earnings	28(b)	388,014	206,240
Total equity		1,118,668	872,201
Total equity and liabilities		6,691,004	5,572,475

Mrs Freda Duplan (Chairperson)	**Anthony A. Ogunranti (Managing Director/CEO)**

The financial statements of the Bank on page 18 to 88 were approved by the Board of Directors on **21 February 2020.** The notes on pages 23 to 88 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(All amounts are in thousands of Ghana cedis)

Year ended 31 December 2019	**Stated Capital**	**Statutory Reserve**	**Credit risk Reserve**	**Retained earnings**	**Total**
Balance at 1 January 2019	400,000	243,724	22,237	206,240	872,201
Profit for the year	-	-	-	246,467	246,467
Total comprehensive income	-	-	-	246,467	246,467
Regulatory and other reserve transfers					
Transfer to credit risk reserve	-	-	3,076	(3,076)	-
Transfer to statutory reserve	-	61,617	-	(61,617)	-
Net transfers to reserves and transactions with owners	-	61,617	3,076	(64,693)	-
Balance at 31 December 2019	400,000	305,341	25,313	388,014	1,118,668

STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts are in thousands of Ghana cedis)

Year ended 31 December 2018

	Stated Capital	Statutory Reserve	Credit risk Reserve	Retained earnings	Total
Balance as at 1 January 2018	122,021	150,782	14,948	459,585	747,336
Changes on initial application of IFRS 9					
- Increase in impairment provisioning	-	-	-	(37,391)	(37,391)
- Transfer between reserves	-	-	(14,948)	14,948	-
Restated balance at 1 January 2018	122,021	150,782	-	437,142	709,945
Profit for the year	-	-	-	185,884	185,884
Total comprehensive income	-	-	-	185,884	185,884
Regulatory and other reserve transfers					
Transfer from credit risk reserve	-	-	22,237	(22,237)	-
Transfer to statutory reserve	-	92,942	-	(92,942)	-
Transactions with owners:					
Transfer to stated capital	277,979	-	-	(277,979)	-
Cost of transfer to stated capital	-	-	-	(23,628)	(23,628)
Net transfers to/(from) reserves and transactions with owners:	400,000	92,942	22,237	(416,786)	(23,628)
Balance at 31 December 2018	400,000	243,724	22,237	206,240	872,201

The notes on page 23 to 88 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana cedis)

	Note	Year ended 31 December 2019	2018
Profit before tax		352,787	281,843
Adjustments for:			
Depreciation and amortisation	20(a)	21,178	17,794
Net impairment loss on financial assets	9	10,093	56,557
Net interest income	5	(468,019)	(423,419)
Profit on disposal of property, plant and equipment	20(b)	96	(221)
Asset write-off	20	-	33
Unrealised exchange loss on borrowings	26	13,423	28,336
Fair value changes recognised in profit or loss	7(b)	18,599	(7,032)
		(51,843)	(46,109)
Changes in:			
Investments (other than securities)	18	(46,611)	623,113
Non-pledged trading assets	16	(200,615)	(393)
Pledged trading assets	16	11,270	(209,109)
Investments securities	17	(881,571)	(2,552,565)
Mandatory cash reserve	15	(104,820)	(10,013)
Loans and advances to customers	19	84,834	143,834
Other assets	23	23,087	65,330
Deposits from banks and non-bank financial institutions	24	9,541	(7,872)
Deposits from customers	25	1,049,514	(65,874)
Other liabilities	27	20,359	206,951
		(35,012)	(1,806,598)
Interest received	5	766,551	695,268
Interest paid	5	(298,532)	(271,849)
Taxes paid on bonus shares issued		-	(23,628)
Corporate taxes paid	13	(142,436)	(90,491)
Net cash flow generated from/(used in) operating activities		238,728	(1,543,407)
Cash flow from investing activities			
Acquisition of property, plant and equipment	20	(12,984)	(13,870)
Proceeds from disposal of property, plant and equipment	20(b)	16,319	277
Acquisition of intangible assets	21	(4,013)	(851)
Net cash flow used in investing activities		(678)	(14,444)
Cash flow from financing activities			
Finance lease payments		(1,054)	-
Drawdown on borrowings		9,331,271	793,902
Repayment on borrowings		(9,684,936)	(223,807)
Net cash flow (used in)/generated from financing activities		(354,719)	570,095
Net decrease in cash and cash equivalents		(116,669)	(987,756)
Balance at beginning	15	1,213,467	2,213,257
Cash and cash equivalents at 31 December		1,096,798	1,225,501
Effect of exchange rate fluctuations on cash and cash equivalents held		32,792	(12,034)
Cash and cash equivalents at 31 December		1,129,590	1,213,467

The notes on page 23 to 88 are an integral part of these financial statements.

NOTES

1. REPORTING ENTITY

Zenith Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The registered office is Zenith Heights, No 31 Independence Avenue, PMB CT 393, Accra. The Bank commenced universal banking operations in September 2005 and operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Bank is a subsidiary of Zenith Bank Plc, a bank incorporated in the Federal republic of Nigeria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements were authorised for issue by the Board of Directors on **21 February 2020**.

These financial statements have been prepared under the historical cost convention, except for pledged and non-pledged trading assets which are measured at fair value.

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

2.1.1 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Bank

(i) IFRS 16 Leases

The Bank adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The Bank has used the simplified retrospective approach hence there is no impact on the income statement as at the transition date. The new accounting policies are disclosed in Note 2.8.

IFRS 16 affected primarily the accounting by lessees and resulted in the recognition of almost all leases on the balance sheet. The standard removed the current distinction between operating and financing leases and required recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss is also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA changed.

Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

NOTES (continued)
(All amounts are Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Bank (continued)

(i) IFRS 16 Leases (continued)

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.6% for United States Dollar denominated lease liabilities and 16.1% for Ghana Cedi lease liabilities. No leases were previously classified as finance lease by the Bank.

Practical expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 31 December 2018	**19,883**
Discounted using the lessee's incremental borrowing rate	**16,893**
Add: additional finance lease liabilities recognised on 1 January 2019	**63,065**
Total lease liability recognised as at 1 January 2019	**79,958**
Of which are:	
Current lease liabilities	**7,138**
Non-current lease liabilities	**72,820**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Bank (continued)

(i) IFRS 16 Leases (continued)

Measurement of right of use assets

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by *GH¢ 84,739*
- prepayments – decrease by *GH¢ 4,781*
- lease liabilities – increase by *GH¢ 79,958*.

(ii) Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017 and effective for accounting period beginning on or after 1 January 2019. These did not have any material impact on the results or financial position of the Bank for the year ended 31 December 2019.

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change. Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling separately recognize any changes in the asset ceiling through other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in Ghana Cedi, which is the Bank's functional currency. Except as indicated, financial information presented in Ghana Cedi has been rounded to the nearest Ghana Cedi.

(b) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the closing inter-bank mid rates at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognised in profit or loss.

All foreign exchange gains and losses recognised in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

2.3 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Fees and commission income

Fees and commissions are recognised on an accrual basis when the related services are performed and the performance obligations associated with the contracts are delivered. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised on a straight line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

2.5 Net trading income

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

2.6 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-derivative financial assets held for trading. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

2.7 Dividend income

Dividend income is recognised when the right to receive income is established.

2.8 Leases

The Bank has changed its accounting policy for leases where the Bank is the lessee. The new policy is described below and the impact of the change in Notes 2.1.1 and 11.

Until 31 December 2018, leases of property, plant and equipment where the Bank, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Bank will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Bank as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Bank leased various offices, branches and other premises under non-cancellable operating lease arrangements. The lease typically ran for a period of up to two years with an option to renew the lease after that date. The lease rentals were paid in advance and amortised on a straight line basis over the lease period. The outstanding balance was accounted for as a prepayment in other assets. Lease payments are increased every two years to reflect market rentals.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

The Bank's leasing activities and how these are accounted for under IFRS 16

The Bank's leasing activities are similar to those described above. Rental contracts are typically made for fixed periods of 2 years but may have extension options as described below.

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

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

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

2.9 Income tax

Current income tax

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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Income tax (continued)

Deferred tax (continued)

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

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

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

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

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

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities

2.10.1 Financial assets

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument or regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank becomes party to the contractual provisions of the instrument or commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTES (continued)
(All amounts are in thousand Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities

2.10.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

(i) Classification and subsequent measurement (continued)

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

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

The above classifications are done using:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

Debt instruments (continued)

(i) Classification and subsequent measurement (continued)

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

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

(ii) Impairment

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to Note 3.2.2 for further details on the impairment process of financial assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

(iii) Modification of loans

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

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

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

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

(iv) De-recognition other than on a modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

Financial guarantee contracts and loan commitments

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

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

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

2.10.2 Financial Liabilities

i) Classification

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

ii) Measurement

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

iii) Derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.3 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.10.4 Repurchase and reverse repurchase agreements

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.5 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.10.6 Loans *and advances*

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

Loans and advances to customers include:

- those classified as loans and receivables; and
- finance lease receivables.

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

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

2.10.7 Investments

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

2.10.8 Non pledged and pledged trading assets

The non-pledged trading assets portfolio comprises debt securities purchased with the intent of short-term profit taking. The Bank values these securities with reference to quoted prices in active markets for identical assets.

These securities are designated at fair value, with fair value changes recognized immediately in profit or loss.

2.10.9 Offsetting financial instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Collateral

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

2.12 Property, plant and equipment

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Property, plant and equipment (continued)

(i) *Recognition and measurement (continued)*

(iii) Depreciation (continued)

The estimated useful lives for the current and corresponding periods are as follows:

Leasehold land and buildings	50 years
Leasehold improvements	5 years
Furniture, fittings and equipment	4 - 5 years
Computers	3 years
Motor vehicles	4 years

2.13 Leasehold property

Leasehold property is initially recognised at cost. Subsequent to initial recognition, leasehold property is amortised over the lease term of the property. The amortisation is recognised in profit or loss.

2.14 Intangible assets

Computer software

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets with indefinite useful lives are not amortized. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.15 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment of non-financial assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.16 Deposits and borrowings

Deposits and borrowings from other banks are the Bank's sources of debt funding. Deposits and borrowings from other banks are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

2.17 Employee benefits

(i) Defined contribution plans

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

(ii) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 12.5%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

2.18 Stated capital and reserves

(i) Stated capital

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

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

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

2.19 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

The Bank's activities expose the business to risks. These risks are managed in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

3.1.1 Risk management framework

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

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

The Bank's Risk Management Committee of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank.

3.2 Credit risk

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

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

Settlement risk

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.1 Credit risk management

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team headed by the Chief Risk Officer, which reports to the Board of Directors and head of each business unit regularly.

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

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank reviews the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

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

3.2.2 Expected credit loss measurement

Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

Qualitative criteria

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

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

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

Backstop

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

Low Credit Risk Exemption

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2018.

Definition of default and credit-impaired assets

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

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

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

Forward-looking information incorporated in the ECL models

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

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2019 are set out below:

Scenario	Weight %	GDP Growth %	Consumer Price Index %
Base Case	40	7.5	9.3
GDP up; CPI up	14	7.6	9.4
GDP down; CPI down	15	7.4	9.2
GDP up; CPI down	13	7.6	9.2
GDP down; CPI up	18	7.4	9.4

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

1. GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
2. Consumer price index (CPI) – CPI is used due to its influence on monetary policy and on interest rates. Interest rate has an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.

3.2.3 Maximum exposure to credit risk before collateral held

Maximum exposure to credit risk	**2019**	2018
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	585,782	459,275
Investment securities	4,127,135	3,190,473
Cash and balances with banks	324,895	216,984
Investments other than securities	538,918	654,431
Loans and advances to customers	648,250	733,084
Other assets (excluding non-financial assets)	33,028	35,384
Credit risk exposures relating to off balance sheet items are as follows:		
Financial guarantees	961,220	740,185
At year end	7,219,228	6,029,816

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Bank, 9% (2018: 12%) of the total maximum exposure is derived from loans and advances and investment securities represent 57% (2018: 53%).

The Bank's loans and advances were categorised by the Bank of Ghana prudential guidelines as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired; and
- Individually impaired facilities.

	Note	**2019**	2018
Maximum exposure to credit risk			
Carrying amount	19	648,250	733,084
Amount committed/guaranteed	30	961,220	740,185
Grade 1–3: Low–fair risk – Current		562,377	689,838
Grade 4–5: Low–watch list		6,371	25,732
Grade 6: Substandard		94,352	2,156
Grade 7: Doubtful		9,455	10,919
Grade 8: Loss		8,476	92,525
Total gross amount		681,031	821,170
Allowance for impairment (individual and collective)		(32,781)	(88,086)
Net carrying amount		648,250	733,084
Off balance sheet - Maximum exposure			
Lending commitments - Grade 1–3: Low – fair risk		614,926	462,902
Financial guarantees - Grade 1–3: Low – fair risk		346,294	277,283
Total exposure		961,220	740,185
Loans with renegotiated terms			
Gross carrying amount		73,077	12,558
Allowance for impairment		(7,869)	(1,704)
Net carrying amount		65,208	10,854
Stage 1 (performing) loans and advances			
Grade 1–3: Low – fair risk		562,377	689,838
Stage 2 (underperforming) loans and advances			
Grade 4-5: Watch list		6,371	25,732

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

Stage 3 (impaired or non-performing) loans and advances	**2019**	2018
90-180 days - Substandard	94,352	2,156
180-360 days - Doubtful	9,455	10,919
360 days + - Loss	8,476	92,525
	112,283	105,600
Allowance for impairment		
Individual	(20,570)	(59,119)
Collective	(12,211)	(28,967)
	(32,781)	(88,086)

Stage 1 (performing) loans and advances

The quality of credit exposure to customers and banks and other financial institutions that were neither past due nor impaired were assessed with reference to the Bank of Ghana prudential guidelines adopted by the Bank for its internal grading purposes.

Loans and advances graded current are not considered past due or impaired.

This category is made up as follows:

December 2019	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	387,371	159,725	15,281	562,377

December 2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	434,955	240,865	14,018	689,838

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

Stage 2 (under-performing) loans and advances

Loans and advances graded internally as current and OLEM may be past due but are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

December 2019	Term loans	Overdrafts	Staff loans	Total
Past due but not impaired	3,943	2,428	-	6,371
Total	3,943	2,428	-	6,371

December 2018	Term loans	Overdrafts	Staff loans	Total
Past due but not impaired	24,108	1,624	-	25,732
Total	24,108	1,624	-	25,732

Stage 3 (impaired or non-performing) loans and advances

The breakdown of the gross amount of loans and advances individually impaired by class, along with the fair value of related collateral held by the Bank as security, are as follows:

31 December 2019	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	9,032	103,251	-	112,283
Specific impairment allowance	-	(20,570)	-	(20,570)
Net amount	9,032	82,681	-	91,713
Fair value of collateral	20,989	112,465	-	133,454

31 December 2018	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	10,565	95,035	-	105,600
Specific impairment allowance	-	(59,119)	-	(59,119)
Net amount	10,565	35,916	-	46,481
Fair value of collateral	14,104	38,705	-	52,809

At 31 December 2019, the Bank's loans and advances were categorised under IFRS 9 as follows:

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

NOTES (continued)
(All amounts are in thousand Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

	At 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	1,017,077	-	-	1,017,077
Investment Securities	3,616,610	-	-	3,616,610
Investments other than securities	539,535	-	-	539,535
Loans and advances to customers	562,377	6,371	112,283	681,031
Other assets (less non-financial assets)	33,028	-	-	33,028
Gross carrying amount	5,768,627	6,371	112,283	5,887,281
Loss allowance	(25,136)	(1,624)	(20,570)	(47,330)
Carrying amount	5,743,491	4,747	91,713	5,839,951

	At 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	754,242	-	-	754,242
Investment Securities	2,876,661	-	-	2,876,661
Investments other than securities	655,240	-	-	655,240
Loans and advances to customers	689,838	25,732	105,600	821,170
Other assets (less prepayments)	35,384	-	-	35,384
Gross carrying amount	5,011,365	25,732	105,600	5,142,697
Loss allowance	(32,711)	(4,433)	(59,119)	(96,263)
Carrying amount	4,978,654	21,299	46,481	5,046,434

The impairment on investment securities and investments other than securities are disclosed in 17 and 18 respectively. All other financial assets of the Bank with credit risk exposure are neither past due (underperforming) nor impaired (non-performing).

3.2.4 Collaterals and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.4 Collaterals and other credit enhancements (continued)

In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior year.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown in note 3.2.3 above.

During the year, the Bank repossessed collaterals valued at GH¢30 million (2018: Nil).

3.2.5 Concentration of credit risk

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

	Loans and advances to customers	
	2019	2018
Carrying amount	648,250	733,084
Concentration by product:		
Overdrafts	248,937	381,660
Term loans	416,738	425,492
Staff loans	15,282	14,018
Finance leases	74	-
Gross loans and advances	681,031	821,170
Less: Impairment	(32,781)	(88,086)
	648,250	733,084
Concentration by industry:		
Financial institutions	8,503	7,386
Manufacturing	283,887	381,812
Public sector	135	101
Retail and consumer	118,831	166,594
Energy	43,639	97,290
Telecom	52,087	44,398
Mining and construction	69,552	87,909
Others	104,397	35,680
Gross loans and advances	681,031	821,170
Less: allowance for impairment	(32,781)	(88,086)
Net loans and advances	648,250	733,084

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.6 Key ratios on loans and advances

i. Loan loss provision ratios is 4.81 **%** (2018: 10.73%)

ii. Percentage of gross non – performing loans with respect to Bank of Ghana Prudential Norms (individually impaired) to total gross loans and advances is 16.49**%** (2018: 12.86%)

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is 78% (2018: 76%).

3.3 Liquidity risk

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

3.3.1 Management of liquidity risk

The Bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports on the liquidity position of the Bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO on monthly basis.

(All amounts are in thousands of Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019

	Less than 3 months	3 - 6 months	6-12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Liabilities							
Deposits from customers	2,265,308	249,405	2,071,436	-	-	4,686,149	4,457,056
Deposits from banks	18,926	4,085	15,101	-	-	38,112	36,249
Borrowings	118,186	619,706	-	-	-	737,891	701,818
Other liabilities	154,803	123,717	6,162	-	-	284,682	284,682
Total liabilities (contractual maturity date)	2,657,223	996,913	2,092,699	-	-	5,746,834	5,479,805
Assets							
Cash and cash equivalents	1,017,077	-	-	-	-	1,017,077	1,017,077
Non-pledged trading assets	-	-	312,686	-	-	312,686	312,686
Pledged trading assets	-	-	197,839	-	-	197,839	197,839
Investment (other than securities)	222,550	205,466	110,902	-	-	538,918	538,918
Investment securities	199,388	10,024	1,969,800	1,437,398	-	3,616,610	3,616,610
Loans and advances to customers	251,782	77,898	69,795	60,887	187,888	684,250	648,250
Other assets (less non-financial assets)	23,026	10,002	-	-	-	33,028	33,028
Total assets held for managing liquidity risk (contractual maturity date)	1,713,823	303,390	2,661,022	1,498,285	187,888	6,364,408	6,364,408

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

31 December 2018	Less than 3 months	3-6 months	6-12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Liabilities							
Deposits from customers	2,317,782	856	1,263,370	-	-	3,582,008	3,407,542
Deposits from banks	19,705	7,091	2,140	-	-	28,936	26,708
Borrowings	857,502	191,449	-	-	-	1,048,951	982,901
Other liabilities	139,889	123,415	9,059	-	-	272,363	264,323
Total liabilities (contractual maturity date)	3,334,878	322,811	1,274,569	-	-	4,932,258	4,681,474
Assets							
Cash and cash equivalents	754,242	-	-	-	-	754,242	754,242
Non-pledged trading assets	-	-	112,071	-	-	112,071	112,071
Pledged trading assets	-	-	209,109	-	-	209,109	209,109
Investment securities	946,565	675,494	692,232	555,001	-	2,869,292	2,869,292
Investment (other than securities)	-	-	654,431	-	-	654,431	654,431
Loans and advances to customers	573,719	33,970	42,550	82,845	-	733,084	733,084
Other assets (less non-financial assets)	28,879	6,505	-	-	-	35,384	35,384
Total assets held for managing liquidity risk (contractual maturity date)	2,303,405	715,969	1,710,3923	637,846	-	5,367,613	5,367,613

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.3 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to volatile liabilities.

For this purpose, 'liquid assets' include cash, cash reserve ratio balances with the Central Bank, balances with banks, bills purchased/discounted up to 1 year, investments up to one year, swap funds (sell/ buy) up to one year and tradable Government notes and bonds. 'Volatile liabilities' includes demand deposits, District Assembly Common Funds (DACF) and all Governments instruments which could be called at short notice, etc.

Details of the reported Bank ratio of liquid assets to volatile liabilities at the reporting date and during the reporting period were as follows:

	2019 %	2018 %
At period end	172	195
Average for the year	184	242
Maximum for the year	196	271
Minimum for the year	165	186

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with the Central Bank (these amounts are referred to as the 'Bank's liquidity reserves).

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

Statutory Liquidity Breaches and non-compliance with other prudential requirements

There was no default in statutory liquidity or non-compliance with any prudential requirements in 2019 (2018: nil). Also, there was no sanction for statutory liquidity breaches or non-compliance with any prudential requirements in 2019 (2018: nil).

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.3 Exposure to liquidity risk (continued)

The table below sets out the availability of the Bank's financial assets to support future funding.

31 December 2019	Note	Encumbered Pledged as collateral	*Other	Unencumbered Available as collateral	Other	Total
Cash and cash equivalents	15	-	445,518	571,559	-	1,017,077
Non-pledged trading Assets	16a	-	-	312,686	-	312,686
Pledged trading assets	16b	197,839	-	-	-	197,839
Investments	17	15,060	-	3,601,550	-	3,616,610
Investments (other than securities)	18	-	-	538,918	-	538,918
		212,899	445,518	5,024,713	-	5,683,130
31 December 2018						
Cash and cash equivalents	15	-	340,698	413,544	-	754,242
Non-pledged trading Assets	16a	-	-	112,071	-	112,071
Pledged trading assets	16b	209,109	-	-	-	209,109
Investments	17	174,015	-	2,695,277	-	2,869,292
Investments (other than securities)	18	-	-	654,431	-	654,431
		383,124	340,698	3,875,323	-	4,599,145

*Mandatory reserve deposits with the Central Bank (refer to note 15).

3.4 Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

3.4.1 Management of market risks

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank's exposure to market risk arises principally from customer driven transactions.

Overall authority for market risk is vested in the ALCO. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

3.4.1 Management of market risks (continued)

The table below sets out the allocation of assets and liabilities subject to market risk.

	Note	Market risk measure	
		Carrying amount	Non-trading portfolios
31 December 2019			
Assets subject to market risk			
Cash and cash equivalents	15	1,017,077	571,559
Non-pledged trading assets	16a	312,686	-
Pledged trading assets	16b	197,839	-
Investments	17	3,616,610	3,616,610
Investments (Other than securities)	18	538,918	538,918
Loans and advances to customers	19	648,250	648,250
		6,133,380	5,375,337
Liabilities subject to market risk			
Borrowings	26	701,818	701,818
Deposits from customers	25	4,457,056	4,457,056
Deposit- Banks and NBFI	24	36,249	36,249
		5,195,123	5,195,123
31 December 2018			
Assets subject to market risk			
Cash and cash equivalents	15	754,242	413,543
Non-pledged trading assets	16a	112,071	-
Pledged trading assets	16b	209,109	-
Investments	17	2,869,292	2,869,292
Investments (Other than securities)	18	654,431	654,431
Loans and advances to customers	19	733,084	733,084
		5,332,229	4,670,350
Liabilities subject to market risk			
Borrowings	26	982,901	982,901
Deposits from customers	25	3,407,542	3,407,542
Deposit- Banks and NBFI	24	26,708	26,708
		4,417,151	4,417,151

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

Exposure to interest rate risk – non-trading portfolios

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

31 December 2019	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢	Over 5 years GH¢
Cash and cash equivalent	15	1,017,077	1,017,077	-	-	-	-
Investments (Other than securities)	18	538,918	222,550	205,466	110,902	-	-
Investment securities	17	3,616,610	199,388	10,024	1,969,800	1,437,398	-
Loans and advances to customers	19	648,250	251,782	77,898	69,795	60,887	187,888
Total assets		5,820,855	1,690,797	293,388	2,150,497	1,498,285	187,888
Borrowings	26	(701,818)	(112,408)	(589,410)	-	-	-
Deposits from customers	25	(4,457,056)	(2,249,675)	(237,212)	(1,970,169)	-	-
Deposits- Banks and NBFIs	24	(36,249)	(18,001)	(3,885)	(14,363)	-	-
Total liabilities		(5,195,123)	(2,380,084)	(830,507)	(1,984,532)	-	-
Total interest re-pricing gap		625,732	(689,287)	(537,119)	(165,965)	1,498,285	187,888
31 December 2018							
Cash and cash equivalent	15	754,242	754,242	-	-	-	-
Investments (Other than securities)	18	654,431	510,640	-	143,791	-	-
Investment securities	17	2,869,292	946,564	675,494	692,233	555,001	-
Loans and advances to customers	20	733,084	573,719	33,970	42,550	82,845	-
Total assets		5,011,049	2,785,165	709,464	878,574	637,846	-
Borrowings	26	(982,901)	(282,946)	(520,560)	(179,395)	-	-
Deposits from customers	25	(3,407,542)	(2,204,891)	(814)	(1,201,837)	-	-
Deposits- Banks and NBFIs	24	(26,708)	(18,188)	(6,545)	(1,975)	-	-
Total liabilities		(4,417,151)	(2,506,025)	(527,919)	(1,383,207)	-	-
Total interest re-pricing gap		593,898	279,140	181,545	(504,633)	637,846	-

NOTES (continued)
(All amounts are in thousand Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

***Exposure to interest rate risk – non-trading portfolios* (continued)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (b.p.) parallel fall or rise in market interest rates.

An increase of a 50 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

	2019	2018
Sensitivity of projected net interest income		
At 31 December	**2,340**	2,117
Sensitivity of reported equity to interest rate movements		
At 31 December	**1,755**	1,588

Interest rate movements affect reported equity in the following ways:

- retained earnings – increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.

A decrease of a 50 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

Exposure to currency risk – non-trading portfolios

As at the reporting date net currency exposures for major currencies of the Bank are as follows:

	USD	GBP	EURO	Other	Total
31 December 2019					
Net foreign currency exposure:					
Assets	423,604	15,085	14,224	2,128,610	2,581,523
Liabilities	(1,793,301)	(23,801)	(51,134)	-	(1,868,236)
Net on balance sheet position	(1,369,697)	(8,716)	(36,910)	(2,128,610)	713,287
Line facilities for LCs and Bonds and Guarantees	800,852	-	6,278	-	807,130
31 December 2018					
Net foreign currency exposure:					
Assets	411,740	24,876	72,660	4,589,896	5,099,135
Liabilities	(2,121,797)	(19,831)	(69,890)	(2,178,926)	(4,390,443)
Net on balance sheet position	(1,710,057)	5,045	2,770	2,410,970	708,692
Line facilities for LCs and Bonds and Guarantees	592,305	-	7,500	6,155	605,960

The following mid inter-bank exchange rates were applied during the year:

	Average rate		**Reporting rate**	
GH¢ to	**2019**	2018	**2019**	2018
USD 1	5.2149	4.5350	5.5337	4.8200
GBP 1	6.6571	6.1571	7.3164	6.1711
EURO 1	5.8366	5.4337	6.2114	5.5131
Naira 1	69.4761	77.2050	65.871	75.6224

A 5% weakening of the cedi against foreign currencies at 31 December 2019 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Assets	**Liabilities**	**2019 Total**	Assets	Liabilities	2018 Total
Profit/(Loss)	(78,714)	(93,417)	(172,131)	25,464	(110,576)	(85,112)
Equity	(78,714)	(93,417)	(172,131)	25,464	(110,576)	(85,112)

A best case scenario 5% strengthening of the Ghana cedi against foreign currencies at 31 December would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management

Regulatory capital

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.
- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 13% is to be maintained. In 2018, Bank of Ghana issued the Capital Requirement Directive (CRD), which spelt out new guidelines for assessing capital adequacy and computing the ratio. The directive is effective 1 January 2019.

The table below summarises the composition of regulatory capital and ratios of the Bank based on the CRD guidelines.

	Note	**2019**	2018
Common Equity Tier 1 (CET1) Capital			
Ordinary share capital	28(a)	400,000	400,000
CET 1 Reserves			
Statutory reserve	28 (b)	305,341	243,724
Retained earnings	28 (b)	388,014	206,240
Total CET1 Reserves		693,355	449,964
CET1 Capital before Deductions/Adjustments		1,093,355	849,964
Less: Regulatory Adjustment to CET1 Capital			
Intangibles		(11,946)	(17,031)
CET1 Capital after Deductions		1,081,409	832,933
Additional Tier1 (AT1) Capital		-	-
Tier 1 Capital		1,081,409	832,933
Tier 2 Regulatory Capital		-	-
Total Regulatory Capital (Tier1 + Tier2)		1,081,409	832,933
Risk Profile			
Credit Risk			
On-Balance Sheet RWA		1,513,769	1,120,347
Off-Balance Sheet RWA		488,269	485,975
On & Off Balance Sheet Trading Book RWA		252,530	162,959
Credit Risk Reserve (CRR)		(25,313)	(22,237)
Total Credit Risk Equivalent Weighted Assets		2,229,255	1,727,044

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

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

	Note	**2019**	2018
Operational Risk			
Total Operational Risk Capital Charge		1,019,672	846,648
Total Operational Risk Equivalent Weighted Assets		1,019,672	846,648
Market Risk			
Interest Rates		12,892	14,716
Foreign Exchange		3,130	5,126
Total Market Risk Charge		15,992	19,842
Total Market Risk Equivalent Weighted Assets		199,900	248,025
Total for Credit Risk, Operational Risk and Market Risk			
Total RWA		3,448,827	2,821,717
Risk Ratios			
Risk-based Capital Ratios			
Common Equity Tier 1/RWA		31,36%	29,52%
Tier 1/RWA		31.36%	29.52%
Tier 2/RWA		-	-
Capital Adequacy Ratio (CAR)		31.36%	29.52%
Minimum Capital Requirement			
Minimum Capital Requirement		10%	10%
Prudential Minimum (with Capital Conservation Buffer)		13%	-
Surplus Minimum Capital			
Surplus/Deficit to Minimum Capital		21.36%	19.52%
Surplus/Deficit to Prudential Minimum Capital		18.36%	-

As at 31 December 2018, the Bank's capital adequacy ratio based on the old directive was 34.66%. Comparative ratio of 29,52% disclosed above was computed using the guidelines per the new Capital Requirements Directive.

NOTES (continued)

(All amounts are in thousands of Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

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

	2019	2018
Tier 1 Leverage Ratio		
Off-Balance Sheet Exposures	1,153,357	811,979
On-Balance Sheet Exposures	6,691,004	5,572,475
Total Exposures	7,844,361	6,384,454
Leverage Ratio	13.79%	13.05%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the Bank's Credit Committee or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

3.6 Fair values of financial instruments

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted
- market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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

(b) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Note	**Level 1**	
		2019	2018
Non-pledged trading assets	16a	312,686	112,071
Pledged trading assets	16b	197,839	209,109
		510,525	321,180

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

(c) Financial instruments not measured at fair value

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

	Note	**Level 2 2019**	**Level 3 2019**	Level 2 2018	Level 3 2018
Assets					
Cash and cash equivalents	15	1,017,077	-	754,242	-
Investments (Other than securities)	18	-	538,918	-	654,431
Investment securities	17	3,616,610	-	2,869,292	-
Loans and advances to customers	19	-	648,250	-	733,084
		4,633,687	1,187,168	3,623,534	1,387,515
Liabilities					
Borrowings	26	-	701,818	-	982,901
Deposits from customers	25	4,457,056	-	3,407,542	-
Deposit - Bank and NBFIs	24	36,249	-	26,708	-
		4,493,305	701,818	3,434,250	982,901

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

Where applicable, the fair value of loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collaterals.

The fair value of advances to and from Banks is based on discounted cash flow techniques applying the rates of similar maturities and terms.

The fair value of term deposits by customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Credit risk reserve reconciliation

This note represents a reconciliation between the Bank of Ghana provision and the IFRS impairment.

IFRS Impairment	**2019**	2018
Loans and Advances	32,781	88,086
Off balance sheet exposure	6,078	6,403
Total	38,859	94,489
Bank of Ghana Provision		
Loans and Advances	57,263	109,324
Off-Balance Sheet	9,612	7,402
Total	66,875	116,726
Credit Risk Reserve		
Balance at 1 January	22,237	14,948
Transfer to retained earnings	-	(14,948)
Transfer to Credit Risk Reserve	5,779	22,237
Balance at 31 December	28,016	22,237

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.8 Geographical concentration of assets and liabilities and off balances sheet items

	2019		2018	
	In Ghana	**Outside Ghana**	In Ghana	Outside Ghana
Assets				
Cash and cash equivalents	751,473	265,604	593,805	160,437
Non-pledged trading assets	312,686	-	112,071	-
Pledged trading assets	197,839	-	209,109	-
Investment securities	1,652,874	1,963,736	1,078,709	1,790,583
Investments (other than securities)	428,016	110,902	510,224	144,207
Loans and advances to customers	648,250	-	733,084	-
Other assets	69,975	-	46,889	-
	4,061,113	2,340,242	3,283,891	2,095,227
Liabilities				
Borrowings	-	701,818	606,698	376,203
Deposits from customers	4,457,056	-	3,407,542	-
Deposits from other banks	36,249	-	26,708	-
Other liabilities	284,682	-	264,323	-
Total liabilities	4,777,987	701,818	4,305,271	376,203
Off balance sheet items				
Letters of credit	-	614,926	-	462,902
Guarantees and indemnities	346,294	-	277,283	-
	346,294	614,926	277,283	462,902

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.9 Operational risk

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

3.9.1 Business Units and Support Functions

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

3.9.2 Operational Risk Management (ORM)

The ORM function has direct responsibility for formulating and implementing the Bank's ORM framework including methodologies, policies and procedures approved by the Board. ORM function works with the Business Units and Support Functions to ensure that the day-to-day operations of the Bank are in line with the approved ORM policies. The unit provides trainings and workshops to facilitate interpretation and implementation of the various ORM programs. The unit continuously monitors the effectiveness and the quality of the controls and risk mitigation tools.

3.9.3 Internal Audit

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Measurement of the expected credit loss allowance

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

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

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

Refer to Note 2.10 and 3.2.2 for further details on these estimates and judgements.

(b) Fair value of financial instruments

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 2.10.3 for further details on these estimates and judgements.

(c) Income taxes

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(d) Hold to collect financial assets

The Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Bank uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

(e) Lease term

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

The following factors are normally the most relevant:

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

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

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

5 Net interest income	**2019**	2018
Interest income		
Loans and advances to customers	124,960	123,638
Placement with other banks	17,317	38,123
Investments securities	624,274	533,507
Total interest income	766,551	695,268
Interest expense		
Current accounts	4,275	4,054
Time and other deposits	204,793	244,295
Overnight and call accounts	89,464	23,500
Total interest expense	298,532	271,849
Net interest income	468,019	423,419

Included within various line items under interest income for the year ended 31 December 2019 is a total of *GH¢* Nil (2018: *GH¢* Nil) relating to impaired financial assets. Interest income disclosed above was earned using the effective interest rate.

6 Net fees and commission income

Fees and commission income		
Fees on loans and advances	12,248	28,220
Customer account servicing fees	22,544	22,385
Electronic and card product fees	12,071	11,541
Money transfer services fees	760	1,063
Letters of credit and trade services fees	32,914	29,715
Total fees and commission income	80,537	92,924
Fees and commission expense		
Visa Charges	4,424	4,214
MasterCard Charges	3,517	2,197
Total fees and commission expense	7,941	6,411
Net fees and commission income	72,596	86,513

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

7 Net trading income

	2019	2018
(a) Foreign exchange gain	91,647	41,723
(b) Net income from other financial instruments carried at fair value	(18,559)	7,032

8 Other Income

	2019	2018
(Loss)/profit on disposal of property and equipment- Note 20 (b)	(96)	221
Loan recoveries	5,125	6,331
Sundry income	2,868	5,066
	7,897	11,618

Sundry income comprises mainly of brokerage commission on treasury bills.

9 Net impairment losses on financial assets

	2019	2018
Loans and advances	5,522	38,196
Off balance sheet exposure	(324)	(6,256)
Investment securities	387	7,368
Interbank placements	(92)	(151)
Loans written off	4,600	17,400
Net impairment loss on financial assets	10,093	56,557

10 Personnel expenses

	2019	2018
Wages and salaries	88,951	76,423
Compulsory social security obligations	2,778	2,735
Contribution to defined contribution plan	2,680	2,630
Other staff cost	48,323	5,858
	142,732	87,646

The number of persons employed by the Bank at the end of the year was 696 (2018: 700).

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

11 Leases

Amounts recognised in the statement of financial position

	2019	1 January 2019
Right of use assets		
Buildings	88,290	84,739
Lease liabilities		
Current	7,429	7,138
Non-current	76,897	72,820
	84,326	79,958

Amounts recognised in profit or loss

Depreciation charge of right of use of assets - Buildings	(3,076)	-
Interest expense on lease liabilities	(6,159)	-
Expense relating to short term and low value assets leases (included in administrative expenses)	(347)	-

Additions to the right of use assets during the year were GH¢6,628 and GH¢5,339 to lease liabilities. The total cash outflow for leases in 2019 was GH¢3,070. An amount of GH¢ 6,957 was charged to profit or loss as operating lease rentals on office premises in 2018.

12 Other expenses

	2019	2018
Advertising and marketing expenses	3,268	2,751
Administrative expenses	87,096	114,710
Director's emoluments	3,403	834
Auditor's remuneration	815	740
Donations and sponsorship (Corporate Social Responsibilities)	188	473
	94,770	119,508

13 Income tax expense

Amounts recognised in profit or loss

Current year income tax – See Note 13(a)	103,427	98,762
Deferred tax – See Note 22 (a)	2,893	(2,803)
	106,320	95,959

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

13 Income tax expense (continued)
(a) Income tax

31 December 2019	**Balance at 1/1/2019**	**Charge for the year**	**Payments during the year**	**Balance at 31/12/2019**
Income tax				
2018	13,158	-	(13,158)	-
2019	-	85,787	(110,528)	(24,741)
	13,158	85,787	(123,686)	(24,741)
National stabilisation levy				
2018	119	-	(119)	-
2019	-	17,639	(18,631)	(992)
	119	17,639	(18,750)	(992)
Total	13,277	103,427	(142,436)	(25,733)

31 December 2018	Balance at 1/1/2018	Charge for the year	Payments during the year	Balance at 31/12/2018
Income tax				
2017	3,979	5,464	(5,464)	3,979
2018	-	78,179	(69,000)	9,179
	3,979	83,643	(74,464)	13,158
National stabilisation levy				
2017	1,027	1,027	(1,027)	1,027
2018	-	14,921	(15,000)	(908)
	1,027	15,119	(16,027)	119
Total	5,006	98,762	(90,491)	13,277

(b) Reconciliation of effective tax rate

	2019 %	**2019**	2018 %	2018
Profit before tax		352,787		281,843
Income tax using domestic tax rate	25.00	88,197	25.00	70,461
National stabilisation levy	5.00	17,639	5.00	14,092
Non-deductible expenses	0.82	2,893	2.74	7,718
Origination and reversal of temporary differences	(0.68)	(2,409)	(0.99)	(2,803)
Change in prior year estimate	-	-	2.30	6,491
Tax expenses	30.14	106,320	34.03	95,959

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

14 Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders of *GH¢*245,936 (2018: *GH¢*185,885) and a weighted average number of ordinary shares outstanding of 4,000,000,000 (2018: 4,000,000,000) calculated as follows:

	2019	2018
Net profit for the year attributable to equity holders of the Bank	246,467	185,884
Weighted average number of ordinary shares	4,000,000	4,000,000
Basic and diluted earnings per share	0.06	0.05

15 Cash and cash equivalents

Cash on hand	106,400	77,983
Balances with Bank of Ghana	585,782	459,275
Balances with other local Banks	1,220	1,048
Balances with other foreign Banks	265,604	160,464
Items in course of collection	58,071	55,472
	1,017,077	754,242

Included in the balances with Bank of Ghana is an amount of *GH¢*445,518 (2018:*GH¢*340,698) representing the mandatory cash reserve as per the weekly Banking Supervision Department (BSD1) returns for the week ending 25 December 2019 (2018: 26 December 2018). This reserve represents and complies with the mandatory minimum of 10% (2018: 10%) of the Bank's total deposits and is not available for use in the Bank's day-to-day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

Cash and cash equivalents for purposes of the statement of cash flows

	2019	2018
Cash on hand	106,400	77,983
Balances with Bank of Ghana	585,782	459,275
Balances with Banks and other financial institutions	324,895	216,984
Placements with banks	348,100	510,224
Treasury bills maturing within 90 days	209,931	289,699
	1,575,108	1,554,165
Less mandatory cash reserve	(445,518)	(340,698)
	1,129,590	1,213,467

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

16a Non-pledged trading assets

	2019	2018
Government bonds	321,865	114,888
Fair value loss	(9,179)	(2,817)
	312,686	112,071
Current	312,686	112,071
Non-current	-	-

16b Pledged trading assets

	2019	2018
Government bonds	198,550	196,588
Fair value gain	(711)	12,521
	197,839	209,109
Current	197,839	209,109
Non-current	-	-

17 Investment securities

	Pledged 2019	**Non-pledged 2019**	**Total 2019**	Pledged 2018	Non-pledged 2018	Total 2018
Government bonds	-	1,352,338	1,352,338	174,015	533,876	707,891
Treasury bills	15,060	2,257,066	2,272,126	-	2,168,769	2,168,769
Impairment	-	(7,854)	(7,854)	-	(7,368)	(7,368)
Total	15,060	3,601,550	3,616,610	174,015	2,695,277	2,869,292
Current			2,179,212			2,314,291
Non-current			1,437,398			555,001

Investments are treasury bills and bonds issued by the Government of Ghana and the Government of Nigeria. These are measured at amortised cost.

Collateral accepted as security for assets

At 31 December 2019, the Bank had pledged GH¢219,284 (2018: *GH¢383,124*) of its investments in Government securities. The Bank has not received collateral that it is permitted to sell or re-pledge in case of default by counterparty.

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

18 Investments (other than securities)

	2019	2018
Zenith Bank Plc	110,902	145,016
Bank of Ghana	-	475,208
Standard Chartered Bank	205,446	-
Guaranty Trust Bank	70,032	-
Stanbic Bank	50,022	-
Barclays Bank	20,008	-
Access Bank	16,618	-
Fidelity Bank	55,429	-
United Bank for Africa	11,078	-
First Atlantic Bank Limited	-	35,016
	539,535	655,240
Impairment	(617)	(809)
	538,918	654,431

Investments (other than securities) are all current. They are mostly short term lending with the highest tenor of 182 days attracting average interest at 16.53% and 3.98% on the Ghana cedi and United States Dollar lending respectively.

19 Loans and advances to customers

	2019	2018
Loans and advances to customers at amortised cost	680,957	821,170
Finance leases	74	-
	681,031	821,170
Less allowance for impairment	(32,781)	(88,086)
Loans and advances to customers at amortised cost	648,250	733,084
Current	460,362	650,239
Non-Current	187,888	82,845

(a) Loans and advances to customers at amortised cost

	Gross amount 2019	**Impairment allowance 2019**	**Carrying amount 2019**	Gross amount 2018	Impairment allowance 2018	Carrying amount 2018
Individual customers	37,226	(2,631)	34,595	26,110	(1,057)	25,053
Corporate customers	643,805	(30,150)	613,655	795,060	(87,029)	708,031
Total loans and advances	681,031	(32,781)	648,250	821,170	(88,086)	733,084

(b) Allowances for impairment

	2019	2018
Balance at the beginning of the reporting year	88,086	52,222
Opening IFRS 9 adjustment	-	23,771
Allowances no longer required and write offs	(60,827)	(26,103)
Charge for the year	5,522	38,196
Total allowances for impairment	32,781	88,086

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

19 Loans and advances to customers (continued)

(c) Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of certain property, plant and equipment in which the Bank is the lessor:

	2019	2018
Gross investment in finance leases, receivable:		
Less than one year	91	-
Between one and five years	-	-
	91	-
Unearned finance lease income	(17)	-
Net investment in finance lease	74	-
Net investment in finance leases, receivable:		
Less than one year	74	-
Between one and five years	-	-

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

20 Property, plant and equipment

	Leasehold Property	Leasehold improvements	Furniture and equipment	Computers	Motor vehicles	Capital work in progress	Total
Cost							
Balances at 1 January 2018	110,113	14,374	25,114	28,958	18,670	41,882	239,111
Acquisitions	6,606	1,057	1,882	808	2,231	1,286	13,870
Write-off	-	-	-	-	-	(33)	(33)
Transfers	24,025	-	10	105	-	(24,370)	(230)
Disposals	-	-	(163)	(482)	(459)	-	(1,104)
Balance at 31 December 2018	140,744	15,431	26,843	29,389	20,442	18,765	251,614
Balance at 1 January 2019	140,744	15,431	26,843	29,389	20,442	18,765	251,614
Acquisitions	-	464	1,260	839	6,247	4,174	12,984
Transfers	-	536	-	-		(589)	(53)
Disposals	-	-	(65)	-	(1,589)	(15,464)	(17,118)
Balance at 31 December 2019	140,744	16,431	28,038	30,228	25,100	6,886	247,427
Depreciation							
Balances at 1 January 2018	1,638	11,303	13,699	16,670	10,603	-	53,913
Depreciation for the year	2,661	1,165	3,471	5,714	3,431	-	16,442
Disposals	-	-	(158)	(479)	(411)	-	(1,048)
Balance at 31 December 2018	4,299	12,468	17,012	21,905	13,623	-	69,307
Balance at 1 January 2019	4,299	12,468	17,012	21,905	13,623	-	69,307
Depreciation for the year	2,815	1,133	3,542	5,061	3,848	-	16,399
Disposals	-	-	(53)	-	(650)	-	(703)
Balance at 31 December 2019	7,114	13,601	20,501	26,966	16,821	-	85,003
Carrying amounts							
Balances at 1 January 2018	108,475	3,071	11,415	12,288	8,067	41,882	185,198
Balance at 31 December 2018	136,445	2,963	9,831	7,484	6,819	18,765	182,307
Balance at 31 December 2019	**133,630**	**2,830**	**7,537**	**3,262**	**8,279**	**6,886**	**162,424**

There was no indication of impairment of property, plant and equipment held by the Bank at 31 December 2019 (2018: Nil). None of the property, plant and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property, plant and equipment at the reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2018: Nil).

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

20 Property, plant and equipment (continued)

***(a)* Depreciation and amortisation expense**	**2019**	2018
Right of use assets (Note 11)	3,076	-
Property, plant and equipment(Note 20)	16,399	16,442
Intangible assets (Note 21)	1,703	1,352
	21,178	17,794

***(b)* Profit on disposal**		
Cost	17,118	1,104
Accumulated depreciation	(703)	(1,048)
Carrying amount	16,415	56
Proceeds from disposal	(16,319)	(277)
Loss/(profit) on disposal	96	(221)

21 Intangible assets

Cost		
Balance at 1 January	7,855	6,774
Acquisitions	4,013	851
Transfer	53	230
Balance at 31 December	11,921	7,855
Amortisation		
Balance at 1 January	5,796	4,444
Amortisation for the year	1,703	1,352
Balance at 31 December	7,499	5,796
Carrying amount		
Balance at 1 January	2,059	2,330
Balance at 31 December	4,422	2,059

Intangible assets represent licenses for computer software. There was no indication of impairment of intangible assets held by the Bank at reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2017: Nil).

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

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	2019 Net	Assets	Liabilities	2018 Net
PPE and intangibles	-	(7,197)	(7,197)	-	(5,523)	(5,523)
Right of use assets	-	(1,008)	(1,008)	-	-	-
Allowances for loan losses	8,780	-	8,780	8,991	-	8,991
Net tax assets/(liabilities)	8,780	(8,205)	575	8,991	(5,523)	3,468

(a) Movements in temporary differences during the year

	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December
For the year ended 31 December 2019				
PPE and intangibles	(5,523)	(1,674)	-	(7,197)
Right of use of assets	-	(1,008)	-	(1,008)
Allowances for loan losses	8,991	(211)	-	8,780
	3,468	(2,893)	-	575
For the year ended 31 December 2018				
PPE and intangibles	(4,458)	(1,065)	-	(5,523)
Allowances for loan losses	5,123	3,868	-	8,991
	665	2,803	-	3,468

Recognised deferred tax assets

Recognition of deferred tax assets of *GH¢*8,780 (2018: *GH¢8,991*) is based on management's profit forecasts (which are based on available evidence, including historical levels of profitability), which indicated that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

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

23 Other assets

	2019	2018
Prepayments	6,947	11,504
Collateral taken over	30,000	-
Mobile money drawers	19,749	20,444
Others	13,279	14,940
	69,975	46,888
Current	39,455	40,674
Non-current	30,520	6,214

Collateral taken over represents repossessed property recovered as part of a settlement agreement with a defaulting customer. The Bank intends to dispose of this property.

24 Deposits from banks and non-banks financial institutions

Financial institutions (regulated)	**36,249**	26,708

Deposits from banks and non-banks financial institutions are current.

25 Deposits from customers

Demand deposits	2,249,675	1,867,799
Term deposits	1,970,169	1,339,372
Savings deposits	237,212	200,371
	4,457,056	3,407,542
Analysis by type of depositors		
Individual and other private enterprises	4,432,772	3,268,318
Public enterprises	24,284	139,224
	4,457,056	3,407,542
Current	4,457,056	3,407,542
Non-Current	-	-
Ratio of 20 largest depositors to total deposits	28.77%	17.38%

26 Borrowings

Balances due to other banks and financial institutions	701,818	982,901
Current	701,818	982,901
Non-current	-	-

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

26 Borrowings (continued)

The Bank obtained loans from the under listed institutions with details as follows:

Institution	Currency	Amount (GH¢'000)	Interest Rate (%)
Standard Chartered Bank - SCB	USD	205,466	5.38
Zenith Bank UK – ZB UK	USD	112,408	5.04
International Finance Corporation - IFC	USD	110,976	6.14
Europe Ltd Sumitomo Mitsui Banking Corp	USD	55,989	5.44

A portion of these amounts were on-lended to Zenith Bank Plc. The movement in borrowings is shown below:

At 31 December 2019

Lenders	At 1 January	Draw downs	Interest	Repayments	Exchange difference	At 31 December
Sumitomo	-	54,034	501	-	1,333	55,868
ZB - UK	96,755	211,864	5,869	(205,692)	3,613	112,409
SCB	242,967	933,897	15,898	(779,407)	9,210	422,565
IFC	145,031	242,672	9,807	(285,801)	(733)	110,976
FBN	-	35,415	48	(35,463)	-	-
Consolidated	-	63,621	141	(63,762)	-	-
Fidelity	-	262,226	262	(262,488)	-	-
GHL	-	26,500	101	(26,601)	-	-
Republic	-	10,207	5	(10,212)	-	-
Ecobank	-	724,878	2,707	(727,585)	-	-
First Rand	196,832	258,760	10,094	(465,686)	-	-
Ghana Int. Bank	98,149	104,004	4,041	(206,194)	-	-
Cargill	36,268	-	915	(37,184)	-	-
First Atlantic Bank	24,136	172,645	211	(196,992)	-	-
Guarantee Trust	72,466	328,548	1,422	(402,436)	-	-
SSNIT	70,297	1,637,000	4,128	(1,711,425)	-	-
Others	-	4,265,000	3,009	(4,268,009)	-	-
	982,901	9,331,271	59,159	(9,684,936)	13,423	701,818

At 31 December 2018

SCB	-	214,261	11,607	-	17,099	242,967
ZB - UK	-	96,351	330	-	74	96,755
CARGILL	-	32,428	1,474	-	2,366	36,268
IFC	177,069	-	11,591	(47,688)	4,059	145,031
FRBL	-	188,962	4,032	-	3,838	196,832
FAB	30,909	24,088	36	(30,909)	12	24,136
GTB	-	72,263	166	-	37	72,466
GIB	89,171	95,549	1,749	(89,171)	851	98,149
FIDELITY	46,829	-	-	(46,829)	-	-
ENERGY	9,210	-	-	(9,210)	-	-
SSNIT	-	70,000	297	-	-	70,297
	353,188	793,902	31,282	(223,807)	28,336	982,901

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

27 Other liabilities

	2019	2018
Due to parent company	-	7,749
Accruals and other payables	33,761	35,767
Impairment on off-balance sheet exposures	6,078	6,403
Deferred income	6,162	4,123
Obligation on investment held for customers	238,681	210,281
	284,682	264,323
Current	284,682	264,323
Non-current	-	-

Obligation on investment held for customers relate to funds received from customers and invested in sale and buy back products of the Bank.

28 Capital and reserves

(a) Stated capital

	2019 No. of Shares	**2019 Proceeds**	2018 No. of Shares	2018 Proceeds
Authorised Ordinary Shares of no par value ('000)	4,500,000	-	4,500,000	-
Issued Ordinary Shares of no par value ('000)	4,000,000	400,000	4,000,000	400,000

Issued and fully paid	**2019**	2018
Issued for cash consideration		
At 1 January	400,000	122,021
Transfer from income surplus account	-	277,979
	400,000	400,000

There were no calls or instalments unpaid at the reporting date. There were no shares held in treasury at year-end.

(b) Nature and purpose of reserves

Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from the Central Bank.

Credit risk reserve

This reserve represents the cumulative balance of amounts transferred from/to retained profits to meet excess of impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS.

Retained earnings

This represents the retained of cumulative annual profits that are available for distribution to shareholders.

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

29. Dividends

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2019 (2018: Nil).

30. Contingencies

(a) Claims and litigation

The Bank is defending legal actions brought by various persons for claims. No provision in relation to these claims has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise (2018: Nil)

(b) Contingent liabilities and commitments

As common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related to performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

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

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

	2019	2018
Contingent liabilities: Bonds and guarantees	346,294	277,283
Commitments: Clean line facilities for letters of credit	614,926	462,902
	961,220	740,185
Undrawn loan commitments	192,137	71,794

(c) Commitments for capital expenditure

At 31 December 2019, the Bank's commitment for capital expenditure was nil (2018: nil).

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

31 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes members of the Zenith Bank Group, key management personnel and the close members of their family.

(a) Parent

The parent company, which is also the ultimate parent company, is Zenith Bank Plc. Transactions between Zenith Bank Plc. and subsidiaries also meet the definition of related party transactions.

The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from Nigeria and licence fees, which were recharged to the Bank at cost. During the year ended 31 December 2018, the Bank transacted the following business with the parent bank:

	Note	**2019**	2018
Transactions during the year with the parent bank		2,335	1,811
Due to Parent Bank at year end	27	-	7,749

The Bank also has the following placements with the parent company as detailed out Note 18.

		2019	2018
Due from Zenith Bank Plc	18	110,902	145,016

An amount of GH¢: nil (2018: GH¢639) representing interest receivable from the placements with Zenith Bank Plc has been included in investments (other than securities) in Note 18.

At 31 December 2019, the Bank also held Government of Nigeria bills amounting to GH¢ 1.96 billion (2018: GH¢1.79 billion) via Zenith Nominees Limited, an affiliate entity.

(b) Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Zenith Bank Plc.

Key management personnel and their immediate relatives have the following outstanding loan balances with the bank at the reporting period:

	2019	2018
Executive Director	-	2,132
Officers and other employees	15,281	11,886
	15,281	14,018

Interest rates charged on balances outstanding are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The loans granted are secured over real estate and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end. These balances have, however, been collectively impaired as part of the portfolio impairment assessment for unidentified loans and advances.

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

31 Related parties (continued)

(c) Other related parties

Balances with associated companies as at reporting period were:	**2019**	2018
Bank balances with Zenith Bank (UK) (Nostros)	28,626	45,164
Balance due to Zenith Bank (UK)	112,409	96,400

(d) Shareholders

No.	Name	**2019 No. of shares held**	**2019 Percentage shareholding**	2018 No. of shares held	2018 Percentage shareholding
1.	Zenith Bank PLC	3,976,800	99.42%	3,922,800	98.07%
2.	Meridian Cross Acquisitions	-	-	38,400	0.96%
3.	Equatorial Cross Acquisitions	23,200	0.58%	23,200	0.58%
4.	Mak Young Investment	-	-	15,600	0.39%
		4,000,000	100%	4,000,000	100%

32 Subsequent events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events at the reporting date and at 31 December 2019.

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER
(All amounts are in thousand Ghana cedis)

	Note	2019	20178
Interest earned and other operating income		920,136	836,947
Direct cost of services and other costs		(397,840)	(403,890)
Value added by banking services		522,296	433,057
Non-banking income		7,897	11,618
Impairments	9	(10,093)	(56,557)
Value added		520,100	388,118
Distributed as follows:			
To employees			
Directors (without executives)	12	(3,403)	(834)
Executive directors		(709)	(758)
Other employees		(142,023)	(86,888)
Total		(146,135)	(88,480)
To Government			
Income tax	13	(106,320)	(95,959)
To providers of capital			
Dividends to shareholders		-	-
To expansion and growth			
Depreciation and amortization	20(a)	(21,178)	(17,795)
Retained earnings		246,467	185,884