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 2020

ANNUAL REPORT

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CORPORATE INFORMATION

Directors

Hon. Joseph Yieleh Chireh	Chairman (Resigned – 16 February 2020)
Victor Yaw Asante	Managing Director/Chief Executive Officer
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 Office
Mohammed Ozamah	Executive Director/Chief Risk Officer

Registered office

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

Company Secretary

Theophilus Ackom-Boadu

Independent auditor

KPMG
Chartered Accountants
13 Yiyiwa Drive,Abelemkpe
P.O.Box GP 242, Accra

Correspondent banks

Deutsche Bank AG
Ghana International Bank.
Deutsche Bank Trust
Standard Chartered Bank
CommerzBank AG
Sumitomo Mitsui Banking Corporation
Standard Bank
FBNBank UK
Bank of Beirut

Solicitors

Beyuo & Co.
No. 17 Mankralo Street
Beyuo East Cantonments
Accra.

Kwaku Addeah Law Offices
4th Floor Suite 417
Pension House
Accra.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the Bank for the year ended 31 December 2020.

Statement of directors' responsibilities

The Bank's directors are responsible for preparation of the financial statements that give a true and fair view of FBNBank Ghana Limited, comprising the statement of financial position at 31 December 2020, and the statements of comprehensive income, changes in equity 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 in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable reporting framework

Principal activities

The Bank is licensed to operate as a universal bank under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (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 of the Bank for the year ended 31 December 2020 are set out in the financial statements, highlights of which are as follows:

	2020 **GH¢**
Profit before tax	52,672,373
Profit after tax	37,452,944
Total assets	1,811,581,248
Total liabilities	1,293,906,254
Total equity	517,674,994

REPORT OF THE DIRECTORS (continued)

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2020.
The Directors consider the state of the Bank's affairs to be satisfactory.

Auditor

In accordance with Section 81 of the Banks and Specialised-Deposit Taking Institutions Act, 2016 (Act 930) and Section 139 of the Companies Act, 2019 (Act 992), KPMG was appointed as external auditors in 2020 by the Bank and will continue in office.

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 director 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 subsidiary entity at year end. The Bank has a non-controlling interest in FBNBank Guinea and FBNBank Senegal.

Particulars of entries in the Interests Register during the financial year

No Director had any interest in contracts and proposed contracts with the Company during the year under review, hence there were no entries recorded in the Interests Register as required by 194(6),195(1)(a) and 196 of the Companies Act 2019, (Act 992).

Corporate Social Responsibilities

A total of GH¢ 546,167 was spent during the year on corporate social responsibilities mainly in the form of support to health facilities in the fight against COVID 19.

Audit fee payable

The audit fees payable for the year is GHS 300,000 (2019: GHS 265,000)

REPORT OF THE DIRECTORS (continued)

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.

The report of the directors of the Bank was approved by the Board of Directors on 26 March, 2021 and signed on their behalf by:

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

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 of 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 a structure which is made up of an Independent Non-Executive Chairman, majority of Non-Executive Directors and 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 Sub-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 best practices and 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 2020. The record of attendance is provided below.

Name	**22 Jan 2020**	**29 April 2020**	**29 July 2020**	**28 Oct 2020**	**22 Dec 2020**
Hon. Joseph Yieleh Chireh	√	N/A	N/A	N/A	N/A
Mr. Victor Yaw Asante**	√	√	√	√	√
Mr. Abdul Kofarsauri*	√	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√	√
Mrs. Hannah A. Amoateng*	√	√	√	√	√
Mr. Alebiosu Olusegun	√	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√	√
Semiu Lamidi**	√	√	√	√	√
Mohammed Ozamah **	√	√	√	√	√

- ✓ 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.
- ✓ * as used above against the names of some Directors implies "Independent Non-Executive Directors"
- ✓ ** as used above against the names of some Directors implies "Executive Directors"

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 2020. The record of attendance is provided below.

Board Audit Committee

Name	21 Jan 2020	28 April 2020	28 July 2020	27 Oct 2020
Mr. Abdul Kofarsauri (Chairperson)	√	√	√	√
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.

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 2020. The record of attendance is provided below.

Board Risk Management Committee

Name	**21 Jan 2020**	**28 April 2020**	**28 July 2020**	**27 Oct 2020**
Mrs. Hannah A. Amoateng (Chairperson)	√	√	√	√
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 Six (6) directors which is made of two independent Non-Executive directors, two Executive Directors and two Non-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 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 2020. The record of attendance is provided below:

Name	**21 Jan 2020**	**28 April 2020**	**28 July 2020**	**27 Oct 2020**
Mr. Alebiosu Olusegun (Chairman)	√	√	√	√
Mr. Abdul Kofarsauri	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√
Mrs. Hannah A. Amoateng	√	√	√	√
Mr. Victor Yaw Asante *	√	√	√	√
Mr Mohammed Ozamah*	√	√	√	√

* Executive director

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 one of whom acts as the Chairman and one (1) Executive Director. 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 2020. The record of attendance is provided below:

Name	**21 Jan 2020**	**28 April 2020**	**28 July 2020**	**27 Oct 2020**
Mrs. Bashirat Odunewu (Chairperson)	√	√	√	√
Mrs. Hannah A. Amoateng	√	√	√	√
Semiu Lamidi*	√	√	√	√
Mr. Abdul Kofarsauri	√	√	√	√

*Executive director

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 governance committee met four times in 2020. The record of attendance is provided below:

Name	21 Jan 2020	28 April 2020	28 July 2020	27 Oct 2020
Mr. Olasanu Otudeko (Chairman)	√	√	√	√
Mr. Abdul Kofarsauri	√	√	√	√
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

On 29 December 2020, Anti-Money Laundering Act, 2008 (Act 749) was replaced by the Anti- Money Laundering Act, 2020 (Act 1044). The new Act consolidates the laws relating to the prohibition of money laundering, providing for the establishment of the Financial Intelligence Centre and other related matters. The Bank is yet to assess the impact of this event on its operations and financial reporting.

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 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 2020.

Other Directorship Positions

Other directorship positions held by the Board members as at 31 December 2020 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 International Nigeria Limited. 3. WEMA Bank PLC 4. Cowries Micro Finance Limited 5. Perone Farms Limited
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	1. FirstBank of Nigeria
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

KPMG

INDEPENDENT AUDITOR'S REPORT

To the Members of FBNBank Ghana Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FBNBank Ghana Limited ("the Bank"), which comprise the statement of financial position at 31 December 2020 and the statements of comprehensive income, changes in equity 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, as set out on pages 20 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in Ghana and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG

INDEPENDENT AUDITOR'S REPORT (continued)

Impairment allowance of loans and advances to customers (GH¢ 21.3 million)
Refer to Note 20 to the financial statements

The key audit matter	*How the matter was addressed in our audit*
Loans and advances to customers (net) amounted to GH¢533.2 million at 31 December 2020 (GH¢262.0 million at 31 December 2019), with total impairment allowance of GH¢21.3 million at 31 December 2020 (GH¢ 20.5 million at 31 December 2019). The Bank is required to recognize expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Bank. The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements made by the Bank are inappropriate. The judgements and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects: ▪ Significant increase in credit risk (SICR): the criteria selected to identify a SICR are highly judgemental and can materially impact the ECL recognized for certain portfolios where life of facilities is greater than 12 months. • Forward-looking information: the Bank includes forecasts of future events and economic conditions (forward-looking information) in the modelled loan impairments; and ▪ Modelled loan impairments - For the modelled loan impairments the Bank applies judgement in utilising point in time probability of default (PD), loss given default (LGD) and exposure at default (EAD) models for the loan portfolio in estimating the ECL. Given the combination of inherent subjectivity and judgement involved in estimating the expected credit losses and the material nature of the balance, we considered the impairment of loans and advances on customers to be a key audit matter.	To address the key audit matter, we performed procedures including the following: • Evaluating and testing the design, implementation and operating effectiveness of key controls over: - the internal credit management process to assess the loan quality classification used to identify impaired loans; - the definition of default and significant increase in credit risk applied in calculating the modelled loan impairments; and - the valuation of future cash flows, existence and valuation of collateral based on the appropriate use of key parameters for the impairment allowance. • Using our financial risk model specialist to evaluate the reasonableness of the model methodology and perform recalculation of the expected credit losses for a sample of loans. • Testing input data in respect of the critical data elements, challenging management assumptions and obtaining reasonable explanations and evidence supporting the key model parameters (including the significant increase in credit risk, PD, LGD and EAD). • Testing the impact of macro-economic indicators in estimating the probability of defaults. • Selecting appropriate samples and considering whether the key judgements and significant estimates applied in the impairment were reasonable. This included: - assessing the external collateral valuations and the realisation periods for the collaterals used as a basis of forecasted cash flows; and - recalculating the expected credit losses on the individually credit-impaired loans. • Considering the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made was reasonable.

KPMG

INDEPENDENT AUDITOR'S REPORT (continued)

Other Matter

The financial statements of FBNBank Ghana Limited at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on these financial statements on 24 March 2020.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 2019 (Act 992), Corporate Information and Corporate Governance Framework 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 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, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

KPMG

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992) and Section 85 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, so far as appears from our examination of those books.

The statements of financial position and comprehensive income are in agreement with the accounting records and returns.

We are independent of the Bank under audit pursuant to Section 143 of the Companies Act, 2019 (Act 992).

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) and all relevant Amendment and Regulations until it was replaced with the Anti-Money Laundering Act, 2020 (Act 1044) issued on 29 December 2020. The Bank has also generally complied with the provisions of the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendment and Regulations governing the Acts.

The engagement partner on the audit resulting in this independent auditor's report is Labaran Amidu (ICAG/1472).

KPMG

....

FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2021/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

29 March 2021

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Ghana Cedis)

	Note	2020	2019
Interest income using the effective interest rate method	7	**207,067**	146,493
Other Interest income	7b	**128**	38
Interest expense	8	**(58,042)**	(41,421)
Net interest income		**149,153**	105,110
Fee and commission income	9	**21,659**	11,273
Fee and commission expense	9	**(1,479)**	(616)
Net Fee and commission Income		**20,180**	10,657
Net trading income	10	**(28,265)**	15,675
Revenue		**141,068**	131,442
Other income	23b	**53**	4
Net impairment loss on financial assets	11	**(10,773)**	(15,569)
Personnel expenses	12	**(36,205)**	(27,333)
Depreciation and amortisation	26	**(14,513)**	(12,840)
Operating expenses	13	**(26,958)**	(24,617)
Profit before tax		**52,672**	51,087
Income tax expense	14	**(12,586)**	(12,865)
National fiscal stabilisation levy	14	**(2,633)**	(2,554)
Profit for the year		**37,453**	35,668
Other comprehensive income		**-**	-
Total comprehensive income for the year		**37,453**	35,668
Earnings per share			
Earnings per share (basic and diluted)	31	**0.09**	0.09

The accompanying notes on pages 24 to 85 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana Cedis)

	Note	2020	2019
Assets			
Cash and cash equivalents	17	**268,913**	204,228
Investment securities	18	**929,654**	733,693
Trading assets	19	**663**	1,105
Loans and advances	20	**533,202**	262,081
Current tax assets	15b	**172**	-
Other assets	21	**9,506**	8,186
Investments in associates	22	**8,088**	8,088
Property and equipment	23	**15,944**	11,251
Right-of-use asset	24a	**38,421**	36,896
Intangible assets	25	**617**	573
Deferred tax assets	16	**6,401**	4,252
Total assets		**1,811,581**	1,270,353
Liabilities			
Customer deposits	27	**766,953**	349,063
Deposits from banks and other financial institutions	28	**455,145**	364,178
Other liabilities	29	**49,979**	54,775
Lease liability	24b	**21,829**	21,857
Current tax liabilities	15b	**-**	258
Total liabilities		**1,293,906**	790,131
Shareholders' funds			
Stated capital	30	**400,000**	400,000
Income surplus	32	**27,258**	3,429
Statutory reserve	35	**74,179**	55,453
Credit risk reserve	36	**14,949**	20,051
Revaluation reserve	34	**1,289**	1,289
Shareholders' funds		**517,675**	480,222
Total liabilities and shareholders' funds		**1,811,581**	1,270,353

The accompanying notes on pages 24 to 85 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

....
Director
Semiu Lamidi
(Chief Financial Officer)

....
Director
Victor Yaw Asante
(Managing Director/CEO)

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

	Stated Capital	**Income Surplus**	**Statutory Reserves**	**Credit risk reserve**	**Revaluation reserve**	**Total**
Year ended 31 December 2019						
At 1 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 credit risk reserve	-	(11,644)	-	11,644	-	-
Total transfers	-	(29,478)	17,834	11,644	-	-
At 31 December 2019	400,000	3,429	55,453	20,051	1,289	480,222
Year ended 31 December 2020						
At 1 January 2020	**400,000**	**3,429**	**55,453**	**20,051**	**1,289**	**480,222**
Profit for the year		**37,453**	**-**	**-**	**-**	**37,453**
Total comprehensive income	**-**	**37,453**	**-**	**-**	**-**	**37,453**
Transfer to statutory reserve		**(18,726)**	**18,726**	**-**	**-**	**-**
Transfer from credit risk reserve		**5,102**	**-**	**(5,102)**	**-**	**-**
Total transfers	**-**	**(13,624)**	**18,726**	**(5,102)**	**-**	**-**
At 31 December 2020	**400,000**	**27,258**	**74,179**	**14,949**	**1,289**	**517,675**

The accompanying notes on pages 24 to 85 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana Cedis)

	Note	2020	2019
Cash flows from operating activities			
Profit before income tax		**52,672**	51,087
Adjustment for:			
Depreciation and amortisation	26	**14,513**	12,840
Impairment loss on financial assets	11	**12,753**	18,697
Gain on disposal of property and equipment	23b	**(53)**	(4)
Effect of exchange rate fluctuations on cash and cash equivalents held		**(6,042)**	(12,817)
Net interest income		**(149,153)**	(105,110)
Changes in loans and advances to customers		**(283,073)**	(201,983)
Changes in other assets		**(3,539)**	(2,192)
Changes in customer deposits		**416,367**	41,940
Changes in deposits from banks and other financial institutions		**92,526**	172,259
Changes in other liabilities		**(4,807)**	2,385
Change in trading assets		**456**	(1,105)
Cash generated from/(used in) operations		**142,620**	(24,003)
Interest received		**198,302**	135,060
Interest paid		**(55,538)**	(31,785)
Tax paid	14	**(13,977)**	(15,613)
National fiscal stabilisation levy paid	15	**(3,821)**	(2,312)
Net cash generated from operating activities		**267,586**	61,347
Cash flows from investing activities			
Purchase of investment securities (net)		**(188,247)**	(121,985)
Purchase of property and equipment	23	**(9,672)**	(5,834)
Purchase of intangible assets	25	**(556)**	(172)
Proceeds from disposal of property and equipment	23b	**112**	73
Net cash used in investing activities		**(198,363)**	(127,918)
Cash flows from financing activities			
Payment of lease liabilities	24b	**(10,955)**	(16,530)
Net cash used in financing activities		**(10,955)**	(16,530)
Increase in cash and cash equivalents		**58,268**	(83,101)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at 1 January		**206,221**	276,505
Increase in cash and cash equivalents		**58,268**	(83,101)
Effect of exchange rate fluctuations on cash and cash equivalents held		**6,042**	12,817
Cash and cash equivalents at 31 December	17 b	**270,531**	206,221

The accompanying notes on pages 24 to 85 form an integral part of these financial statements.

NOTES

1. REPORTING ENTITY

FBNBank Ghana Limited ("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). The financial statements at and for the year ended 31 December 2020 is the separate financial statements of the Bank.

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.

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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
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 2020. The nature and the impact of each new standards and amendments are described below:

i. Definition of material - Amendment to IAS 1 and IAS 8 (effective 1 January 2020)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

ii. Revised conceptual framework for financial reporting (effective 1 January 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

(b) Standards issued but not yet effective

The following standards and amendments to standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning after January 1, 2020:

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.

Amendment to IAS 1 and IAS 8

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

Amendment to IAS 1 and IAS 8 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Earlier application is permitted.

Amendment to IAS 16

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments published are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Amendment to IFRS 16

The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Concurrently, the IASB also published a proposed Taxonomy Update to reflect this amendment.

The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months.

The IASB considered but decided not to provide any additional relief for lessors as the current situation is not as equally challenging for them and the required accounting is not as complicated.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports.

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

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)
(All amounts are in thousands of Ghana Cedis)

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

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 classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL); or
- Amortised cost.

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)

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 profit or loss: Assets that do not meet the criteria for amortised cost 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 other interest income.

The above classifications are done using:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Debt instruments (continued)
Classification and subsequent measurement (continued)

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

Equity instruments

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

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

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 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

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)

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).

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 amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the (i) amount of the loss allowance and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. . 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.2 Financial guarantee contracts and loan commitments (continued)

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.

2.4.3 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 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.

2.4.4 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)
(All amounts are in thousands of Ghana Cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.4 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

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.7 Leases (continued)

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

The Bank primarily leases buildings for use as office spaces for branch operations, residential use and off-site ATM locations.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated. The lease agreements do not impose any covenants.

Contracts may contain both lease and non-lease components. Leases are recognized 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. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Non-lease components are initially recognised as prepayments and amortised over the period for which the payment covers.

Leases in which the Bank is a lessee

Leases are recognized 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. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases in which the Bank is a lessor

The Bank does not have any lease arrangements as a Lessor or intermediate lessor.

Lease liabilities

At the commencement date of a lease, the Bank recognizes lease liabilities at the present value of lease payments to be made over the lease term. 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 payments that are based on an index or a rate
- amounts expected to be payable by the Bank under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Bank's incremental borrowing rate, being the rate that the Bank 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.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.7 Leases (continued)

Right of use assets

Right-of-use assets are initially measured at cost, comprising of 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.

The Bank presents right-of-use assets as ‘a separate line item' in the statement of financial position.

Short-term leases

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases would be recognized as expenses in profit or loss on a straight-line basis over the lease term. The Bank has applied the short term lease exemption for leases ATM locations and residential use. The Bank does not have any low value leases.

Extension and termination options

Extension and termination options are included in all of the Bank's lease arrangements. These are used to maximize operational flexibility in terms of managing the assets used in the Bank’s operations. Most of the extension options are subject to mutual agreement by the Bank and the lessors and some of the termination options held are exercisable only by the Bank.

2.8 Property and equipment

Land and buildings are shown at revalued amounts, 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.

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.

All other property and equipment are measured at historical cost less accumulated depreciation and any impairment losses. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.8 Property and equipment (continued)

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The depreciation rates are as follow:

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, depreciation method 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. Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use.
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 revaluation reserves are transferred to retain earnings.

Capital work in progress

Property and equipment may be classified as work-in-progress if it is probable that future economic benefits will flow to the Bank and the cost can be measured reliably. Typically, these are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management.

Amounts held within work-in-progress that are substantially complete, in common with other property and equipment, are required to be assessed for impairment. Where asset lives are short (technological assets for example) and the assets are held as WIP for a significant period, impairment (through technological obsolescence) is more likely to occur. In such situations, if the assets are generic in nature and do not require significant modification to bring them into use, it would be more appropriate to hold the assets within property and equipment and depreciate them.

In general, assets should not be held in work in progress for a significant period unless it relates to a significant construction project (a building for example).

2.9 Intangible assets

Intangible assets comprise computer software licenses and other intangible assets. Intangible assets are recognised at cost less accumulated amortization and any impairment losses. 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.

The residual values, amortisation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. Impairment losses are recognised in profit or loss.

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 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.

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 tax

The tax expense for the period comprises current and deferred 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 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.

Current assets and liabilities are offset when certain conditions are met.

Deferred tax

Deferred tax is recognised 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is provided on temporary differences except for deferred 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 tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Income taxes (continued)

Deferred 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 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.

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.

The Bank operates three-tier pension scheme as directed by the National Pension Regulatory Authority. The bank pays 13 per cent and the employee pays 5.5 per cent making a total contribution of 18.5 per cent

Out of a total contribution of 18.5 per cent the Bank remits 13.5per cent to Social Security and National Insurance Trust towards the first tier pension scheme, out of which 2.5 per cent is a levy for the National Health Insurance scheme. The Bank remits the remaining 5 per cent to a privately managed and mandatory second tier for lump sum benefit.

The third tier is a voluntary provident fund and personal pension scheme which the Bank contributes 7% per cent of staff basic salary.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

2.15 Stated capital

Ordinary shares

Ordinary shares are classified as "Stated capital" in equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

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 disclosed in the subsequent events note.

2.16 Cash and cash equivalents

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

2.17 Interest income and expense

Interest income and expense 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.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Interest income and expense (continued)

However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost

Interest expense presented in the statement of comprehensive income includes:
- interest on financial liabilities measured at amortised cost and
- interest expense on lease liabilities

Interest income on all trading assets are presented as other interest income in the statement of comprehensive income.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitatlised.

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.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

2.19 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

2.20 Earnings per share

The Bank presents basic EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Investment in associates

Associates are those entities in which the Bank has significant influence, but not control or joint control. They are initially recognized at cost. Subsequent to initial recognition, the Bank's interest in the associates are not accounted for using the equity method. The Bank measures them at cost because

- The Bank is a wholly owned subsidiary and the shareholder does not object to the entity not applying the equity method;
- the Bank's debt and equity instruments are not traded in a public market;
- the Bank did not file, nor is it in a process of filing its financial statements with a securities commission or other regulatory organization for purposes of issuing any instruments in a public market; and
- 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). The consolidated financial statements can be obtained from the website of First Bank of Nigeria Limited.

2.22 Derivative assets and liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are measured at fair value in the statement of financial position.

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.

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.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

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.
- Guarantee of Parent Companies and Sovereign Government.
- Cash and near cash instruments

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 revolving individual credit facilities are generally secured. 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 impairment assets - 2020	**Gross Exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral**
Term Loans	37,541	(16,170)	21,371	31,982
Overdrafts	4,302	(4,302)	-	13
Total amount	**41,843**	**(20,472)**	**21,371**	**31,995**
Credit impaired assets - 2019				
Term Loans	47,209	(14,944)	32,265	177,520
Overdrafts	3,457	(3,432)	25	6,299
Total amount	**50,666**	**(18,376)**	**32,290**	**183,819**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.1 Risk limit control and mitigation policies (continued)

The bank has financial instruments that are credit impaired for which a loss allowance has not not been recognised because of collateral. The financial assets in this category is presented in the table below;

	2020		2019	
Fully collateralised credit impairment assets	**Gross Exposure**	**Fair value of collateral**	**Gross Exposure**	**Fair value of collateral**
Term Loans	**186**	**1,211**	8,597	33,632
Overdraft	**3**	**13**	25	556
	189	**1,224**	8,622	34,188

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.

Cash and cash equivalent and investment securities are held with reputable institutions and the Bank of Ghana with high credit ratings.

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.

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:

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management

3.1.2 Expected credit loss measurement (continued)

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.

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)

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management

3.1.2 Expected credit loss measurement (continued)

Qualitative criteria (continued)

- 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.

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.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.2 Expected credit loss measurement (continued)

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

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. The scenario probability weightings are evenly applied in measuring ECL.

Economic variable assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2020 are set out below:

Scenario	**Unemployment rate**	**Ease of doing business**
Base case	6.80%	62.11%
Best case	6.50%	56.84%
Worst case	6.80%	63.16%

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. The Ease Of Doing Business Index in the above table uses Ghana's ranking over a five year period expressed as percentage of the total number of economies in the index.

  The Ease of doing business Index in the above table uses Ghana's ranking over a five year period expressed as percentage of the total number of economies in the index.

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:

	2020	2019
Maximum exposure		
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	**83,902**	47,834
Investment securities	**929,654**	733,693
Due from other banks	**141,196**	134,376
Loans and advances to customers	**533,202**	262,081
Other assets (excluding prepayments)	**5,235**	3,593
	1,693,189	1,181,577
Credit risk exposures relating to off balance sheet items are as follows:		
Letters of credit	**2,244**	4,734
Financial guarantee	**33,877**	23,406
Loan commitments	**7,669**	2,645
	43,790	30,785
Total on and off balance sheet exposure	**1,736,979**	1,212,362

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.

		2020		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents (excluding cash)	225,098	-	-	225,098
Investment Securities	929,654	-	-	929,654
Loans and advances to customers	507,691	4,815	42,032	554,538
Other assets (excluding prepayment)	5,235	-	-	5,235
Gross carrying amount	1,667,678	4,815	42,032	1,714,525
Loss allowance	(856)	(8)	(20,472)	(21,336)
Carrying amount	**1,666,822**	**4,807**	**21,560**	**1,693,189**

		2019		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents (excluding cash)	182,211	-	-	182,211
Investment Securities	733,693	-	-	733,693
Loans and advances to customers	227,494	4,489	50,666	282,649
Other assets (excluding prepayment)	3,593	-	-	3,593
Gross carrying amount	1,146,991	4,489	50,666	1,202,146
Loss allowance	(2,185)	(6)	(18,377)	(20,568)
Carrying amount	**1,144,806**	**4,483**	**32,289**	**1,181,578**

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

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

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)

The following table sets out information about the overdue status of loans & advances to customers and off-balance sheet exposures in Stages 1, 2 and 3;

As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and Advances				
Current	507,691	-	-	507,691
Olem	-	4,815	-	4,815
Substandard	-	-	2	2
Doubtful	-	-	44	44
Loss	-	-	41,986	41,986
Gross Carrying amount	**507,691**	**4,815**	**42,032**	**554,538**
Gross allowance	(856)	(8)	(20,472)	(21,336)
Carrying Amount	**506,835**	**4,807**	**21,560**	**533,202**
Off Balance Sheet items				
Loan commitments	7,669	-	-	7,669
Letters of credit	2,244	-	-	2,244
Financial guarantee	33,877	-	-	33,877
Gross Carrying amount	**43,790**	-	-	**43,790**
Gross allowance	(148)	-	-	(148)
Carrying Amount	**43,642**	-	-	**43,642**
As at 31 December 2019				
Loans and Advances				
Current	227,494	-	-	227,494
Olem	-	4,488	-	4,488
Substandard	-	-	21,278	21,278
Doubtful	-	-	2,785	2,785
Loss	-	-	26,604	26,604
Gross Carrying amount	227,494	4,488	50,667	282,649
Gross allowance	(2,185)	(6)	(18,377)	(20,568)
Carrying Amount	225,309	4,482	32,290	262,081
Off Balance Sheet items				
Loan commitments	2,645	-	-	2,645
Letters of credit	4,734	-	-	4,734
Financial guarantee	23,406	-	-	23,406
Gross Carrying amount	30,785	-	-	30,785
Gross allowance	(137)			(137)
Carrying Amount	30,648	-	-	30,648

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)

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

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 2020	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade				
Current	**369,206**	**134,702**	**3,783**	**507,691**
At 31 December 2019				
Grade				
Current	162,800	61,814	2,881	227,494

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 2020	**Term loans**	**Overdrafts**	**Total**
Past due up to 30 days	**54**	**-**	**54**
Past due 30 to 60 days	**1**	**365**	**366**
Past due 60 to 90 days	**4,395**	**-**	**4,395**
Total	**4,450**	**365**	**4,815**
Year ended 31 December 2019			
Past due up to 30 days	65	-	65
Past due 30 to 60 days	1,160	-	1,160
Past due 60 to 90 days	2,931	332	3,263
Total	4,156	332	4,488

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 2020	**Term loans**	**Overdrafts**	**Total**
Substandard	**-**	**2**	**2**
Doubtful	**42**	**1**	**43**
Loss	**37,686**	**4,301**	**41,987**
Individually impaired loans	**37,728**	**4,304**	**42,032**
Specific impairment allowance	**(16,169)**	**(4,302)**	**(20,471)**
Total	**21,559**	**2**	**21,561**
Fair value of collateral	**31,981**	**13**	**31,994**

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 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

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	
	2020	2019
Against individually impaired		
Property	-	3,061

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations.

Renegotiated loans

There were no renegotiated loans which have been reclassified as at 31 December 2020 (2019: 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. Loans and Advances may also be written-off when they qualify under criteria set by the Bank of Ghana.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

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

3. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

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:

	2020	2019
At 31 December	**98%**	132%
Average for the period	**129%**	164%
Maximum for the period	**146%**	188%
Minimum for the period	**98%**	132%

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

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 2020	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Customer deposits	410,816	50,843	10,904	294,390	766,953
Deposits from banks and other financial institutions	347,888	60,018	43,953	3,286	455,145
Other liabilities	49,979	-	-	-	49,979
Lease liability	1,048	1,260	7,761	13,953	24,022
Total financial liabilities	809,731	112,121	62,618	311,629	1,296,099
Financial assets					
Cash and cash equivalent	268,913	-	-	-	268,913
Investment Securities	109,392	134,975	588,185	97,102	929,654
Trading Assets	31	227	405	-	663
Loans and advances	67,105	51,959	158,921	255,217	533,202
Other assets (excluding prepayments)	5,235	-	-	-	5,235
Assets held for managing liquidity risk	450,676	187,161	747,511	352,319	1,737,667
Off Balance Sheet items					
Loan commitments	2,510	751	4,408	-	7,669
Letters of credit	2,244	-	-	-	2,244
Financial guarantee	2,895	15,127	15,855	-	33,877
Total off balance sheet	7,649	15,878	20,263	-	43,790

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 2019	**Up to 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Total**
Financial liabilities					
Customer deposits	325,575	19,098	4,390	-	349,063
Deposits from banks and other financial institutions	164,173	25,338	174,667	-	364,178
Other liabilities	55,072	-	-	-	55,072
Lease liability	-	6,323	477	15,057	21,857
Total financial liabilities	544,820	50,759	179,534	15,057	790,170
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
Off balance sheet items					
Loan commitments	1,902	392	351	-	2,645
Letters of credit	4,734	-	-	-	4,734
Financial guarantee	14,484	-	8,922	-	23,406
Total off balance sheet	21,120	392	9,273	-	30,785

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.3 Derivative assets and liabilities

The bank entered into a sale and buy back transaction with Bank of Ghana which is due to mature on 22 December 2021. The fair value movements on this transaction at the reporting date are deemed to have no material effects on the statement of comprehensive income and the statement of financial position.

The table below analyses the Bank's derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows payable at the date of maturity.

At 31 December 2020	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Derivative liabilities					
Sale and buy back	-	-	(635,850)	-	(635,850)
	-	**-**	**(635,850)**	**-**	**(635,850)**
Derivative assets	-	-	635,850		635,850
	-	**-**	**635,850**	**-**	**635,850**
Net	**-**	**-**	**-**	**-**	**-**

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 2020

Financial assets	Up to 1 month	1-3 months	3-12 months	over 1 year	Non-interest bearing	Total
Cash and cash equivalent	-	-	-	-	268,913	268,913
Investment securities	27,285	82,108	723,159	97,102	-	929,654
Trading assets	31	227	405	-	-	663
Loans and advances to customers	59,320	7,695	208,608	256,918	661	533,202
Other assets (excluding prepayments)	-	-	-	-	5,235	5,235
Total financial assets	**86,636**	**90,030**	**932,172**	**354,020**	**274,809**	**1,737,667**
Financial liabilities						
Customer deposits	54,231	183,590	136,006	132,832	260,294	766,953
Deposits from banks and other financial institutions	347,173	529	103,459	-	3,984	455,145
Other liabilities	-	-	-	-	49,979	49,979
Lease liability	952	1,145	7,052	12,680	-	21,829
Total financial liabilities	**402,356**	**185,264**	**246,517**	**145,512**	**314,257**	**1,293,906**
Total interest re-pricing gap	**(315,720)**	**(95,234)**	**685,655**	**208,508**		

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 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	(191,222)	(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)

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 and equity is as follows:

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**(315,720)**	**(3,027)**	**(6,055)**	**(9,082)**
1-3 months	**(95,234)**	**(796)**	**(1,592)**	**(2,387)**
3-12 months	**685,655**	**4,321**	**8,641**	**12,962**
over 1 year	**208,508**	**526**	**1,051**	**1,577**
Total		**1,024**	**2,045**	**3,070**
Impact on Net Interest Income (2020)		**1,024**	**2,045**	**3,070**
Impact on Equity (2020)		**717**	**1,432**	**2,149**
Impact on Net Interest Income (2019)		2,018	4,036	6,054
Impact on Equity (2019)		1,413	2,825	4,238

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.

Financial assets	**US dollar**	**Euro**	**Pound sterling**	**Total**
At 31 December 2020	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Cash and cash equivalent	**135,409**	**4,386**	**5,680**	**145,475**
Loans and advances to customers	**11,465**	**-**	**-**	**11,465**
Total financial assets	**146,874**	**4,386**	**5,680**	**156,940**
Financial liabilities				
Customer deposits	**123,840**	**3,777**	**3,137**	**130,754**
Deposits from banks and other financial institutions	**178,666**	**-**	**-**	**178,666**
Total financial liabilities	**302,506**	**3,777**	**3,137**	**309,420**
Net on balance sheet position	**(155,632)**	**609**	**2,543**	**(152,480)**
At 31 December 2019				
Financial assets				
Cash and cash equivalent	106,767	7,313	5,957	120,037
Loans and advances to customers	17,701	-	-	17,701
Total financial assets	124,468	7,313	5,957	137,738
Financial liabilities				
Customer deposits	69,925	7,041	2,749	79,715
Deposits from banks and other financial institutions	214,393	-	-	214,393
Total financial liabilities	284,318	7,041	2,749	294,108
Net balance sheet position	(159,850)	272	3,208	(156,370)

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 Profit before tax		Impact on Equity	
	2020	2019	**2020**	2019
US Dollar	**(23,345)**	(23,978)	**(16,342)**	(16,785)
Euro	**91**	41	**64**	29
Pound Sterling	**381**	481	**267**	337

Year-end exchange rates applied in the above analysis are provided below;

Currency	Rate	
	2020	**2019**
US Dollar	5.7602	5.5337
Euro	7.0643	6.2114
Pound Sterling	7.8742	7.3164

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)

	2020		2019	
	Carrying amount	Fair value-Level 2	Carrying amount	Fair value-Level 2
Financial assets				
Cash and cash equivalents	**268,913**	**268,913**	204,228	204,228
Loans and advances (note (i))	**533,202**	**533,202**	262,081	262,081
Investment securities (note (ii))	**929,654**	**929,654**	733,693	733,693
Other assets	**5,235**	**5,235**	3,539	3,539
Total	**1,737,004**	**1,737,004**	1,203,541	1,203,541
Financial liabilities				
Customer deposits (note (iii))	**766,953**	**766,953**	349,063	349,063
Deposits from banks and other financial institutions (note (iii))	**455,145**	**455,145**	364,178	364,178
Lease liability	**21,829**	**21,829**	21,857	21,857
Total	**1,243,927**	**1,243,927**	735,098	735,098

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial instruments (continued)

(i) Loans and advances

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 estimated fair value of hold to collect investment securities represents the discounted amount of estimated future cash flows expected to be received. The estimated fair value equates the carrying amount of investment securities.

(iii) Customer deposits

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:

(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	**Level 2**	**Level 3**	**Total**
31 December 2020				
Financial assets				
Financial assets at FVPL				
Debt Securities	-	**663**	-	**663**
31 December 2019				
Financial assets				
Financial assets at FVPL				
Debt Securities	-	1,105	-	1,105

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

3. FINANCIAL RISK MANAGEMENT (continued)

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, income surplus and statutory reserves.
  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 (CAR) 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 11.5% is to be maintained. In 2018, Bank of Ghana issued the Capital Requirement Directive (CRD), which spelt out new guidelines for assessing capital adequacy and computing the ratio. The directive is effective 1 January 2019.

The bank of Ghana in 2020 revised the capital requirement directive which among other things directed the exclusion of any form of pledged assets as a deduction from CET1 in the computation of CAR. In 2019 however, pledged assets was a deduction in from CET1 resulting in a higher CAR in 2020. The current year CAR would have been 44.92% without the revision.

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)

	2020	**2019**
Common equity Tier 1 capital before deductions/adjustments	501,437	458,882
Regulatory adjustment to common equity tier 1 capital	(18,454)	(329,111)
Tier 1 capital	**482,983**	129,771
Tier 2 regulatory capital	644	644
Total regulatory capital (Tier 1 + Tier 2)	**483,627**	130, 415
Risk profile:		
Credit risk weighted assets	415,229	204,395
Operational risk capital charge	216,164	159,895
Market risk weighted assets	16,728	9,814
Total credit, operational and market risk (RWA)	**648,121**	374,104
Common equity tier 1 / RWA	**74.52%**	34.69%
Tier 2 / RWA	**0.10%**	0.17%
Capital adequacy ratio (CAR)	**74.62%**	34.86%

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.

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

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.

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.

Public sector

Public Sector Banking is responsible for establishing and nurturing Banking relationship with key institutions within the Government and Quasi-government organizations to aid in the Economic Development of the Country.

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 2020 is as follows:

At 31 December 2020	**Commercial Banking**	**Corporate Banking**	**Retail Banking**	**Public Sector**	**Treasury Services**	**Unallocated**	**Total**
Total segment revenue	41,755	49,475	3,143	27	106,242	-	200,642
Profit/(loss) before tax	11,638	9,679	5,601	259	68,631	(43,136)	52,672
Income tax expense	-	-	-		-	(12,586)	(12,586)
National fiscal stabilisation levy	-	-	-		-	(2,633)	(2,633)
Profit/(loss) for the year	**11,638**	**9,679**	**5,601**	**259**	**68,631**	**(58,355)**	**37,453**
Net impairment loss on financial assets	(7,793)	(5,003)	138	-	-	1,885	(10,773)
Depreciation and amortisation	(1,379)	(40)	(390)	(10)	(94)	(12,600)	(14,513)
Total assets	65,842	462,076	5,285	-	1,207,319	71,059	1,811,581
Total liabilities	264,773	59,420	225,332	226,835	445,739	71,807	1,293,906

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
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 fiscal stabilisation levy	-	-	-	-	(2,554)	(2,554)
Profit/(loss) for the year	(4,010)	(9,337)	4,592	106,345	(61,922)	35,668
Net impairment loss on financial assets	(4,010)	(15,530)	(82)	-	4,053	(15,569)
Depreciation and amortisation	(1,156)	(135)	(599)	(67)	(10,883)	(12,840)
Total assets	51,900	205,390	1,911	947,113	64,039	1,270,353
Total liabilities	164,083	20,315	167,215	361,628	76,890	790,131

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

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.

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

		2020	2019
7	**Interest income using effective interest rate method**		
	Placement with other banks	**9,494**	4,773
	Loans and Advances to customers	**52,256**	27,670
	Investment securities	**145,317**	114,050
		207,067	146,493
7b	**Other interest income**		
	Interest on investment securities at FVPL	**128**	38
8	**Interest expense**		
	Fixed deposits.	**29,664**	12,737
	Savings deposits.	**3,147**	2,294
	Demand and call deposits.	**1,916**	5,759
	Deposits and takings from banks	**20,775**	18,725
	Finance cost lease liabilities (note 24)	**2,540**	1,906
		58,042	41,421
9	**Fees and commission**		
	Fees and charges	**6,288**	4,273
	Trade finance fees	**13,892**	5,694
	Guarantees charges and commission	**645**	347
	Other commission	**834**	959
	Gross fees and commission earned	**21,659**	11,273
	Fees and commission expense	**(1,479)**	(616)
		20,180	10,657
10	**Net trading income**		
	Foreign exchange (loss) gain	**(19,441)**	19,211
	Loss on foreign exchange translations	**(9,043)**	(3,541)
	Profit on disposal of trading securities	**210**	-
	Fair value gain on investment securities at FVTPL	**9**	5
		(28,265)	15,675
11	**Impairment loss on financial assets**		
	Impairment losses on:		
	- Loans and advances	**12,742**	18,607
	- Off-balance sheet exposures	**11**	90
	Total impairment	**12,753**	18,697
	Recoveries	**(1,980)**	(3,128)
		10,773	15,569

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

11 Impairment loss on financial assets (continued)

Movement in impairment losses on loans and advances is as follows:

At 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**2,185**	**6**	**18,377**	**20,568**
Impairment charge/(write back)	**(1,329)**	**2**	**14,069**	**12,742**
	856	**8**	**32,446**	**33,310**
Loans written off	**-**	**-**	**(11,974)**	**(11,974)**
Balance at 31 December	**856**	**8**	**20,472**	**21,336**
At 31 December 2019				
Balance at 1 January	130	2,209	3,801	6,140
Impairment charge/(write back)	2,055	(2,203)	18,756	18,608
	2,185	6	22,557	24,748
Loans written off	-	-	(4,180)	(4,180)
Balance at 31 December	2,185	6	18,377	20,568

Movement in impairment losses on off balance sheet exposures is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 31 December 2020				
Balance at 1 January 2020	137	-	-	137
Impairment charge/(write back)	11	-	-	11
Balance at 31 December 2020	**148**	**-**	**-**	**148**
At 31 December 2019				
Balance at 1 January 2018	47	-	-	47
Impairment charge/(write back)	90	-	-	90
Balance at 31 December 2019	137	-	-	137

Loan and advances increased significantly in 2020 due to new loans and advances disbursed to customers during the year. This growth which, resulted in the overall ECL increment at year end, was observed more on the retail portfolio which saw an ECL stock growth by 44%. Although a much higher portfolio growth was observed on the Corporate book, there was equally some significant loan settlements in this portfolio which resulted in a net ECL stock reduction of 80% in that portfolio. Further to this movements in the portfolio was some credit distress that was noted in both the existing and new loans which accounted particularly for the increased lifetime ECL stock at year end.

12 Personnel expenses

	2020	2019
Wages and salaries	**30,218**	22,857
Pension contribution	**2,555**	1,935
Other staff related costs	**3,432**	2,541
	36,205	27,333

The number of persons employed by the Bank at the end of the year was 340 (2019: 317).

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

13. Operating expenses

	2020	2019
Operating expenses include:		
Repairs and maintenance	**6,752**	6,506
Stationery and print expenses	**2,482**	2,207
Legal and consultancy fees	**318**	744
Directors' fees	**1,418**	1,632
Auditors remuneration	**390**	265
Corporate social responsibilities	**546**	57
Office rent	**1,346**	574
Swift and cable expenses	**3,815**	3,485
Fuel and lubricant	**1,402**	1,595
Passages and Travels	**2,276**	2,826
Outsourced cost	**1,587**	1,314
Subscriptions	**1,045**	1,138
Regulatory insurance premium	**969**	400
Other expenses	**2,612**	1,874
	26,958	24,617

14. Income tax expense

Current income tax	**14,254**	16,125
Adjustment for current tax of prior periods	**481**	-
Deferred income tax charge/(credit) (Note 16)	**(2,149)**	(3,260)
	12,586	12,865
National Fiscal stabilization levy (Note 15)	**2,633**	2,554
Income tax expense	**15,219**	15,419

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

	2020	2019
Profit before income tax	**52,672**	51,087
Corporate tax rate at 25% (2019: 25%)		
Tax calculated at corporate tax rate	**13,168**	12,772
Tax subjected to tax at a different rate (5%)	**2,633**	2,554
Tax impact on expenses not deductible for tax purposes	**7,809**	7,613
Tax exempt income	**(8,872)**	(7,520)
Adjustment for current tax of prior periods	**481**	-
Income tax expense	**15,219**	15,419
Effective tax rate	**28.89%**	**30.18%**

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

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)**	**(10)**	**481**	**(80)**
2019	**512**	**-**	**-**	**512**
2020	**-**	**(13,967)**	**14,254**	**287**
	(39)	**(13,977)**	**14,735**	**719**

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)

15. National fiscal stabilisation levy

Year of assessment				
Up to 2018	**55**	**-**	**-**	**55**
2019	**242**	**-**	**-**	**242**
2020	**-**	**(3,821)**	**2,633**	**(1,188)**
	297	**(3,821)**	**2,633**	**(891)**
Year of assessment				
Up to 2018	55	-	-	55
2019	-	(2,312)	2,554	242
	55	(2,312)	2,554	297

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.

15(b) Current tax (asset)/liabilities

	2020	**2019**
Income tax (Note 14)	**719**	(39)
National Fiscal Stabilisation Levy (Note 15)	**(891)**	297
	(172)	258

The Bank has agreed the tax position up to and including 2018 with the tax authorities. All tax positions are subject to agreement with the tax authorities.

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% (2019: 25%).

At 31 December 2020	**Assets**	**Liabilities**	**Net**
Accelerated tax depreciation	**-**	**(1,534)**	**(1,534)**
Revaluation on building	**-**	**430**	**430**
Loans and advances	**(5,334)**	**-**	**(5,334)**
Other Liabilities	**-**	**37**	**37**
Net deferred tax assets	**(5,334)**	**(1,067)**	**(6,401)**
At 31 December 2019			
Accelerated tax depreciation	-	426	426
Revaluation on building	-	430	430
Loans and advances	(5,142)	-	(5,142)
Other Liabilities	-	34	34
Net deferred tax assets	(5,142)	890	(4,252)

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

At 31 December 2020	**At 1 January**	**(Credit)/ Charge to P&L**	**At 31 December**
Accelerated tax depreciation	**426**	**1,960**	**(1,534)**
Revaluation on building	**430**	**-**	**430**
Loans and advances	**(5,142)**	**192**	**(5,334)**
Other liabilities	**34**	**(3)**	**37**
	(4,252)	**2,149**	**(6,401)**
At 31 December 2019			
Accelerated tax depreciation	113	(313)	426
Revaluation on building	430	-	430
Loans and advances	(1,535)	3,607	(5,142)
Other liabilities	-	(34)	34
	(992)	3,260	(4,252)

17. Cash and cash equivalents

	2020	2019
Cash and balances with banks	**185,011**	98,277
Balances with the central bank	**13,828**	4,792
Mandatory reserve deposits with central bank	**70,074**	43,042
Money market placements	**-**	58,117
	268,913	204,228

Mandatory balance with Central Banks represents 8% (originally 10% however reduced as part of the Central Bank's COVID-19 interventions) of customer deposits which are assessable when customer deposits are drawn down.

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:

	2020	2019
Cash and balances with banks	**185,011**	98,277
Balances with the central bank	**13,828**	4,792
Mandatory reserve deposit with central bank	**70,074**	43,042
Money market placements	**-**	58,117
	268,913	204,228
Investment securities with 3 months maturity from acquisition	**1,618**	1,993
	270,531	206,221

18. Investment securities

Government of Ghana securities		
- Treasury bills	**3,374**	257,157
- Cocoa bills	**148,223**	50,285
Bonds	**778,057**	426,251
	929,654	733,693

Maturity analysis of investment securities		
- maturing within 3 months of acquisition	**1,618**	1,993
- maturing after 3 months but within 6 months	**1,529**	50,623
- maturing after 6 months of acquisition but within 1 year	**148,450**	254,826
- maturing after 1 year of acquisition	**778,057**	426,251
	929,654	733,693

Pledged assets

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities.

Investment securities amounting to GH¢192,466 (2019:GH¢311,499) have been pledged under repurchase agreements with other banks as collateral security for interbank takings.

The liabilities in respect of which the securities that have been pledged amount to GH¢177,379 (2019: GH¢301,652). 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

	2020	2019
Government bonds	**426**	591
Cocoa Bills	**237**	514
	663	1,105

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

20. Loans and advances

	2020	2019
Analysis by type of advance		
Term loans	**411,383**	214,165
Overdrafts	**139,372**	65,604
Staff	**3,783**	2,880
Gross loans and advances	**554,538**	282,649
Impairment allowance (Note 11)	**(21,336)**	(20,568)
Net loans and advances to customers	**533,202**	262,081
Analysis by type of customer		
Private enterprises	**391,469**	168,202
Public institutions	**157,590**	110,160
Individuals	**1,696**	1,407
Staff	**3,783**	2,880
Gross loans and advances	**554,538**	282,649
Impairment allowance (Note 11)	**(21,336)**	(20,568)
Net loans and advances to customers	**533,202**	262,081
Analysis by type of industry		
Manufacturing	**57,426**	20,164
Construction	**181,174**	7,403
Electricity, gas and water	**25,454**	18,351
Commerce and finance	**164,537**	174,833
Transport, storage and communication	**115,077**	777
Agriculture	**723**	
Services	**6,360**	1,441
Miscellaneous	**3,787**	59,680
Gross loans and advances	**554,538**	282,649
Impairment allowance (Note 11)	**(21,336)**	(20,568)
Net loans and advances to customers	**533,202**	262,081
Current	**255,217**	114,901
Non-current	**277,985**	147,180
	533,202	262,081
50 largest exposure to total loans	**98.80%**	98.97%

At 31 December 2020, non-performing loans of GH¢42,031 (2019: GH¢50,666) constitute 7.58% (2019: 17.93%) of total gross loans and advances.

The Bank of Ghana approved the write-off of non-performing loans amounting to GH¢11,974 (2019: GH¢4,180).

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

21. Other assets	**2020**	**2019**
Non-financial assets		
Prepayments	**3,349**	3,808
Stationery stocks	**922**	785
Financial Assets		
Sundry assets	**5,235**	3,593
	9,506	8,186

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

	2020	2019
FBNBank Guinea	**4,121**	4,121
FBNBank Senegal	**3,967**	3,967
	8,088	8,088

The principal activities of the associates are banking.

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

23. Property and equipment

Year ended 31 December 2020							
Revaluation / cost	**Land and building**	**Leasehold improvements**	**Office fittings and equipment**	**Motor vehicles**	**Computers**	**Capital work in progress**	**Total**
At 1 January	**1,866**	**6,144**	**6,247**	**7,866**	**10,048**	**1,657**	**33,828**
Additions	**-**	**2,419**	**1,285**	**2,397**	**1,937**	**1,634**	**9,672**
Transfers	**-**	**551**	**120**	**-**	**82**	**(753)**	**-**
Derecognition	**-**	**-**	**-**	**-**	**-**	**(43)**	**(43)**
Disposal	**-**	**(264)**	**-**	**(737)**	**-**	**-**	**(1,001)**
At 31 December	**1,866**	**8,850**	**7,652**	**9,526**	**12,067**	**2,495**	**42,456**
Accumulated depreciation							
At 1 January	**496**	**5,343**	**4,150**	**4,372**	**8,216**	**-**	**22,577**
Charge for year	**71**	**817**	**894**	**1,679**	**1,416**	**-**	**4,877**
Disposal	**-**	**(264)**	**-**	**(678)**	**-**	**-**	**(942)**
At 31 December	**567**	**5,896**	**5,044**	**5,373**	**9,632**	**-**	**26,512**
Carrying amount	**1,299**	**2,954**	**2,608**	**4,153**	**2,435**	**2,495**	**15,944**
Year ended 31 December 2019							
Revaluation / cost							
At 1 January	1,866	5,940	5,444	5,414	9,355	175	28,194
Additions	-	271	658	2,585	693	1,631	5,838
Transfers	-	-	145	-	-	(149)	(4)
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 amount	1,370	801	2,097	3,494	1,832	1,657	11,251

At 31 December 2020, none of the property and equipment had been pledged or had indication of impairment during the year (2019 Nil).

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:

	2020	2019
Cost	**233**	233
Accumulated depreciation	**(172)**	(161)
At 31 December	**61**	72

An independent valuation of the Bank's land and buildings was carried out by independent 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.

23(b) *Disposal*

	2020	**2019**
Cost	**1,001**	200
Accumulated depreciation	**(942)**	(131)
Net book value	**59**	69
Less disposal proceeds	**(112)**	(73)
Gain on disposal	**53**	4

24. Leases

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

24 (a) *Right-of-use assets*

	2020	**2019**
Opening balance as at 1 January	**44,132**	44,132
Additions during the year	**11,232**	-
Derecognition	**(1,242)**	-
Closing balance as at 31 December	**54,122**	44,132
Depreciation		
Opening balance as at 1 January	**7,236**	-
Charge for the year	**9,124**	7,236
Derecognition	**(659)**	-
Carrying amount at 31 December	**15,701**	7,236
Carrying amount as at 31 December	**38,421**	36,896

24(b)Lease liabilities

Opening balance as at 1 January	**21,857**	33,173
Additions	**5,970**	-
Remeasurement and modifications	**3,285**	-
Interest expense	**1,617**	1,906
Payments made during the period	**(10,955)**	(16,530)
Derecognition	**(868)**	-
Foreign exchange losses/(gains)	**923**	3,308
Closing balance as at 31 December	**21,829**	21,857
Current	**9,150**	6,799
Non-current	**12,679**	15,058
	21,829	21,857

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

24. Lease (continued)

Amounts recognised in the statement of profit or loss

	2020	2019
Depreciation charge of right-of-use assets	**9,124**	7,236
Finance cost	**1,617**	1,906
Foreign exchange losses	**923**	3,308
Lease expense (short term)	**1,346**	1,049
	13,010	13,499
Amount recognised in cashflows		
Payment of lease liability	**10,955**	16,530

25. Intangible assets

Cost		
At 1 January	**6,812**	6,640
Additions	**556**	172
At 31 December	**7,368**	6,812
Accumulated amortisation		
At 1 January	**6,239**	5,564
Charge for the year	**512**	675
At 31 December	**6,751**	6,239
Carrying value	**617**	573

Intangible assets represent computer software purchased by the Bank. There was no indication of impairments on them.

26. Depreciation and amortisation

Property and equipment (Note 23)	**4,877**	4,929
Right of use assets (Note 24)	**9,124**	7,236
Intangible assets (Note 25)	**512**	675
	14,513	12,840

27. Customer deposits

Savings deposits	**128,069**	84,979
Demand and call deposits	**260,295**	175,683
Fixed deposits	**378,589**	88,401
	766,953	349,063
Current	**472,562**	140,837
Non-current	**294,391**	208,226
	766,953	349,063
Analysis of type of deposits		
Individuals	**244,616**	59,982
Private enterprises	**290,257**	154,584
Government departments & agencies	**232,080**	134,497
	766,953	349,063

The 20 largest deposits constitute 38.17% (2019: 31.38%) of the total deposits.

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

28. Deposits from banks and other financial institutions

	2020	2019
Money market deposits from local banks	**172,984**	116,466
Other deposits from local banks	**108,972**	81,359
Foreign banks	**173,189**	166,353
	455,145	364,178

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

29. Other liabilities

	2020	2019
Provision on legal proceedings	**591**	549
Accrued expenses	**8,722**	7,754
Banker's cheques	**698**	1,930
Sundry liabilities	**39,968**	44,542
	49,979	54,775

All other liabilities are current.

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

	2020	2019
At 1 January	**549**	463
Additional provisions	**42**	86
At 31 December	**591**	549

30. Stated capital

The authorised shares of the Bank is 450,000,000 (2019: 450,000,000) ordinary shares at no par value, of which have been issued as follows;

	2020		2019	
	Number of shares	**Proceeds**	Number of shares	Proceeds
At 1 January	**400,000,000**	**400,000**	400,000,000	400,000
Transfer from retain earnings	**-**	**-**	-	-
Issued for cash consideration	**-**	**-**	-	-
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:

	2020	2019
Profit attributable to equity holders	**37,453**	35,668
Weighted average number of shares issued	**400,000,000**	400,000,000
Basic earnings per share (pesewas)	**0.09**	0.09
Diluted earnings per share (pesewas)	**0.09**	0.09

32. Income surplus

Income surplus represents the profits (or losses) retained after appropriations.

33. Dividends

The directors do not recommend the payment of dividend (2019: 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.

36. Credit risk reserve

Credit risk reserve is the amount set aside from the income surplus account to meet the minimum regulatory requirements in respect of allowance for credit losses for loans and advances and off balance sheet exposures. The movement included in the statement of changes in equity represents the following:

	2020	2019
Bank of Ghana prudential guidelines provision	**36,285**	40,619
IFRS provision	**(21,336)**	(20,568)
Credit risk reserve	**14,949**	20,051

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

37. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments;

31 December 2020	At FVPTL	Amortised cost	Total carrying amount
Assets			
Cash and cash equivalents	-	**268,913**	**268,913**
Investment securities	-	**929,654**	**929,654**
Trading assets	**663**	-	**663**
Loans and advances	-	**533,202**	**533,202**
Other assets	-	**5,235**	**5,235**
Total financial assets	**663**	**1,737,004**	**1,737,667**
Customer deposits	-	**766,953**	**766,953**
Deposits from banks and other financial institutions	-	**455,145**	**455,145**
Lease liability	-	**21,829**	**21,829**
Total financial liabilities	-	**1,243,927**	**1,243,927**
31 December 2019			
Cash and cash equivalents	-	204,228	204,228
Investment securities	-	733,693	733,693
Trading assets	1,105		1,105
Loans and advances	-	262,081	262,081
Other assets	-	3,593	3,593
Total financial assets	1,105	1,203,595	1,204,700
Customer deposits	-	349,063	349,063
Deposits from banks and other financial institutions	-	364,178	364,178
Lease liability	-	21,857	21,857
Total financial liabilities	-	735,098	735,098

38. 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 2020 associated with legal actions as professional advice indicates that it is unlikely that any significant loss will arise (2019: Nil).

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

38. Contingent liabilities and commitments (continued)

Capital commitments

At the balance sheet date, the bank had no capital commitments in respect of ongoing remodeling of branches (2019: Nil) in respect of authorised and contracted projects.

Loan commitments, guarantee and other financial facilities

At 31 December 2020, the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities is as follows:

	2020	2019
Loan commitments	**7,669**	2,645
Letters of credit	**2,244**	4,734
Letters of guarantee	**33,877**	23,406
	43,790	30,785

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

39. 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.

(i) Transactions with related parties

The following transactions were carried out with related parties:

	2020	**2019**
Interest income		
First Bank of Nigeria Limited	**5,779**	-
Interest expense		
FirstBank of Nigeria Limited	**10,014**	10,896
FBN DR Congo Limited	**-**	32
	10,014	10,928

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

39. Related party transactions (continued)

(ii) *Year end balances*

Deposits from related parties

FBNBank Gambia	**5**	5
FBNBank Guinea	**8**	13
	13	18
Due to related parties		
FirstBank of Nigeria Limited	**33,982**	33,415
Placements by related parties		
FirstBank of Nigeria Limited	**172,806**	166,011
Interest payable on placements		
FirstBank of Nigeria Limited	**383**	342
Due from related parties		
First Bank of Nigeria Limited	**3,828**	3,311
FBNBank UK	**242**	765
	4,070	4,076

(iii) Key management compensation

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

	2020	2019
Salaries and other short term employment benefits	**2,757**	2,515
Defined pension contribution	**280**	256
	3,037	2,771

Key management staff constitutes staff as defined by the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

(iv) 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. (2019: Nil)

Director's emoluments

	2020	**2019**
Fees and emoluments (short term)	**1,249**	1,131
Other directors expenses (short term)	**169**	501
	1,418	1,632
Deposits from directors	**709**	438

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

40. Regulatory disclosures

The regulator did not sanction the Bank for breaches in statutory requirements during the year (2019: GH¢339,000)

	2020	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
Contravention with collateral registry returns	-	3
	-	339

41. Subsequent event

The Bank of Ghana issued a new directive on unclaimed and dormant accounts in February 2021. This directive is issued pursuant to Section 92 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The objectives of this Directive are to operationalise Section 143 of Act 930, establish processes and procedures for reclaim of funds by dormant account holders or their legal representatives and to ensure adequate protection of customers' funds that that have become dormant.

The Directive requires, amongst others, that the regulated entity should:

- Create and maintain a dormant account register;
- Contact holders of dormant accounts or next of kin;
- Publish dormant accounts in newspapers; and
- Transfer the funds on dormant accounts to Bank of Ghana after three years.

The Bank is assessing the impact of the directive on its business. No other events have occurred since the end of the reporting period that would have had a material effect on the financial statements or require disclosure.

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

42. Value Added Statement

Value Added Statement for the year ended 31 December 2020

	2020	**2019**
Interest earned and other operating Income	**228,854**	157,804
Direct cost of services	**(85,061)**	(65,022)
Value added by banking services	**143,793**	92,782
Non-banking income	**(28,212)**	15,679
Impairments	**(10,773)**	(15,569)
Value added	**104,808**	92,892
Distributed as follows:		
To Employees:		
Directors (without executive)	**1,418**	1,632
Key management	**3,037**	2,771
Other employees	**33,168**	24,562
	37,623	28,965
To Government:		
Income tax	**15,219**	15,419
To providers of capital:		
Dividends to shareholders	**-**	-
To Expansion and growth:		
Depreciation	**14,001**	12,165
Amortisation	**512**	675
	14,513	12,840
Income surplus	**37,453**	**35,668**