FBNBANK GHANA LIMITED
A subsidiary of FirstBank of Nigeria Limited (An FBN Holdings Company)
(Incorporated in Ghana)

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

ANNUAL REPORT

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CORPORATE INFORMATION

Directors

Hon. Joseph Yieleh Chireh	Chairman
Gbenga Odeyemi	Managing Director/Chief Executive Officer (Resigned – 28 May 2019)
Victor Yaw Asante	Managing Director/Chief Executive Officer (Appointed – 16 July 2019)
Abdul Kofarsauri	Non-executive director
Olasanu Otudeko	Non-executive director
Hannah A. Amoateng	Non-executive director
Alebiosu Olusegun	Non-executive director
Bashirat Odunewu	Non-executive director
Semiu Lamidi	Executive Director/Chief Financial Officer (Appointed – 19 August 2019)
Mohammed Ozamah	Executive Director/Chief Risk Officer (Appointed – 16 October 2019)

Registered office

FBNBank Ghana Limited
Plots No. 6, 7 and 9
Liberation Road
Airport – Accra
P. M. B. 16
Accra-North

Ag. Secretary

Theophilus Ackom-Boadu

Independent auditor

PricewaterhouseCoopers
PwC Tower
A4 Rangoon Lane, Cantonment City
PMB CT 42, Cantonments
Accra, Ghana

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the Bank for the year ended 31 December 2019.

Statement of directors' responsibilities

The Bank's directors are responsible for the preparation of the financial statements that give a true and fair view of FBNBank 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).

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.

Principal activities

The Bank is licensed to operate as a universal bank under the Banks and Specialised Deposit-Taking Institutions Act, 2017 (Act 930).

Holding company

The Bank is a subsidiary of FirstBank of Nigeria Limited, a bank incorporated in the Federal Republic of Nigeria.

Financial results

The financial results are set out below:

	2019
	GH¢
Profit after tax	35,667,744
To which is added balance on retained earnings brought forward of	(2,761,536)
	32,906,208
Out of which is transferred to statutory reserve fund	(17,833,872)
Transfer from credit risk reserve	(11,643,411)
Leaving a balance carried forward of	3,428,925

Dividend

The directors do not recommend dividend for the year ended 31 December 2019.

REPORT OF THE DIRECTORS (continued)

Directors

The names of the directors who served during the year are provided on page 1. 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 issued ordinary shares of the Bank.

Capacity of directors

The Bank goes through a rigorous process in ensuring only fit and proper persons are appointed to the Board after obtaining consent from the Bank of Ghana. Relevant trainings are in place to enable the directors discharge their duties.

Interest in other Body Corporates

The Bank has no subsidiaries entities during the year and at year end. The Bank has a non-controlling interest in FBNBank Guinea and FBNBank Senegal

Corporate Social Responsibilities

A total of GHS 57,000 was spent on corporate social responsibilities during the year.

Audit fee payable

The audit fees for the year is disclosed in note 13 of the financial statements.

Directors Training

In line with Bank of Ghana's Corporate Governance Directive, there is in existence effective structures put in place to ensure continuous capacity building of the Board members. This includes but not limited to the following;

- External assessment of the board by an independent firm on matters of Board effectiveness and on Corporate Governance framework of the bank as whole:
- Annual certification course facilitated by the National Banking College on a range of relevant topics meant to boost the competence of board members on their duties and on prudential banking practices: and
- Annual self-assessment of the Board by Board members.

Approved by:

....	....
Director	**Director**
Victor Yaw Asante	**Semiu Lamidi**
(Managing Director/CEO)	**(Chief Financial Officer)**

CORPORATE GOVERNANCE FRAMEWORK

The Bank operates in a highly regulated industry and therefore recognises the importance of complying with legislation, regulation and codes of best practice. The Bank is committed to business integrity and professionalism in all its activities. As part of this commitment the Board supports the highest standards of corporate governance and the development of best practice.

FBNBank Ghana Limited has adopted its own internal corporate governance guidelines, which is embodied in the Bank governance practices. These practices are constantly being monitored to ensure that they are the best fit for the Bank and serve to enhance business and community objectives.

BOARD OF DIRECTORS

The Bank advocates for an integrated approach to corporate governance as evidenced by the governance framework. The Board consists of an Independent Non-Executive Chairman, five (5) other Non-Executive Directors and three (3) Executive Directors. The Board provides strategic direction and has the ultimate responsibility for the functioning of the Bank.

The Board is accountable for all decisions taken by its Sub-committees and management. The Board and its committees all operate in terms of agreed mandates, which set out their terms of reference as contained in the respective Charters. these are reviewed and revised regularly in order to keep pace with international developments. The Board also derives its responsibility from Section 10 and 11 of the Corporate governance Directive 2018 of Bank of Ghana. The Board currently has five sub-committees each with its terms of reference.

The Board of the Bank met five times in 2019. The record of attendance is provided below.

Name	23 January	26 April	02 August	16 October	19 December
Hon. Joseph Yieleh Chireh	√	√	√	√	√
Mr. Victor Yaw Asante	N/A	N/A	√	√	√
Mr. Abdul Kofarsauri	√	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√	√
Mrs. Hannah A. Amoateng	√	√	×	√	√
Mr. Alebiosu Olusegun	√	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√	√
Semiu Lamidi	N/A	N/A	N/A	√	√
Mohammed Ozamah	N/A	N/A	N/A	√	√
Gbenga Odeyemi	√	√	N/A	N/A	N/A

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

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD AUDIT COMMITTEE

Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility in relation to:
- The integrity of the financial statements and financial reporting process;
- The independence and performance of the external and internal audit functions; and
- The system of internal controls, accounting and operating procedures.

Composition of the Committee

The Committee currently comprises of four (4) non-executive directors Chaired by an Independent Director. The Company Secretary acts as the Secretary of the Committee.

Chairman of the Board Audit Committee

The Chairman of the Committee is a non-executive director appointed by the Board for a three (3) year term renewable for a further term of 3 years. In the absence of the Chairman, members of the Committee shall choose one from among its members to chair the meeting. The Chairman of the Committee reports on the proceedings of the Committee to the Board. The Board has the authority to determine the membership of the Committee as it deems fit. The Board Chairman is not a member and/or the Chairman of the Committee.

Responsibilities of the Committee

The responsibilities of the Committee include:

Statutory Audits and Financial Reporting

Review and approve the Bank's accounting policies to be used in the preparation of audited financial statements and approve all external disclosures regarding related party transactions;

Internal Audit

- Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- Review the scope and planning of audit requirements;
- Review the findings on Management matters in conjunction with the external auditor and the departmental responses thereon (Management letter);
- Keep under review the effectiveness of the company's system of accounting and internal control;
- Make recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair the independent judgement of the external auditors;
- Authorise the internal auditor to carry out investigations into any activity of the company which may be of interest or concern to the committee; and

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD AUDIT COMMITTEE (continued)

Any other responsibilities which may be assigned to it by the Board

The Board audit committee met four times in 2019. The record of attendance is provided below.

Board Audit Committee

Name	22 January	25 April	01 August	15 October
Mr. Abdul Kofarsauri	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√
Mr. Alebiosu Olusegun	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√

BOARD RISK MANAGEMENT COMMITTEE

Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility in relation to the establishment of Policy Standards and guidelines for risk assessment and management, compliance with regulatory requirements, composition of risk portfolios and concentrations, risk-taking decisions and management covering all forms of risk exposures as well as performing any other delegated by the board. The committee also derives its objective from Section 8 of the Corporate Governance Directive of Bank of Ghana.

Composition of the Committee

The Committee currently comprises of three (3) Non-Executive Directors chaired by an Independent Director. The Company Secretary acts as the Secretary of the Committee.

Chairman of the Board Risk Committee

The Chairman of the Committee is an Independent Non-Executive Director. In the absence of the Chairman, members of the Committee shall choose one from among its members to chair the meeting. The Chairman of the Committee reports on the proceedings of the Committee to the Board. The Board has the authority to determine the membership of the Committee as it deems fit. The Board Chairman is not a member and/or the Chairman of the Committee.

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD RISK MANAGEMENT COMMITTEE (continued)

Responsibility of the Committee

The Board Risk Management Committee is responsible for advising the Board on the overall current and future risk tolerance/appetite of the institution and strategy including on Anti-Money Laundering (AML) / Combating the Financing of Terrorism & Proliferation of weapon of mass destruction (CTF&P) and for overseeing implementation of that strategy by Senior Management. In particular;

Enterprise Risk Management

Oversee the establishment of a formal written policy on the overall risk management framework detailing the risk appetite, guidelines and standards to be maintained and complied with through periodic review of reports by management, statutory auditors and supervisory authorities.

Evaluate with management, the adequacy of the Bank's management systems and the adequacy of the Bank's control environment. Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:

i. Important judgements and accounting estimates;
ii. Business and operational risks in the areas of market, information technology and operations;
iii. Litigation and claims;
iv. Specific risks relating to outsourcing; and
v. Fraud and theft.

Compliance
The procedures carried out by the Board Risk Management Committee to ensure compliance includes:

- Review of the activities of the Bank as they relate to its Code of Conduct and Ethics. Review the adequacy and effectiveness of the compliance framework for managing compliance risks within the Bank.
- Review and approval of the processes in place for ensuring that new and changed legal and regulatory requirements are identified and reflected in the Bank's processes.
- Assessing the scope and depth of compliance review activities and the resulting impact that the findings have on the risk profile of the Bank.
- Evaluating the nature and effectiveness of action plans implemented to address identified compliance weaknesses.
- Requiring management to present and discuss, as soon as practicable, all reports received from the regulators, e.g. the Bank of Ghana (BoG) which may have a material effect on the Bank's financial statements or related Group compliance policies.
- Reviewing with the Company Secretary/Head, Legal Services, legal and regulatory matters, contingent liabilities and other sensitive information that may have a material effect on the Bank's financial statements, systems of internal control or regulatory compliance.

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD RISK MANAGEMENT COMMITTEE (continued)

Compliance (continued)

- Reviewing the Bank's overall sustainable banking strategy, values and policies, including policies on financial inclusion, diversity, citizenship and environment.
- Oversight of sustainability in the Bank's business and measures taken to support economic development and how the Bank can better serve society

Cyber Security and Information Security

The cyber security and information security and information security enforcement include:

- Determining the Bank's Cyber and Information Security Risk Management Strategy.
- Approving the Institutional Policies of Cyber and Information Security, Outsourcing, Survivability, Backup and Recovery from Cyber incidents and attacks, and disaster events.
- Approving the annual and other work pans for Cyber and Information Security, Business continuity and Disaster Recovery.

The Board risk management committee met four times in 2019. The record of attendance is provided below.

Board Risk Management Committee

Name	22 January	22 April	01 August	15 October
Mrs. Hannah A. Amoateng	√	√	√	√
Mr. Alebiosu Olusegun	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√

BOARD CREDIT COMMITTEE

Purpose

The Committee is to advise the Board in carrying out its oversight responsibility for the Bank's credit exposure and management, the quality of the Bank's credit portfolio, overseeing the effectiveness and administration of the Bank's credit policies and reviewing the processes for determining provisions for credit losses and the adequacy of provisions made.

Composition of the Committee

The Committee currently comprises of four (4) non-executive directors one of whom acts as the Committee Chairman and two (2) Executive Directors. The Head of Credit Risk Management acts as the Secretary of the Committee. The Board Chairman is not a member and/or the Chairman of the Committee.

Chairman of the Committee

The Chairman of the Committee is a non-executive director with much knowledge in credit and accounting practices and concepts appointed by the Board for a 3-year term renewable for a further term of 3 years. In the absence of the Chairman, members of the Committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the Committee shall report on the proceedings and recommendations of the Committee to the Board.

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD CREDIT COMMITTEE (continued)

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Review and approval of credit facilities to be granted by the Bank;
ii. Recommend for approval credit risk appetite and credit portfolio in line with the Bank's strategy;
iii. Review, endorse and recommend for Board for approval the establishment of or any material change to the Bank's investment policy and framework;
iv. General oversight of the Bank's credit portfolio and related credit risk management processes;
v. See to the administration, effectiveness and compliance with the Bank's credit policies;
vi. Review and assessment of the adequacy of provisions made for credit losses;
vii. Approval of new credit products and processes; and
viii. Other matters relating to the credit operations of the Bank.

The Board credit committee met four times in 2019. The record of attendance is provided below:

Name	25 January	25 April	01 August	15 October
Mr. Victor Yaw Asante**	N/A	N/A	√	√
Mr. Abdul Kofarsauri	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√
Mrs. Hannah A. Amoateng	√	√	√	√
Mr. Alebiosu Olusegun	√	√	√	√
Mr Mohammed Ozamah**	N/A	N/A	N/A	√

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

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE

Purpose

The Board Finance and General Purpose Committee is to consider and approve the Bank's capital expenditure plan and specific capital projects above the management's approval limit and advise the Board in its oversight responsibilities in relation to recruitment, compensation/ benefits, promotions and disciplinary issues.

Composition of the Committee

The Board Finance and General Purpose Committee currently comprises of three (3) non-executive directors and one (1) Executive Director one of whom acts as the Chairman. Members have sound management experience in the finance/banking industry. The Board Chairman is not a member and/or the Chairman of the Committee. The Board has the authority to determine the membership of the Committee as it deems fit.

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD FINANCE AND GENERAL-PURPOSE COMMITTEE

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the Board for a 3-year term renewable for a further term of 3 years. In the absence of the Chairman, members of the committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the committee shall report on the proceedings and recommendations of the Committee to the Board.

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Approval of capital expenditure within the monetary amounts specified by the Board;
ii. Ensure that principles of transparency, fairness and openness are adhered to in procurement processes;
iii. Regularly review and recommend to the Board limits of capital expenditure for various levels of management and executive management;
iv. Ensuring the performance of contracts in accordance with contractual terms and conditions;
v. Ensuring that all expenditure is within the Bank's stipulated limits;
vi. Ensuring development of suppliers list and efficient performance;
vii. Considering and recommending of contracts for the approval of directors or appropriate authorities; and
viii. Other matters relating to the credit operations of the Bank.

The Board finance and general-purpose committee met four times in 2019. The record of attendance is provided below:

Name	25 January	25 April	01 August	15 October	19 December
Mrs. Hannah A. Amoateng	√	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√	√
Semiu Lamidi**	N/A	N/A	N/A	√	√
Mr. Abdul Kofarsauri	√	√	√	√	√

** Executive director

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

CORPORATE GOVERNANCE FRAMEWORK (continued)

BOARD GOVERNANCE COMMITTEE

Purpose

The primary purpose of the Board Governance Committee is to oversee and advise the Board on its oversight responsibilities in relation to among others determining Board composition, designing and executing the process for appointments of new Board members and removal of non-performing Board members; developing and maintaining an appropriate corporate governance framework for the Bank; evaluating the Board, Board committees and individual directors as well as providing direction and oversight for director orientation and continuing education programs.

Composition of the Committee

The Committee comprises of four (4) non-executive directors, one of whom acts as the Chairman. Membership comprise of people representing a balance of views, knowledge and who have over twelve (12) years management experience in the finance industry. Members are appointed for an initial term of three (3) years and can be re-elected for a subsequent term of three (3) years, subject to satisfactory performance.

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the board, for an initial period of three years which is renewable for another second term of three years. In the absence of the Chairman, members of the committee choose one of their members to chair the meeting. The Chairman of the committee shall report on the proceedings and recommendations of the Committee to the Board.

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Determining Board composition, designing and executing the process for appointments of new Board members and removal of non-performing Board members;
ii. Developing and maintaining an appropriate corporate governance framework for the Bank;
iii. Evaluating the Board, Board committees and individual directors;
iv. Providing direction and oversight for director orientation and continuing education programs;
v. Developing appropriate policy on remuneration of directors both executive and non-executive;
vi. Ensuring proper reporting and disclosure of the Bank's corporate governance to stakeholders;
vii. Evaluating the role of the other Board Committees; and
viii. Ensuring proper succession planning for the Bank.

The Board finance and general-purpose committee met four times in 2019. The record of attendance is provided below:

Name	22 January	22 April	01 August	15 October	19 December
Mr. Abdul Kofarsauri	√	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√	√
Mr. Alebiosu Olusegun	√	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√	√

CORPORATE GOVERNANCE FRAMEWORK (continued)

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 that the risks facing the business are being controlled.

The corporate internal assurance function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness 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 Bank's Code of Conduct, to its employees in the discharge of their duties.

This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, and strict adherence to the principles so as to eliminate the potential for illegal practices.

Anti-Money Laundering

The Bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act 2008. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

Whistle Blowing Policy

In line with the Whistle Blowing Act 720 of 2006, FBNBank Ghana Limited has a Whistle Blowing policy in place to enable employees and other relevant stakeholders report acts of impropriety to appropriate authorities. The policy consists of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate remedial action can be taken if concerns are deemed legitimate. It encourages staff and other relevant stakeholders to report unethical or illegal conduct or conduct of employees, management, directors and other stakeholders to appropriate authorities in a confidential manner without any fear of harassment, intimidation, victimization or reprisal of anyone for raising a concern.

Internal and external whistle blowers may raise concerns either by declaration or anonymously through a letter, email or telephone call to the MD/CEO, Chief Internal Auditor, Group Chief Risk Officer and Group Chief Compliance Officer. The Bank has an obligation to adequately protect the whistleblower. The Bank is therefore committed to maintaining confidentiality to the fullest extent possible and provides assurance that all reports will be subject to appropriate investigation and conclusion through an efficient process.

CORPORATE GOVERNANCE FRAMEWORK (continued)

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.

Other Directorship Positions

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

Name	Name of Company
Hon. Joseph Yieleh Chireh	N/A
Mr. Victor Yaw Asante	N/A
Mr. Abdul Kofarsauri	N/A
Mr. Olasanu Otudeko	1. Honeywell Group Limited 2. ST.John inter Nigeria Limited. 3. WEMA Bank PLC 4. Cowries Micro
Mrs. Hannah A. Amoateng	1. H-Squared Financial Solutions Limited 2. H-Squared Ventures Limited 3. Newsol Financial Solutions Limited 4. G & H Pharmaceuticals Limited
Mr. Alebiosu Olusegun	N/A
Mrs. Bashirat Odunewu	1. FBNBank Gambia 2. FBNBank Senegal 3. FBNBank DRC 4. FBNBank Guinea 5. Neimeth International Pharmaceutical Limited
Semiu Lamidi	N/A
Mohammed Ozamah	N/A

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FBNBANK 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 FBNBank Ghana Limited (the "Bank") 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 FBNBank Ghana Limited 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 Bank's 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)

Key audit matter	How our audit addressed the key audit matter
Impairment allowance of loans and advances to customers (GHS20.6 million) Impairment allowances represent management's best estimate of expected credit loss ('ECL'). Significant judgements and estimates are used in developing a model suitable to comply with the requirements of the standard. Key judgements and estimates include: • The determination of the Bank's definition of default focusing on both the qualitative and quantitative criteria used by the Bank; • The criteria for assessing significant increase in credit risk (SICR); • The appropriateness of the model to ensure that data sources are reasonable and reliable; • The exposure at default - EAD - (amount expected to be owed the Bank at the time of default) and the credit conversion factor (CCF) for off-balance sheet arrangements; • The probability of default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon); and • The loss given default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default). The accounting policies, critical estimates and judgements and impairment charge are set out in notes 3.1.2, 6, 11 and 20 to the financial statements.	We understood and evaluated the design of the key controls over the determination of ECLs and tested their operating effectiveness. These included understanding the controls over the loans origination, monitoring and provisioning process. We obtained an understanding of the default definition used in the ECL calculation and assessed whether the default definition(s) reflect all observable default events across all financial instruments. We assessed the criteria applied by management in determining significant increase in credit risk since initial recognition on loans that do not have objective evidence of impairment. We reviewed details of the portfolio and the methodology applied to determine the SICR thresholds. We assessed the appropriateness of data used in the ECL model and re-performed the calculation of ECL for a sample of loans and advances. We ensured that the ECL calculations were consistent with the approved model methodologies. We also challenged managements determination of the EAD and reviewed the reasonableness of the credit conversion factors used. We assessed the reasonableness of PD assumptions applied and tested the rationality of the LGD by reviewing on a sample basis the valuation of the collateral held and assessing the reasonableness of the cash recoveries. We tested the underlying disclosures and compared these to underlying accounting records.

Other information

The directors are responsible for the other information. The other information comprises Corporate information, Report of the directors, Corporate governance framework and Value added statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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, 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.

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 Bank's 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;

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

- 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 Bank's internal control;
- 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 Bank's 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.

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 Oseini Amui (ICAG/P/1139).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)
Chartered Accountants
Accra, Ghana
24 March 2020

pwc

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Ghana Cedis)

	Note	2019	2018
Interest income	7	**146,531**	64,210
Interest expense	8	**(41,421)**	(21,372)
Net interest income		**105,110**	42,838
Fee and commission income		**11,273**	9,354
Fee and commission expense		**(616)**	(315)
Net fee and commission income	9	**10,657**	9,039
Net trading income	10	**15,675**	16,280
Other income	23	**4**	274
Operating income		**131,446**	68,431
Net impairment loss on financial assets	11	**(15,569)**	(863)
Personnel expenses	12	**(27,333)**	(22,818)
Depreciation and amortisation	26	**(12,840)**	(6,638)
Operating expenses	13	**(24,617)**	(25,501)
Profit before tax		**51,087**	12,611
Income tax expense	14	**(12,865)**	(2,580)
National stabilisation levy	15	**(2,554)**	(631)
Profit after tax		**35,668**	9,400
Other comprehensive income		**-**	-
Total comprehensive income for the year		**35,668**	9,400
Earnings per share			
Earnings per share (basic and diluted)	31	**0.09**	0.02

The accompanying notes on pages 23 to 83 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
(All amounts are in thousands of Ghana Cedis)

	Note	2019	2018
Assets			
Cash and cash equivalents	17	**204,228**	213,248
Investment securities	18	**733,693**	668,301
Non-pledged trading assets	19	**1,105**	-
Loans and advances	20	**262,081**	71,905
Current income tax assets	14	**39**	551
Other assets	21	**8,186**	15,047
Investments in associates	22	**8,088**	8,088
Property and equipment	23	**11,251**	10,415
Right of use asset	24	**36,896**	-
Intangible assets	25	**573**	1,076
Deferred income tax asset	16	**4,252**	992
Total assets		**1,270,392**	989,623
Liabilities			
Customer deposits	27	**349,063**	304,314
Deposits from banks and other financial institutions	28	**364,178**	190,306
Other liabilities	29	**55,072**	50,449
Lease liability	24	**21,857**	-
Total liabilities		**790,170**	545,069
Shareholders' funds			
Stated capital	30	**400,000**	400,000
Retained earnings	32	**3,429**	(2,761)
Statutory reserve	35	**55,453**	37,619
Credit risk reserve	36	**20,051**	8,407
Revaluation reserve	34	**1,289**	1,289
Shareholders' funds		**480,222**	444,554
Total liabilities and shareholders' funds		**1,270,392**	989,623

The accompanying notes on pages 23 to 83 form an integral part of these financial statements.

The financial statements on pages 19 to 83 were approved by the Board of Directors on 9 March 2020 and signed on its behalf by:

Director
Victor Yaw Asante
(Managing Director/CEO)

Director
Semiu Lamidi
(Chief Financial Officer)

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana Cedis)

	Stated Capital	**Retained Earnings**	**Statutory Reserves**	**Credit risk reserve**	**Revaluation reserve**	**Total**
Year ended 31 December 2018						
At 31 December 2017 and 1 January 2018	60,000	26,282	32,919	3,567	1,289	124,057
Changes on initial application of IFRS 9						
Increase in impairment provisioning	-	(2,644)	-	-	-	(2,644)
Transfer from credit risk reserve	-	2,644	-	(2,644)	-	-
Restated balance at 1 January 2018	60,000	26,282	32,919	923	1,289	121,413
Profit for the year	-	9,400	-		-	9,400
Total comprehensive income	-	9,400	-	-	-	9,400
Transfer to statutory reserve	-	(4,700)	4,700	-	-	-
Transfer to credit risk reserve	-	(7,484)	-	7,484	-	-
Transfer to stated capital	24,048	(24,048)	-	-	-	-
Proceeds from issuance of shares	315,952	-	-	-		315,952
Tax on transfer to stated capital	-	(2,211)	-	-	-	(2,211)
Total transactions with owners	340,000	(38,443)	4,700	7,484	-	313,741
At 31 December 2018 and 1st January 2019	400,000	(2,761)	37,619	8,407	1,289	444,554
Profit for the year	-	**35,668**	-	-	-	**35,668**
Total comprehensive income	-	**35,668**	-	-	-	**35,668**
Transfer to statutory reserve		**(17,834)**	**17,834**	-	-	-
Transfer to regulatory credit risk reserve		**(11,644)**	-	**11,644**	-	-
Total transactions with owners	-	**(29,478)**	**17,834**	**11,644**	-	-
At 31 December 2019	**400,000**	**3,429**	**55,453**	**20,051**	**1,289**	**480,222**

The accompanying notes on pages 23 to 83 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in thousands of Ghana Cedis)

	Note	2019	2018
Cash flows from operating activities			
Profit before income tax		**51,087**	12,611
Adjustment for:			
Depreciation and amortisation	26	**12,840**	6,638
Impairment loss on financial assets	11	**18,697**	1,215
Gain on disposal of property and equipment	23	**(4)**	(274)
Finance cost and exchange loss on lease liability		**5,214**	-
Changes in loans and advances to customers		**(208,783)**	(9,011)
Changes in restricted bank balances		**(10,181)**	(2,507)
Changes in other assets		**(4,098)**	(6,574)
Changes in customer deposits		**44,749**	11,146
Changes in deposits from banks and other financial institutions		**173,872**	74,650
Changes in other liabilities		**2,385**	35,227
Changes in investment securities		**(126,656)**	(541,077)
Purchase of trading assets		**(1,105)**	-
Cash used in operations		**(41,983)**	(417,956)
Tax paid		**(15,613)**	(3,918)
National stabilisation levy paid		**(2,312)**	(588)
Net cash used in operating activities		**(59,908)**	(422,462)
Cash flows from investing activities			
Purchase of property and equipment	23	**(5,834)**	(4,009)
Purchase of intangible assets	25	**(172)**	(548)
Proceeds from disposal of property and equipment	23b	**73**	274
Net cash used in investing activities		**(5,933)**	(4,283)
Cash flows from financing activities			
Proceeds for issue of shares	30	**-**	315,952
Other statutory payments	30	**-**	(120)
Payment of principal portion of lease liabilities		**(14,624)**	-
Net cash from financing activities		**(14,624)**	315,832
Increase in cash and cash equivalents		**(80,465)**	(110,913)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at 1 January		**243,644**	354,557
Increase in cash and cash equivalents		**(80,465)**	(110,913)
Cash and cash equivalents at 31 December	17(b)	**163,179**	243,644

The accompanying notes on pages 23 to 83 form an integral part of these financial statements.

NOTES

1. GENERAL INFORMATION

FBNBank Ghana (“the Bank) is a limited liability company, incorporated and domiciled in Ghana. The Bank is a subsidiary of First Bank of Nigeria Limited, a company incorporated in the Federal Republic of Nigeria. The registered office is Plots No. 6, 7 and 9, Liberation Road, Airport – Accra. The Bank is licensed to operate under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy below.

The preparation of financial statements is in conformity with IFRS and requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standards and amendments are described below:

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 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 retained earnings as at the transition date. The new accounting policies are disclosed in Note 2.7.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Bank (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 6% for United States Dollar denominated lease liabilities and 16.12% 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	**38,924**
Discounted using the lessee's incremental borrowing rate	**34,109**
Add: additional finance lease liabilities recognised on 1 January 2019	**-**
(Less): short-term leases not recognised as a liability	**(936)**
Total lease liability recognised as at 1 January 2019	**33,173**
Of which are:	
Current lease liabilities	**11,316**
Non-current lease liabilities	**21,857**
	33,173

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards 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¢44,132*
- prepayments – decrease by *GH¢ 10,959*
- lease liabilities – increase by *GH¢ 33,173*

There was no impact on retained earnings on 1 January 2019.

ii. IFRIC 23 – Uncertainty over Income Tax Treatments

This standard which became effective January 1 2019, clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Bank.

iii. Amendments to IAS 19

This amendment was issued on February 7, 2018 and became effective January 1, 2019. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Standards issued but not yet effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after January 1, 2019:

The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

Amendments to IFRS 3 – Business Combination

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or a merger). In October 2018, after the post-implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centers majorly on the definition of a Business.

The standard provides that to be considered a business, an acquired set of activities must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The effective date is on or after January 1, 2020.

Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors),* the revised definition of 'material' is quoted below:

"*An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity"*.

The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The Bank of Ghana Interbank Exchange rates are used to translate foreign currency items into the functional currency.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

2.3 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or pledge the collateral; the counterparty liability is included in due to other banks or customer deposits, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or due from other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.4 Financial assets and liabilities

All financial assets and liabilities are recognised in the statement of financial position and measured in accordance with their assigned category.

2.4.1 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 Financial Assets (continued)

Measurement methods (continued)

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.

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 are 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.

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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Measurement methods (continued)

Classification and subsequent measurement (continued)

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.

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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Debt instruments (continued)

Classification and subsequent measurement (continued)

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

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 3.1.2 for further details on the impairment process of financial assets.

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).

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Derecognition 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.

2.4.2 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.

The fees and commission income receivable on these financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in ‘Other liabilities’ and recognised in the statement of comprehensive income in ‘Fees and commission income’ on a straight line basis over the life of the guarantee.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.4 Financial liabilities

Classification

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

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.

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.

2.4.5 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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.5 Fair value measurement (continued)

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.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6 Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for derecognition are classified as "assets pledged as collateral" and are included as part of investment securities in the statement of financial position. Initial recognition is at fair value while subsequent measurement is at amortised cost.

2.7 Leases

Until December 31 2018, leases of property 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 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.7 Leases (continued)

The Bank leased various properties for branches, agencies, residential purposes and space for offsite equipment under non-cancellable operating lease arrangements. The lease typically ran for a period of up to five 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.

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 - 5 years but may have extension options as described below.

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, e.g. term, country, currency and security.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.7 Leases (continued)

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.

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 Bank 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 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.

Extension and termination options are included in a number of property 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 by both Bank and the respective lessor.

2.8 Property and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed regularly to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the income statement.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.8 Property and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvement	Over the period of lease
Building	5%
Computers	$33^1/_3$%
Motor vehicles	25%
Equipment	20%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retain earnings.

2.9 Intangible assets

Intangible assets comprise computer software licenses and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 3 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Bank have a definite useful life.

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

2.10 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets (continued)

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. 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.

2.11 Income taxes

Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The Directors periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Employee benefits

Pension obligations

The Bank makes contributions to mandatory pension schemes for eligible employees. Contributions by the Bank to the mandatory pension schemes is determined by law and are defined contributions plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the statutory pension scheme or the provident fund. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

2.13 Provisions

Provisions are recognised when: The Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.15 Stated capital

Ordinary shares

Ordinary shares are classified as "Stated capital" in equity.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity at the date of acquisition, including cash in hand, deposits held at call with other Banks, and other short term highly liquid investments with original maturities of three months or less. For the purpose of the cash flow statement, cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, other eligible bills, money market placements and dealing securities.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and allocating the interest income or interest expense over the relevant period. The effective interest rate 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 (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. 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 the future cash flows for the purpose of measuring the impairment loss.

2.18 Fee and commission

Fee and commission are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis.

3. FINANCIAL RISK MANAGEMENT

Risk management structure

The Bank’s business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank’s aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank’s financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank’s risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (MCC), Risk Management Department, Asset and Liability Management Committee (ALCO), which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities.

The Bank’s risk management policies are established to analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management

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 debt securities credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

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, who reports to the Board of Directors.

3.1.1 Risk limit control and mitigation policies

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 groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved annually by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

The Bank also 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.

Collaterals

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.

Long-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. 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 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 related collateral held in order to mitigate potential losses are shown below:

Credit impaired assets as at 31 December 2019	**Gross Exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral**
Term Loans	47,209	(14,944)	32,265	177,520
Overdrafts	3,457	(3,433)	25	6,299
Carrying amount	**50,666**	**(18,377)**	**32,290**	**183,819**

(All amounts are in thousands of Ghana Cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.1 Risk limit control and mitigation policies (continued)

Credit impaired assets as at 31 December 2018	Gross Exposure	Impairment allowance	Carrying amount	Fair value of collateral
Term Loans	12,306	(3,729)	8,577	12,632
Overdrafts	109	(72)	37	368
Carrying amount	**12,415**	**(3,801)**	**8,614**	**13,000**

Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate, and in most cases, also collateralised by customer cash deposits held under lien, and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants). The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.2 Expected credit loss measurement (continued)

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 twelve months. If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:
  - 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 cashflow/liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a quarterly 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.2 Expected credit loss measurement (continued)

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.

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 Bank 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.2 Expected credit loss measurement (continued)

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.

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. 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.

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	**Unemployment rate**	**Ease of doing business**
Base case	6.7%	60.0%
Best case	4.7%	31.6%
Worst case	6.8%	63.2%

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

- Unemployment rate – The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labour force.

- Ease of doing business - Ease of Doing Business Index ranks countries against each other based on how the regulatory environment is conducive to business operation and stronger protections of property rights. Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Economies with a high rank (1 to 20) have simpler and more friendly regulations for businesses.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum credit risk exposures relating to on-balance sheet assets are as follows:

	2019	**2018**
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	**47,834**	40,187
Investment securities	**733,693**	668,301
Trading assets	**1,105**	-
Due from other banks	**134,376**	146,639
Loans and advances to customers	**262,081**	71,905
Other assets (excluding prepayments)	**3,593**	2,007
	1,182,682	929,039
Credit risk exposures relating to off balance sheet items are as follows:		
Letters of credit	**4,734**	-
Letters of guarantee	**23,406**	7,421
Loan commitments	**2,645**	3,142
	30,785	10,563
Total on and off balance sheet exposure	**1,213,467**	939,602

The above table represents a worst case scenario of credit risk exposure to the Bank 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.

Investment securities are held in government treasury bills and bonds.

The Bank's credit exposures were categorised under IFRS 9 as follows:

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

		2019		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	204,228	-	-	204,228
Investment securities	733,693	-	-	733,693
Trading assets	1,105	-	-	1,105
Loans and advances to customers	227,494	4,489	50,666	282,649
Other assets (excluding prepayment)	3,593	-	-	3,593
Gross carrying amount	1,170,113	4,489	50,666	1,225,269
Loss allowance	(2,185)	(6)	(18,377)	(20,568)
Carrying amount	**1,167,928**	**4,483**	**32,289**	**1,204,700**

		2018		
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	213,248	-	-	213,248
Investment securities	668,301	-	-	668,301
Loans and advances to customers	23,499	42,132	12,415	78,046
Other assets (excluding prepayment)	2,006	-	-	2,006
Gross carrying amount	907,054	42,132	12,415	961,601
Loss allowance	(130)	(2,210)	(3,801)	(6,141)
Carrying amount	**906,924**	**39,922**	**8,614**	**955,460**

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

- Current;
- Olem;
- Substandard;
- Doubtful; and
- Loss

The Bank's loans and advances exposure are categorised as follows:

At 31 December	**2019**	2018
Neither past due nor impaired	**227,495**	23,499
Past due but not impaired	**4,488**	42,132
Impaired	**50,666**	12,415
Gross	**282,649**	78,046
Less: Allowance for impairment	**(20,568)**	(6,141)
Carrying amount	**262,081**	71,905

Loans and advances graded current are not considered past due nor impaired and are analysed by type of advance as follows:

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment (continued)

Neither past due nor impaired

The quality of credit exposures to customers that are current are neither past due nor impaired is made up as follows:

At 31 December 2019	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade				
Current	**162,800**	**61,814**	**2,881**	**227,495**
At 31 December 2018				
Grade				
Current	14,445	6,076	2,978	23,499

Past due but not impaired loans

Loans and advances graded internally as "other loans exceptionally mentioned" (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 are as follows:

Year ended 31 December 2019	**Term loans**	**Overdrafts**	**Total**
Past due up to 30 days	**65**		**65**
Past due 30 to 60 days	**1,160**	**-**	**1,160**
Past due 60 to 90 days	**2,932**	**332**	**3,263**
Total	**4,157**	**332**	**4,488**
Year ended 31 December 2018			
Past due up to 30 days	7,240	2,672	9,912
Past due 30 to 60 days	-	5	5
Past due 60 to 90 days	32,098	117	32,215
Total	39,338	2,794	42,132

Individually impaired loans

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

Year ended 31 December 2019	**Term loans**	**Overdrafts**	**Total**
Substandard	**3,768**	**-**	**3,768**
Doubtful	**17,599**	**-**	**17,599**
Loss	**25,842**	**3,457**	**29,299**
Individually impaired loans	**47,209**	**3,457**	**50,666**
Specific impairment allowance	**(14,944)**	**(3,433)**	**(18,377)**
Total	**32,265**	**24**	**32,289**
Fair value of collateral	**177,520**	**6,299**	**183,819**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment (continued)

Individually impaired loans (continued)

Year ended 31 December 2018	**Term loans**	**Overdrafts**	**Total**
Substandard	231	18	249
Doubtful	205	2	207
Loss	11,870	89	11,959
Individually impaired loans	12,306	109	12,415
Specific impairment allowance	(3,729)	(72)	(3,801)
Total	8,577	37	8,614
Fair value of collateral	41,412	6,078	47,490

Repossessed assets

The type and carrying amount of collateral that the Bank has taken possession of in the period are measured at the lower of its carrying amount and fair value less costs to sell and stated as per below:

	Loans and advances to customers	
	2019	2018
Against individually impaired		
Property	**3,061**	-

Renegotiated loans

There were no renegotiated loans which have been reclassified as at 31 December 2019 (2018: Nil).

3.1.5 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

3.2 Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in the Treasury department, includes:

(i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Bank's Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Sources of liquidity are regularly reviewed by the Bank's Treasury to maintain a wide diversification by currency, provider, product and term.

3.2.2 Exposure to liquidity risk

The Bank holds a diversified portfolio of cash and liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise cash and balances with Bank of Ghana, placements and balances with other banks, government treasury bills and bonds, and loans and advances.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers set out as follows:

	2019	2018
At 31 December	**132%**	178%
Average for the period	**164%**	126%
Maximum for the period	**188%**	211%
Minimum for the period	**132%**	111%

For this purpose, net liquid assets are considered as including cash and cash equivalents and debt securities for which there is an active and liquid market less any deposits from banks and other financial institutions, other borrowings and commitments maturing within the next month.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.2 Exposure to liquidity risk (continued)

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 below are the contractual undiscounted cash flows for the non-derivative financial assets and liabilities held by the Bank.

At 31 December 2019	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Customer deposits	327,688	19,222	4,418	-	351,328
Deposits from banks and other financial institutions	169,197	26,114	180,013	-	375,324
Other liabilities	55,072	-	-	-	55,072
Lease liability	-	6,323	477	15,057	21,857
Total financial liabilities	**551,957**	**51,659**	**184,908**	**15,057**	**803,581**
Financial assets					
Cash and cash equivalents	204,228	-	-	-	204,228
Investment securities	1,993	50,623	254,826	426,251	733,693
Trading assets	-	514	-	591	1,105
Loans and advances	47,383	4,329	63,189	147,180	262,081
Other assets (excluding prepayments)	3,593	-	-	-	3,593
Assets held for managing liquidity risk	**257,197**	**55,466**	**318,015**	**574,022**	**1,204,700**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.2 Exposure to liquidity risk (continued)

At 31 December 2018	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Customer deposits	61,300	36,406	34,509	173,897	306,112
Deposits from banks and other financial institutions	23,527	2,712	154,660	13,465	194,364
Other liabilities	50,450	-	-	-	50,450
Total financial liabilities	135,277	39,118	189,169	187,362	550,926
Financial assets					
Cash and cash equivalents	213,248	-	-	-	213,248
Investment securities	63,257	505	505,759	98,780	668,301
Loans and advances	24,016	3,455	7,130	37,304	71,905
Other assets (excluding prepayments)	2,006	-	-	-	2,006
Assets held for managing liquidity risk	302,527	3,960	512,889	136,084	955,460

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

Overall responsibility for management of market risk rests with Assets and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

3.3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risks.

At 31 December 2019

Financial assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**over 1 year**	**Non-interest bearing**	**Total**
Cash and cash equivalents	58,117	-	-	-	146,111	204,228
Investment securities	45,267	8,278	624,755	55,393	-	733,693
Trading assets	-	514	-	591	-	1,105
Loans and advances to customers	21,328	26,055	67,518	147,180	-	262,081
Other assets (excluding prepayments)	-	-	-	-	3,593	3,593
Total financial assets	124,712	34,847	692,273	203,164	149,704	1,204,700
Financial liabilities						
Customer deposits	23,326	42,127	48,534	59,393	175,683	349,063
Deposits from banks and other financial institutions	292,608	42,446	24,066	-	5,058	364,178
Other liabilities	-	-	-	-	55,072	55,072
Lease liability	-	6,323	477	15,057	-	21,857
Total financial liabilities	315,934	90,896	73,077	74,450	235,813	790,170
Total interest re-pricing gap	(191,223)	(56,049)	619,196	128,714		

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

At 31 December 2018

Financial assets	Up to 1 month	1-3 months	3-12 months	over 1 year	Non-interest bearing	Total
Cash and cash equivalents	58,102	-	-	-	155,146	213,248
Investment securities	63,257	505	505,759	98,780	-	668,301
Loans and advances to customers	24,016	3,455	7,130	37,304	-	71,905
Other assets (excluding prepayments)	-	-	-	-	2,006	2,006
Total financial assets	145,375	3,960	512,889	136,084	157,152	955,460
Financial liabilities						
Customer deposits	4,018	7,228	31,938	95,424	165,706	304,314
Deposits from banks and other financial institutions	23,089	2,712	151,041	13,464	-	190,306
Other liabilities	-	-	-	-	50,449	50,449
Total financial liabilities	27,107	9,940	182,979	108,888	216,155	545,069
Total interest re-pricing gap	118,268	(5,980)	329,910	27,196		

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

Interest rate sensitivity analysis

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

The interest re-pricing gap analysis is supplemented by monitoring the 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 100 basis points (bps) parallel shift in all yield curves with all other variables unchanged. An analysis of the Bank's sensitivity to an increase in market interest rates and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**(191,222)**	**(1,834)**	**(3,667)**	**(5,501)**
1-3 months	**(49,727)**	**(416)**	**(831)**	**(1,247)**
3-12 months	**619,675**	**3,905**	**7,810**	**11,714**
over 1 year	**143,772**	**362**	**725**	**1,087**
Total		**2,017**	**4,037**	**6,053**
Impact on Net Interest Income (2019)		**1.89%**	**3.77%**	**5.66%**
Impact on Net Interest Income (2018)		6.34%	12.68%	19.02%

3.3.2 Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent Banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline of 5% and 10% of the net own funds for single currency position and aggregate currency position respectively as stipulated by the Bank of Ghana. These positions are reviewed on a daily basis by management.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk.

At 31 December 2019

Financial assets	Ghana cedi	US dollar	Euro	Pound sterling	Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalent	84,191	106,767	7,313	5,957	204,228
Investment securities	733,693	-	-	-	733,693
Trading assets	1,105	-	-	-	1,105
Loans and advances to customers	244,380	17,701	-	-	262,081
Other assets (excluding prepayments)	3,593	-	-	-	3,593
Total financial assets	1,066,962	124,468	7,313	5,957	1,204,700
Financial liabilities					
Customer deposits	269,348	69,925	7,041	2,749	349,063
Deposits from banks and other financial institutions	149,785	214,393	-	-	364,178
Other liabilities	55072	-	-	-	55072
Lease liability	21,857	-	-	-	21,857
Total financial liabilities	496,062	284,318	7,041	2,749	790,170
Net on balance sheet position	570,900	(159,850)	272	3,208	414,530
Off balance sheet items					
Letters of credit	-	-	-	-	4,734
Letters of guarantee	23,406	-	-	-	23,406
Loan commitments	2,645	-	-	-	2,645
	30,785	-	-	-	30,785

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

At 31 December 2018	Ghana cedi	US dollar	Euro	Pound sterling	Total
Financial assets	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalents	106,523	98,887	3,446	4,392	213,248
Investment securities	668,301	-	-	-	668,301
Loans and advances to customers	71,905	-	-	-	71,905
Other assets (excluding prepayments)	2,006	-	-	-	2,006
Total financial assets	848,735	98,887	3,446	4,392	955,460
Financial liabilities					
Customer deposits	223,131	77,322	1,775	2,086	304,314
Deposits from banks and other financial institutions	37,734	152,572	-	-	190,306
Other liabilities	50,449	-	-	-	50,449
Total financial liabilities	311,314	229,894	1,775	2,086	545,069
Net on balance sheet position	537,421	(131,007)	1,671	2,306	410,391
Off balance sheet items					
Letters of guarantee	7,421	-	-	-	7,421
Loan commitments	3,142	-	-	-	3,142
	10,563	-	-	-	10,563

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

Foreign currency sensitivity analysis

The Bank's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of the Bank's reported profit to a 15% decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the directors' assessment of a reasonably possible change, based on historic volatility.

	Impact on statement of comprehensive income	
	2019	2018
US Dollar	**(23,978)**	(19,651)
Euro	**41**	251
Pound Sterling	**481**	346

Year-end exchange rates applied in the above analysis are GH¢5.5337 (2018: GH¢4.820) to the US dollar, GH¢6.2114 (2018: GH¢5.5131) to the Euro, and GH¢7.3164 (2018: GH¢6.1711) to the Pound Sterling. The strengthening of the Ghana Cedi will produce an equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.4 Fair value of financial instruments

Financial instruments not measured at fair value (fair value of financial assets at amortised cost)

(i) Loans and advances

The carrying amount of loans and advances as at 31 December 2019 is GH¢262,081 (2018: GH¢71,905). Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The fair value is not significantly different from their carrying amount.

(ii) Investment securities

The carrying amount of investment securities as at 31 December 2019 is GH¢733,693 (2018: GH¢668,301). The estimated fair value of hold to collect investment securities represents the discounted amount of estimated future cash flows expected to be received.

(iii) Customer deposits

The carrying value of customer deposits as at 31 December 2018 is GH¢349,063 (2018: GH¢304,314). The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).
(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The following table presents the Bank's assets and liabilities that are measured at fair value at reporting date. There was no transfer between levels during the year.

	Level 1 GHS	Level 2 GHS	Level 3 GHS	Total GHS
31 December 2019				
Financial assets				
Financial assets at FVPL				
Debt Securities	1,105	-	-	1,105

3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders;
(ii) To maintain a strong capital base to support the current and future development needs of the business; and.
(iii) To comply with the capital requirements set by the Bank of Ghana.

3.5.1 Regulatory capital

The 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:

(i) Tier 1 Capital or going-concern capital - capital that supports the bank's operations and can absorb losses as required;
   a. Common Equity Tier 1 (''CET''1): CET 1 capital consist of stated capital, retained earnings and statutory reserves.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

3.5.1 Regulatory capital (continued)

b. Additional Tier 1 ("AT1"): Additional Tier 1 capital (AT1) consists of the sum of the following elements:
- Instruments issued by the bank that meets the criteria for inclusion in AT1 (and are not included in CET1);
- Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in AT1 and are not included in CET1; and
- Regulatory adjustments applied in the calculation of AT1.

(ii) Tier 2 capital or "gone-concern capital" is the capital to absorb losses or convert to equity if a bank is wound up. This consists of the sum of the following elements:

a. Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital);
b. Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital;
c. Accumulated other comprehensive income and other reserves separately disclosed as per IFRS may include only 50% of the revaluation reserve for plant, property and equipment; and
d. Regulatory adjustments applied in the calculation of Tier 2 Capital.

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 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.

	2019	**2018**
Common equity Tier 1 capital before deductions/adjustments	**458,882**	434,858
Regulatory adjustment to common equity tier 1 capital	**(329,111)**	(213,166)
Tier 1 capital	**129,771**	221,692
Tier 2 regulatory capital	**644**	644
Total regulatory capital (Tier 1 + Tier 2)	**130, 415**	222,336
Risk profile:		
Credit risk weighted assets	**204,395**	90,535
Operational risk capital charge	**159,895**	145,386
Market risk weighted assets	**9,814**	5,445
Total credit, operational and market risk (RWA)	**374,104**	241,366
Common equity tier 1 / RWA	**34.69%**	91.85%
Tier 2 / RWA	**0.17%**	0.27%
Capital adequacy ratio (CAR)	**34.86%**	92.12%

NOTES (continued)

(All amounts are in thousands of Ghana Cedis)

As at 31 December 2018, the Bank's capital adequacy ratio based on the old directive was 190.34%. Comparative ratio of 92.12% disclosed above was computed using the guidelines set out in the new Capital Requirements Directive.

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

4. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the monthly reporting and business performance reviews;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit, Internal Control and Compliance. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

5. Segment information

Operating segments are reported in accordance with the internal reports provided to the Bank's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

Retail banking

Retail Banking cuts across private individuals, businesses and public sector clients, at the lower end of the market. It also covers small and medium enterprises (SMEs), local government agencies, and affluent customers.

Corporate banking

The Institutional banking segment is the top end of the business banking value chain and consists of large organisations across our target industries including oil and gas, commerce and services, manufacturing, telecommunications, transport, financial institutions, construction and infrastructure.

NOTES (continued)

5. Segment information continued

(All amounts are in thousands of Ghana Cedis)

Commercial banking

Commercial Banking segment is the middle segment of the business banking value chain and consists of top SMEs and lower corporates. Major business target sectors include: Hospitality, Construction, Commerce, Imports and Exports, Textile, Automobile, Pharmaceutical, Manufacturing, Oil and Gas, Telecommunications, Transport and Mining.

Treasury services

The corporate treasury serves the needs of the Bank in the following: cash management, liquidity planning and control, management of interest and currency risk, procurement of finance and financial investments and contacts with banks.

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

5. Segment information (continued)

Segment result of operations

Total revenue in the segment represents interest income, fee and commission income, net gains or losses on foreign exchange income, net gains/losses on investment securities, and other operating income.

The segment information provided to the Bank management committee for the reportable segments for the year ended 31 December 2018 is as follows:

	Commercial Banking	Corporate Banking	Retail Banking	Treasury Services	Unallocated	Total
At 31 December 2019						
Total segment revenue	**21,270**	**7,920**	**21,111**	**123,182**	**-**	**173,483**
Profit/(loss) before tax	**(4,010)**	**(9,337)**	**4,592**	**106,345**	**(46,503)**	**51,087**
Income tax expense	**-**	**-**	**-**	**-**	**(12,865)**	**(12,865)**
National stabilisation levy	**-**	**-**	**-**	**-**	**(2,554)**	**(2,554)**
Profit/(loss) for the year	**(4,010)**	**(9,337)**	**4,592**	**106,345**	**(61,922)**	**35,668**
Total assets	**51,900**	**205,390**	**1,911**	**947,113**	**64,078**	**1,270,392**
Total liabilities	**164,083**	**20,315**	**167,215**	**361,628**	**76,929**	**790,170**

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

5. Segment information (continued)

Segment result of operations (continued)

	Commercial Banking	Corporate Banking	Retail Banking	Treasury Services	Unallocated	Total
Year ended 31 December 2018						
Total segment revenue	22,503	7,127	18,871	39,405	2,212	90,118
Profit/(loss) before tax	5,030	1,323	972	31,099	(25,813)	12,611
Income tax expense	-	-	-	-	(2,580)	(2,580)
National stabilisation levy	-	-	-	-	(631)	(631)
Profit/(loss) for the year	5,030	1,323	972	31,099	(29,024)	9,400
At 31 December 2018						
Total assets	7,512	54,895	6,553	889,637	31,026	989,623
Total liabilities	142,198	20,654	165,756	166,011	50,450	545,069

NOTES (continued)

6. Critical accounting estimates and judgements in applying the Bank's accounting policies

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 judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

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.

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.

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

6. Critical accounting estimates and judgements in applying the Bank's accounting policies (continued)

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.

Income tax

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 income tax provisions in the period in which such determination is made.

Deferred income tax assets

Deferred income 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. Management judgement is required to determine the amount of deferred income 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)

7. Interest income

	2019	2018
Placement with other banks	**4,773**	4,627
Loans and advances to customers	**27,670**	18,745
Investment securities	**114,088**	40,838
	146,531	64,210

8. Interest expense

Fixed deposits	**12,737**	11,818
Savings deposits	**2,294**	2,653
Demand and call deposits	**5,759**	465
Deposits and takings from banks	**18,725**	6,436
Finance cost lease liabilities (note 24)	**1,906**	-
	41,421	21,372

9. Fee and commission

Fees and charges	**4,273**	2,431
Trade finance fees	**5,694**	5,562
Guarantees charges and commission	**347**	89
Other commission	**959**	1,272
Gross fee and commission earned	**11,273**	9,354
Fee and commission expense	**(616)**	(315)
	10,657	9,039

10. Net trading income

Foreign exchange gain	**19,211**	15,509
(Loss)/gain on foreign exchange translations	**(3,541)**	771
Fair value gain on investment securities at FVTPL	**5**	-
	15,675	16,280

11. Impairment loss on financial assets

Impairment losses on:		
- Loans and advances	**18,607**	1,232
- Off-balance sheet exposures	**90**	(17)
Total losses	**18,697**	1,215
Recoveries	**(3,128)**	(352)
	15,569	863

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

11. Impairment loss on financial assets (continued)

	2019	2018
Movement in impairment losses on loans and advances is as follows:		
At 1 January	**6,141**	5,728
Changes on application of IFRS 9	**-**	2,580
Increase in impairment charges	**18,607**	1,232
Amounts written off as uncollectible	**(4,180)**	(3,399)
At 31 December	**20,568**	6,141
12-month ECL	**2,185**	130
Lifetime ECL not credit impaired	**6**	2,210
Lifetime ECL Credit impaired	**18,377**	3,801
	20,568	6,141

Movement in impairment losses on off balance sheet exposures is as follows:		
At 1 January	**47**	-
Changes on application of IFRS 9	**-**	64
Increase/(decrease) in impairment charges	**90**	(17)
	137	47

12. Personnel expenses

Wages and salaries	**22,857**	19,395
Pension contribution	**1,935**	1,620
Other staff related costs	**2,541**	1,803
	27,333	22,818

The number of persons employed by the Bank at the end of the year was 317 (2018: 308).

13. Operating expenses

	2019	2018
Operating expenses include:		
Repairs and maintenance	**6,506**	5,170
Stationery and print expenses	**2,207**	1,191
Legal and consultancy fees	**744**	294
Directors' emoluments	**1,632**	1,281
Auditor’s remuneration	**265**	241
Corporate social responsibilities	**57**	-
Office rent	**-**	8,122
Swift and cable expenses	**3,485**	2,791
Fuel and lubricants	**1,595**	1,914
Passages and travels	**2,826**	1,540
Outsourced cost	**1,314**	1,278
Subscriptions	**1,138**	668
Regulatory insurance premium	**400**	-
Other expenses	**1,874**	1,011
	24,617	25,501

14. Income tax expense

Current income tax	**16,125**	2,987
Deferred income tax	**(3,260)**	(407)
	12,865	**2,580**

NOTES (continued)

(All amounts are in thousands of Ghana Cedis)

14. Income tax expense (continued)

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019	2018
Profit before income tax	**51,087**	12,612
Corporate tax rate at 25% (2018: 25%)		
Tax calculated at corporate tax rate	**12,772**	3,153
Tax impact on expenses not deductible for tax purposes	**7,613**	2,075
Tax impact on income not subject to tax	**(7,520)**	(3,007)
Adjustment for current tax of prior periods	**-**	359
Income tax expense	**12,865**	2,580

Current income tax

The movement on current income tax is as follows:

Year of assessment	**At 1 January**	**Paid during the year**	**Charge for the year**	**At 31 December**
Up to 2018	**(551)**	**-**	**-**	**(551)**
2019	**-**	**(15,613)**	**16,125**	**512**
	551	**(15,613)**	**16,125**	**(39)**

Year of assessment	At 1 January	Paid during the year	Charge for the year	At 31 December
Up to 2017	380	-	-	380
2018	-	(3,918)	2,987	(931)
	380	(3,918)	2,987	(551)

15. National fiscal stabilisation levy

Year of assessment				
Up to 2018	**55**	**-**	**-**	**55**
2019	**-**	**(2,312)**	**2,554**	**242**
	55	**(2,312)**	**2,554**	**297**

Year of assessment				
Up to 2017	12	-	-	12
2018	-	(588)	631	43
	12	(588)	631	55

The National Fiscal Stabilisation Act, 2009 (Act 785) levy is charged at 5% on profit before tax and is payable quarterly. The levy is not an allowable tax deduction.

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

16. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2018: 25%).

At 31 December 2019	**Assets**	**Liabilities**	**Net**
Accelerated tax depreciation	-	**426**	**426**
Revaluation gain on building	-	**430**	**430**
Loans and advances	**(5,142)**	-	**(5,142)**
Other liabilities	-	**34**	**34**
Net deferred tax assets	**(5,142)**	**890**	**(4,252)**
At 31 December 2018			
Accelerated tax depreciation	-	113	113
Revaluation gain on building	-	430	430
Loans and advances	(1,535)	-	(1,535)
Net deferred tax assets	(1,535)	543	(992)

Deferred income tax assets and deferred income tax credit in the statement of comprehensive income are attributable to the following items:

Year ended 31 December 2019	**At 1 January**	**Credit to profit or loss**	**At 31 December**
Accelerated tax depreciation	**113**	**(313)**	**426**
Revaluation gain on building	**430**	-	**430**
Loans and advances	**(1,535)**	**3,607**	**(5,142)**
Other liabilities	-	**(34)**	**34**
	(992)	**3,260**	**(4,252)**
Year ended 31 December 2018			
Accelerated tax depreciation	417	304	113
Revaluation gain on building	430	-	430
Loans and advances	(1,432)	103	(1,535)
	(585)	407	(992)

17. Cash and cash equivalents

	2019	2018
Cash and balances with banks	**98,277**	114,959
Unrestricted balances with the central bank	**4,792**	7,326
Restricted balances with central bank	**43,042**	32,861
Money market placements	**58,117**	58,102
	204,228	213,248

Restricted balances are mandatory deposits held with the Central bank in accordance with the Bank of Ghana guidelines. Cash in hand and balances with the Central bank are non-interest-bearing.

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

17. Cash and cash equivalents (continued)

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following:

	2019	2018
Cash and balances with banks	**98,277**	114,959
Unrestricted balances with the central bank	**4,792**	7,326
Money market placements	**58,117**	58,102
Investment securities maturing within 91 days of acquisition	**1,993**	63,257
	163,179	243,644

18. Investment securities

	2019	2018
Government of Ghana securities		
- Treasury bills	**257,157**	508,138
- Cocoa bills	**50,285**	-
Bonds	**426,251**	98,780
Bank of Ghana Bills	**-**	61,383
	733,693	668,301

	2019	2018
Maturity analysis of investment securities		
- maturing within 91 days of acquisition	**1,993**	63,257
- maturing after 91 days but within 182 days	**50,623**	505
- maturing after 182 days of acquisition but within 1 year	**254,826**	505,759
- maturing after 1 year of acquisition	**426,251**	98,780
	733,693	668,301

Pledged assets

Investment securities amounting to GH¢311,499 (2018:GH¢189,992) have been pledged under repurchase agreements with other banks as collateral security for overnight borrowings.

The liabilities in respect of which the securities that have been pledged amount to GH¢301,652 (2018: GH¢164,497). These transactions have been conducted under terms that are usual and customary for lending and borrowing activities with local banks.

19. Non-pledged trading assets

	2019	2018
Government bonds	**591**	-
Cocoa Bills	**514**	-
	1,105	-

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

20. Loans and advances

	2019	2018
Analysis by type of advance		
Term loans	**214,165**	66,089
Overdrafts	**65,604**	8,979
Staff	**2,880**	2,978
Gross loans and advances	**282,649**	78,046
Impairment allowance (Note 11)	**(20,568)**	(6,141)
Net loans and advances to customers	**262,081**	**71,905**
Analysis by type of customer		
Private enterprises	**168,202**	65,600
Public institutions	**110,160**	3,829
Individuals	**1,407**	5,639
Staff	**2,880**	2,978
Gross loans and advances	**282,649**	78,046
Impairment allowance (Note 11)	**(20,568)**	(6,141)
Net loans and advances to customers	**262,081**	71,905
Analysis by type of industry		
Manufacturing	**20,164**	3,568
Construction	**7,403**	2,387
Electricity, gas and water	**18,351**	1,160
Commerce and finance	**174,833**	59,298
Transport, storage and communication	777	1,643
Services	**1,441**	1,373
Miscellaneous	**59,680**	8,617
Gross loans and advances	**282,649**	78,046
Impairment allowance (Note 13)	**(20,568)**	(6,141)
Net loans and advances to customers	**262,081**	71,905
Current	**114,901**	34,093
Non-current	**147,180**	37,812
	262,081	71,905
50 largest exposure to total loans	**98.97%**	94.98%

At 31 December 2019, non-performing loans of GH¢50,666 (2018: GH¢12,415) constitute 17.93% (2018: 15.91%) of total gross loans and advances.

The Bank of Ghana approved the write-off of non-performing loans amounting to GH¢4,180 (2018: GH¢3,399).

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

21. Other assets

	2019	2018
Non-financial assets		
-Prepayments	**3,808**	12,475
-Stationery stocks	**785**	566
Financial assets		
Sundry assets	**3,593**	2,006
	8,186	15,047

All other assets are current.

22. Investments in associates

The Bank's investments in associates are:

Name of entity	*Country of incorporation*	*% Ownership*
FBNBank Guinea	Guinea	18
FBNBank Senegal	Senegal	20

	2019	2018
FBNBank Guinea	**4,121**	4,121
FBNBank Senegal	**3,967**	3,967
	8,088	8,088

The principal activities of the associates are banking.

The Bank's interest in the associates are not accounted for using the equity method. The Bank recognises it as an investment at cost because:

- the Bank's debt and equity instruments are not traded in a public market;

- it does not file its financial statements with a securities commission for purposes of issuing any instruments in a public market;

- does not exert any influence on the its financial and operational decisions.

The ultimate parent company, First Bank of Nigeria Limited, incorporated in the Federal Republic of Nigeria produces consolidated financial statement available for public use that comply with International Financial Reporting Standards (IFRS).

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

23. Property and equipment

Year ended 31 December 2019

Revaluation / cost	**Land and building**	**Leasehold improvements**	**Office fittings and equipment**	**Motor vehicles**	**Computers**	**Capital work in progress**	**Total**
At 1 January	**1,866**	**5,940**	**5,444**	**5,414**	**9,355**	**175**	**28,194**
Additions	**-**	**271**	**658**	**2,585**	**693**	**1,627**	**5,834**
Transfers	**-**	**-**	**145**	**-**	**-**	**(145)**	**-**
Disposal	**-**	**(67)**	**-**	**(133)**		**-**	**(200)**
At 31 December	**1,866**	**6,144**	**6,247**	**7,866**	**10,048**	**1,657**	**33,828**
Accumulated depreciation							
At 1 January	**425**	**4,194**	**3,407**	**3,174**	**6,579**	**-**	**17,779**
Charge for year	**71**	**1,216**	**743**	**1,262**	**1,637**	**-**	**4,929**
Disposal	**-**	**(67)**	**-**	**(64)**	**-**	**-**	**(131)**
At 31 December	**496**	**5,343**	**4,150**	**4,372**	**8,216**	**-**	**22,577**
Carrying value	**1,370**	**801**	**2,097**	**3,627**	**1,699**	**1,657**	**11,251**
Year ended 31 December 2018							
Revaluation / cost							
At 1 January	1,866	5,696	4,737	4,836	8,187	102	25,424
Additions	-	244	777	1,115	1,800	73	4,009
Disposal	-	-	(71)	(537)	(631)	-	(1,239)
At 31 December	1,866	5,940	5,444	5,414	9,355	175	28,194
Accumulated depreciation							
At 1 January	354	3,110	2,879	2,481	4,413	-	13,237
Charge for year	71	1,084	599	1,230	2,797	-	5,781
Disposal	-	-	(71)	(537)	(631)	-	(1,239)
At 31 December	425	4,194	3,407	3,174	6,579	-	17,779
Carrying value	1,441	1,746	2,037	2,240	2,776	175	10,415

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

23. Property and equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2019	2018
Cost	**233**	233
Accumulated depreciation	**(161)**	(150)
At 31 December	**72**	83

An independent valuation of the Bank's land and buildings was carried out by professional valuers in 2013. The revaluation surplus, net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserve' in the statement of changes in equity.

Disposal

	2019	2018
Cost	**200**	1,239
Accumulated depreciation	**(131)**	(1,239)
Net book value	**69**	-
Less disposal proceeds	**(73)**	(274)
Gain on disposal	**4**	274

24 Leases

This note provides information for leases where the Bank is a lessee.

Right-of-use assets

Opening balance as at 1 January 2019	**44,132**	-
Additions during the year	**-**	-
Closing balance as at 31 December 2019	**44,132**	-
Depreciation		
Opening balance as at 1 January 2019	**-**	-
Charge for the year	**7,236**	-
Closing balance as at 31 December 2019	**7,236**	-
Carrying amount at 31 December 2019	**36,896**	-

Lease liabilities

Opening balance as at 1 January 2019	**33,173**	-
Additions	**-**	-
Interest expense	**1,906**	-
Payments made during the period	**(16,530)**	-
Foreign exchange losses/(gains)	**3,308**	
Closing balance as at 31 December 2019	**21,857**	-
Current lease liabilities	**6,799**	-
Non-current lease liabilities	**15,058**	-
	21,857	-

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

24. Lease (continued)

Amounts recognised in the statement of profit or loss

	2019	2018
Depreciation charge of right-of-use assets	**7,236**	-
Finance cost	**1,906**	-
Foreign exchange losses	**3,308**	-
Lease expense (short term)	**1,049**	-
	13,499	-

25. Intangible assets

	2019	2018
Cost		
At 1 January	**6,640**	6,092
Additions	**172**	548
At 31 December	**6,812**	6,640
Accumulated amortisation		
At 1 January	**5,564**	4,707
Charge for the year	**675**	857
At 31 December	**6,239**	5,564
Net carrying value	**573**	1,076

Intangible assets represent computer software purchased by the Bank.

26. Depreciation and amortisation

	2019	2018
Property and equipment (Note 25)	**4,929**	5,781
Right of use assets (Note 26)	**7,236**	-
Intangible assets (Note 27)	**675**	857
	12,840	6,638

27. Customer deposits

	2019	2018
Savings deposits	**84,979**	73,778
Demand and call deposits	**175,683**	165,705
Fixed deposits	**88,401**	64,831
	349,063	304,314
Current	**140,837**	85,630
Non-current	**208,226**	218,684
	349,063	304,314
Analysis of type of deposits		
Individuals	**59,982**	147,701
Private enterprises	**154,584**	146,107
Government departments & agencies	**134,497**	10,506
	349,063	304,314

The 20 largest deposits constitute 31.38% (2018: 32.41%) of the total deposits.

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

28. Deposits from banks and other financial institutions

	2019	2018
Money market deposits from local banks	**116,466**	21,098
Other deposits from local banks	**81,359**	24,295
Foreign banks	**166,353**	144,913
	364,178	190,306

Deposits from banks are placements from various banks with maturity period of less than one year.

29. Other liabilities

	2019	2018
Provision on legal proceedings	**549**	463
Accrued expenses	**7,754**	6,943
Banker's cheques	**1,930**	1,965
Sundry liabilities	**44,542**	41,023
National fiscal stabilisation levy (Note 17)	**297**	55
	55,072	50,449

All other liabilities are current.

The movement in provision made in respect of legal proceedings against the Bank is as follows:

	2019	2018
At 1 January	**463**	448
Additional provisions	**86**	15
At 31 December	**549**	463

30. Stated capital

The authorised shares of the Bank is 450,000,000 (2018: 450,000,000) ordinary shares at no par value, of which have been issued as follows;

	2019		2018	
	Number of shares	**Proceeds**	Number of shares	Proceeds
At 1 January	**400,000,000**	**400,000**	60,000,000	60,000
Transfer from retain earnings	**-**	**-**	24,048,165	24,048
Issued for cash consideration	**-**	**-**	315,951,835	315,952
At 31 December	**400,000,000**	**400,000**	400,000,000	400,000

There is no unpaid liability on shares and there are no call or instalments in arrears. There are no treasury shares.

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

31. Earnings per share

The calculation of basic and diluted earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

	2019	**2018**
Profit attributable to equity holders	**35,668**	9,400
Weighted average number of shares issued	**400,000,000**	400,000,000
Basic earnings per share (pesewas)	**0.09**	0.02
Diluted earnings per share (pesewas)	**0.09**	0.02

32. Retained earnings

Retained earnings represents the profits retained after appropriations.

33. Dividends

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

34. Revaluation reserve

The revaluation reserve is unrealised appreciation of landed property arising from revaluation. The revaluation reserve in not available for distribution.

35. Statutory reserve

The statutory reserve represents amount set aside in accordance with Section 34 of the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity and is not distributable.

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

36. Credit risk reserve

Credit risk reserve is the amount set aside from the retained earnings account to meet the minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances. The movement included in the statement of changes in equity represents the following:

	2019	2018
Bank of Ghana prudential guidelines provision	**40,619**	14,548
IFRS provision	**(20,568)**	(6,141)
Credit risk reserve	**20,051**	8,407

37. Contingent liabilities and commitments

Legal proceedings

There are legal proceedings against the Bank. Except as indicated in note 29 there are no contingent liabilities as at 31 December 2019 associated with legal actions as professional advice indicates that it is unlikely that any significant loss will arise (2018: Nil).

Capital commitments

At the balance sheet date, the bank had no capital commitments (2018: Nil) in respect of authorised and contracted projects.

Loan commitments, guarantee and other financial facilities

At 31 December 2019, the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2019	2018
Loan commitments	**2,645**	3,142
Letters of credit	**4,734**	-
Letters of guarantee	**23,406**	7,421
	30,785	10,563

Letters of guarantee commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

37. Contingent liabilities and commitments (continued)

Operating lease rentals

The bank is committed to making the following future payments in respect of operating leases for buildings. At 1 January 2019, the Bank has recognised right of use assets for its leases except for short term and low value leases.

	2019	2018
Within one year	-	4,318
Between two and five years	-	6,166
More than five years	-	525
	-	11,009

38. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is a wholly owned subsidiary of First Bank of Nigeria Limited. FBN Holding Limited is the ultimate controlling party of the Bank.

All transactions with related parties are in the normal course of business and based on terms that would be available to third parties.

(i) *Transactions with related parties*

The following transactions were carried out with related parties:

	2019	**2018**
Interest income		
FBNBank UK	-	5
Interest expense		
FirstBank of Nigeria Limited	**10,896**	313
FBN DR Congo Limited	**32**	
	10,928	313

(ii) *Year end balances arising from services rendered*

Due to related parties	**2019**	2018
FBNBank Gambia	**5**	4
FBNBank Guinea	**13**	12
FirstBank of Nigeria Limited	**33,416**	
	33,434	16

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

38. Related party transactions (continued)

(iii) Year end balances arising from services rendered (con

	2019	2018
Placements by related parties		
FirstBank of Nigeria Limited	**166,011**	144,600
Interest payable on placements		
FirstBank of Nigeria Limited	**342**	313
Due from related parties		
First Bank of Nigeria Limited	**3,311**	2,479
FBNBank UK	**765**	598
	4,076	3,077

(iv) Key management compensation

The remuneration of key management staff during the year is as follows:

Salaries and other short term employment benefits	**2,771**	1,477

Key management staff constitutes staff as defined by the Banks and Specialised deposit-Taking Institutions Act, 2008 (Act 749).

(v) Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Bank.

Loans to directors

There were no loans disbursed to directors during the year. (2018: Nil)

Director's emoluments

	2019	2018
Fees and emoluments	**1,131**	930
Other directors expenses	**501**	351
	1,632	1,281

39. Regulatory disclosures

The regulator sanctioned the Bank for regulatory breaches up to an amount of GHS 339,000 during the year.

	2019
Improper classification of five(5) credit facilities	**120**
Contravention of amendment to rules on foreign exchange operations	**36**
Contravention with oath of confidentiality	**36**
Outsourced recruitment, specie and debt recovery functions	**108**
Contravention accounts for opening requirements foreigners	**36**
Contravension with collateral registry returns	**3**
	339

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

40. Subsequent event

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. A reliable estimate of this impact is not determinable at this point as the events are still unfolding.

The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.

VALUE ADDED STATEMENT
(All amounts are in thousands of Ghana Cedis)

	2019	2018
Interest earned and other operating Income	**157,804**	73,564
Direct cost of services	**(65,022)**	(45,907)
Value added by banking services	**92,782**	27,657
Non-banking income	**15,679**	16,554
Impairments	**(15,569)**	(863)
Value added	**92,892**	43,348
Distributed as follows:		
To Employees:		
Directors (without executive)	**1,632**	1,281
Executive directors	**1,302**	433
Other employees	**26,031**	22,385
	28,965	24,099
To Government:		
Income tax	**15,419**	3,211
To providers of capital		
Dividends to shareholders	-	-
To Expansion and growth:		
Depreciation	**12,165**	5,781
Amortisation	**675**	857
Retained earnings	**35,668**	9,400
	48,508	16,038
	92,892	43,348