Guaranty Trust Bank (Ghana) Limited
CS406022014

GUARANTY TRUST BANK (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

GUARANTY TRUST BANK (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

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CORPORATE INFORMATION

Board of Directors	Kwasi M. Tagbor (Chairman) Olusegun Agbaje (Vice Chairman) Thomas Attah John (Managing Director) Mobolaji Jubril Lawal Rasheed Ibrahim Maidie Elizabeth Arkutu Irene Baaba Hagan Ademola Odeyemi (Resigned on 8th May 2020)
Secretary	Iris Richter-Addo 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Auditor	KPMG Chartered Accountants 13 Yiyiwe Drive, Abelenkpe P. O. Box GP 242 Accra, Ghana
Registered Office	Guaranty Trust Bank (Ghana) Limited 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Correspondent banks	CitiBank London CitiBank New York Ghana International Bank J.P. Morgan Chase Bank Guaranty Trust Bank London Bank of Beirut Standard Chartered Bank UK Guaranty Trust Bank Plc
Solicitors	Lithur Brew and Company No. 110B, 1st Kade Close, Kanda Estates P. O. Box CT 3865, Cantonments Accra, Ghana

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 December 2020 in accordance with the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) which discloses the state of the affairs of the Bank.

Directors' responsibility statement

The Directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Guaranty Trust Bank (Ghana) Limited, comprising the statements of financial position as 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 preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants, Ghana as well as complied with the requirement of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the report of the directors.

The Directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have made an assessment of the ability of the Bank to continue as a going concern having regard of the business impact of Covid-19 and have no reason to believe that business will not be a going concern over the next twelve (12) months.

Directors have no plans or intentions, for example to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

The Directors confirm that to the best of their knowledge, the financial statements prepared in accordance with applicable laws and the Bank's financial reporting framework give a true and fair view of the Bank's financial position, performance and cash flows, and the state of the Bank's affairs is satisfactory.

Objectives of the Bank and Nature of business

The Bank is licensed by the Bank of Ghana under the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) to carry out universal banking business in Ghana and there was no change in the nature of the Bank's business during the period.

Holding company

The Bank is a subsidiary of Guaranty Trust Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to carry out universal banking business.

REPORT OF THE DIRECTORS (CONTINUED)

Financial results

	GHS
Profit for the year ended 31 December 2020 before tax is	384,987,104
from which is deducted income tax expense and national fiscal stabilisation levy of	(115,656,298)
giving a profit for the year after tax of	269,330,806
less transfer to statutory reserve and other reserves of	(70,057,104)
less payment of prior year dividends declared	(50,183,029)
leaving a balance of	149,090,673
when added to the balance brought forward on income surplus of	112,189,680
leaving a balance of	261,280,353

At the next shareholders meeting on the financial performance for the year ended 31 December 2020, a dividend per share of GHS0.0092 amounting to GHS130,620,156 (2019: GHS50,183,029) will be tabled for approval subject to the prior approval of Bank of Ghana. The amount recommended for shareholders' approval represents 50% of total distributable profit.

Business review

The state of affairs of the Bank is as follows:

	GHS
Profit before tax	384,987,104
Profit after tax	269,330,806
Total Assets	4,081,089,298
Total Liabilities	3,073,669,055
Total Equity	1,007,420,243

The Directors consider the state of the company's affairs to be satisfactory.

Particulars of entries in the Interests Register during the financial year

The entity maintains an Interests Register. There was however no director interest in any contract within the year under review. No entry was therefore made in the Register.

Related party transactions

No director has any other interest in any shares or loan stock of the Company. Related party transactions and balances are also disclosed in note 32 to the financial statements.

Corporate social responsibility and code of ethics

A total of GHS 683,481 (2019: GHS146,008) was spent under the Company's social responsibility programme with key focus on education, health and others. This is disclosed in note 13.1. An extract of the Company's code of ethics can be found in the appendice.

REPORT OF THE DIRECTORS (CONTINUED)

Board of Directors

Profile

Executive	Qualification	Outside Board and management position
Thomas Attah John	Chartered Banker MBA, Certificate in Management Performance Measurement, Masters in Business Administration, Bsc Pure Applied Chemistry	N/A
Non-executive		
Kwasi M. Tagbor	B,Sc. Electrical Engineering, Post Graduate Diploma in Computer Science	N/A
Olusegun Agbaje	B.Sc. Business Administration, Masters in Business Administration	Managing Director, Guaranty Trust Bank Plc; Non-executive Director, GTBank Gambia and GTBank UK; Mastercard Advisory Board
Mobolaji Jubril Lawal	Bachelor of Laws degree, Professional Certification of B.L, Masters of Business Administration	Executive Director, Guaranty Trust Bank Plc
Rasheed Ibrahim	B.Sc. Business Administration	Executive positions in Dara Salam Group of Companies, Chrome Energy Resources Limited, Dara Salam Estate Limited and Osagyefo Leadership International School.
Maidie Elizabeth Arkutu	Post-Graduate Diploma in Marketing, MBA, Bachelor of Arts (BA) degree in Business Economics with a minor in French	N/A
Irene Baaba Hagan	Fellow Chartered Accountant, Certified Information Systems Auditor, MBA, B.Sc. (Hons.) in Accounting & Finance	Contact member and Ambassador of the Institute of Chartered Accountants in England and Wales (ICAEW), founder of IHagan Consult

Biographical information of directors

Age category	Number of directors
41 – 45 years	3
46 – 60 years	3
Above 60 years	1

REPORT OF THE DIRECTORS (CONTINUED)

Capacity building of directors to discharge their duties

On appointment to the Board, Directors are provided with full, formal and tailored programmes to enable them gain in-depth knowledge about the Company's business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Company operates. Programmes of strategic importance provided during the year ensure Directors continually update their skills, knowledge and familiarity with the Company's businesses. This further provides insights about the industry and other developments to enable them effectively fulfil their role on the Board and other Committees.

Auditor

The Board Audit Committee has responsibility delegated from the Board of Directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. Non-audit services provided by KPMG amounted to GHS 213,880. Audit fees for the year amounted to GHS440,000.

Approval of the report of the Directors

The report of the directors of Guaranty Trust Bank (Ghana) Limited, was approved by the Board of directors on 9th March 2021 and are signed on their behalf by:

...................………......	...................…………
Kwasi M. Tagbor	Thomas Attah John
Chairman	*Managing Director*

REPORT OF THE AUDIT COMMITTEE

In accordance with corporate governance best practices contained in The Banking Business-Corporate Governance Directive 2018, the members of the Audit Committee of Guaranty Trust Bank (Ghana) Limited hereby report as follows:

(i) We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the full year ended 31 December 2020 were satisfactory and reinforced the Bank's internal control system.

(ii) We are satisfied that the Bank has complied with the provisions of Bank of Ghana's Circular BSD/108/2011 "International Financial Reporting Standards (IFRS) Implementation" and hereby confirm that an aggregate amount of GHS16,244,825 has been set aside as at 31 December 2020 in relation to differences in impairment provisions for loans and advances under International Financial Reporting Standard (IFRS 9 *Financial Instruments*) and Bank of Ghana Prudential/Impairment Guidelines.

(iii) We are satisfied that the Bank has complied with the provisions of Bank of Ghana's Circular BSD/17/2018 "Adoption of International Financial Reporting Standard 16 Leases (IFRS 16)" and hereby confirm that the substance and the economics of lease transactions have been properly reflected in our books as required by the standard.

(iv) We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their audit and we are satisfied with management's response thereon and with the effectiveness of the Bank's system of accounting and internal control.

IBHagan
....
Irene B. Hagan
Chairperson, Audit Committee

Accra

9th March 2021

CORPORATE GOVERNANCE

Strict adherence to The Banking Business-Corporate Governance Directive 2018 and International best practices remain high on the agenda of Guaranty Trust Bank (Ghana) Limited. As such, the Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place to facilitate best practices for the Board of Directors and senior management in order to maximise stakeholder value.

There are currently four (4) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Credit Committee and the Board Nomination committee.

In addition to the Board Committees, there are four (4) Management Committees to ensure effective and good corporate governance at the Management level.

1.0 Disqualification of Directors, Employees and Key Management Personnel

The Bank appoints and elects into the position of a director, managing director or key management personnel in compliance with Section 58 of Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), any person other than one who:

i. has been adjudged to be of unsound mind or is detained as a person with a mental disorder under any relevant enactment;
ii. has been declared insolvent, has entered into any agreement with another person for payment of that person's debt and has suspended payment of the debt;
iii. has been convicted of an offence involving fraud, dishonesty or moral turpitude;
iv. has been a director, Key Management Personnel associated with the management of an institution which is being or has been wound up by a court of competent jurisdiction on account of bankruptcy or an offence committed under an enactment;
v. is a director or Key Management Personnel of another bank, specialised deposit taking institution or financial holding company in the country;
vi. is under the age of eighteen years (18 years);
vii. does not have the prior written approval of the Bank of Ghana; or
viii. has defaulted in the repayment of the financial exposure of that person.

2.0 Annual Certification

As requested by the Bank of Ghana that certification is done within 90 days at the beginning of each financial year, the Board shall certify general compliance with the Bank of Ghana's Corporate Governance Directive December 2018. The Board therefore certifies that:
(i) It has independently assessed and documented the corporate governance process of the Bank and has generally achieved its objectives.
(ii) The Directors are aware of their responsibilities to the Bank as persons charged with governance
(iii) It confirms that it shall report any material deficiencies and weaknesses that it identifies in the course of the year along with action plans and timetables for the corrective action by the Board to the Bank of Ghana.
(iv) The required annual certification programme is being undertaken by all the directors in line with the directive

3.0 Business Strategy

The Board approves and monitors the overall business strategy of the Bank taking into account the long-term financial interest of the company, its exposure to risk and its ability to manage risk effectively. The Board approves and oversees the formulation and implementation of the:
(i) overall risk strategy, including its risk tolerance/appetite;
(ii) policies for risk, risk management and compliance, including anti-money laundering and combating the financing of terrorism risk;
(iii) internal control systems;
(iv) corporate governance framework, principles and corporate values including a code of conduct
(v) compensation system

CORPORATE GOVERNANCE (CONTINUED)

4.0 Duty of Care and Loyalty

The members of the Board exercise a "duty of care" and "duty of loyalty" to the Company at all times which is stipulated in the Companies Act, 2019 (Act 992) and the Policies and the Bank's Board charter

5.0 Corporate culture and values

The Board has established corporate culture and values for the Company that promote and reinforces norms for responsible and ethical behavior in terms of the Bank's risk awareness, risk-taking and risk management. The Company has in place a Code of Conduct and a Conflict of Interest Policy duly approved by the Board of Directors.

6.0 Related Party Transactions

The Board ensures that transactions with related parties including internal group transactions are reviewed to assess risk and are subject to appropriate restrictions by requiring that such transactions be conducted on non-preferential terms and applicable legislation are followed.

7.0 Succession Plan

The Bank has put in place the required succession plan to enable the business to continue to the foreseeable future. The plan focuses on developing human resources to enable the Bank to retain a pool of qualified candidates who are ready to compete for key positions and areas when they become vacant to ensure effective continuity of the deposit-taking business.

8.0 Key Management Oversight

The Board provides oversight of Senior Management as part of the Company's checks and balances and

(i) monitors to ensure the actions of Senior Management through reports from Management are consistent with the strategy and policies approved by the Board, including the risk tolerance appetite and risk culture;
(ii) meets regularly with Senior Management through the Board sub committees;
(iii) questions and critically reviews explanations and information provided by senior management;
(iv) ensures that the knowledge and expertise of senior management remain appropriate given the nature of the business and the Bank's risk profile;
(v) oversees the implementation of appropriate governance framework for the Company;
(vi) ensures that appropriate succession plans are in place for senior management positions;
(vii) oversees the design and operation of the Company's compensation system, monitor and reviews the system to ensure that it is aligned with the desired risk culture and risk appetite of the Company;
(viii) approves the overall internal control framework of the Company and monitor its effectiveness.

9.0 Separation of Powers

There is a clear division of responsibilities at the top hierarchy of the Company. The positions of the Board Chairman and the Managing Director are separate. The two top positions of Board Chairman and Managing Director in the company are not both occupied by foreigners. The Chairman is a Ghanaian and the Managing Director is a Nigerian. Further no two related persons occupy the positions of Board Chairman and Managing Director of the Company.

CORPORATE GOVERNANCE (CONTINUED)

10.0 Independent Director

The Board of Directors continuously ensure that the position and requirements of Independent Directors are always met and that an Independent director shall be non-executive and shall not: -

(i) hold cross directorship positions with another director on the Board of other institutions;
(ii) be a director on the Board of an institutional shareholder with significant equity interest in the Regulated Financial Institution;
(iii) have more than 5% equity interest directly or indirectly in the Company or in its related companies;
(iv) be employed in an executive position in the Company or its related company at least 2 years prior to his appointment date;
(v) have relatives employed by the Company or any of its related companies as Key Management Personnel in the last two (2) years;
(vi) have engaged in any transaction within the last two (2) years with the Company on terms that are less favourable to the Company than those normally offered to other persons;
(vii) have served as a director in the Company continuously for more than two (2) terms unless the director can affirm that his/her independence is not impaired;
(viii) be related to persons with significant shareholding in the Company or have any business or employment connections to a significant shareholder.

Currently, the Bank has 4 independent directors.

11. Board Size and Structure

Currently, there is an 7-member Board of Directors of Guaranty Trust Bank (Ghana) Limited composed of a non-executive Chairman, with 1 Executive Director and 5 other non-executive directors of which four are resident in Ghana, each bringing diverse and rich experience, with enviable records of achievement in their various fields of endeavour. The Directors possess the requisite skills and experience, integrity and business acumen to bring independent judgment to bear on Board deliberations for the good of the Bank.

12.0 Directors' Appointments and Managing Director Tenure

The procedure for appointment of directors to the Board is formal and transparent and conforms to the directive issued by the Bank of Ghana on Fit and Proper persons. The Bank has complied with the Bank of Ghana directive in respect of the tenure of the Managing Director of 12 years.

13.0 Appointment of Key Management Personnel

The Bank submits to the Bank of Ghana before it appoints a Key Management Personnel, an enhanced due diligence report on proposed nominees as Key Management Personnel. The Bank also conducts police criminal background checks; obtains references from previous employers and 2 other reputable persons; notifies the Bank of Ghana about the recruitment of Key Management personnel and obtains it approval.

14.0 Alternate Director

The Bank does not currently have any alternate directors.

15.0 The Board Chairman

The Chairman of the Board is a non-executive director and is ordinarily resident in Ghana. The Chairman provides leadership to the Board and ensures that Board decisions are taken on a sound and well-informed basis. The Chairman encourages and promotes critical discussion and ensures that dissenting views can be expressed and discussed within the decision-making process. The Chairman encourages constructive relationship within the Board and between the Board and Management. He promotes checks and balances in the governance structure of the Bank. He does not serve as a Chairman of any of the Board sub committees.

CORPORATE GOVERNANCE (CONTINUED)

16.0 The Board Secretary

The Board Secretary serves as an interface between the Board and Management and supports the Chairman in ensuring the smooth functioning of the Board. The Board Secretary advises the Board on matters relating to statutory duties of the directors under the law, disclosure obligations, and company law regulations as well as on matters of corporate governance requirements and effective Board processes. The Board Secretary ensures that directors are provided with complete, adequate and timely information prior to Board meetings.

17.0 Board Meetings

The Company holds a minimum of 4 Board meetings annually. In 2020 meetings were held in February, May, August and November. It also held one Annual General Meeting in May. In compliance with the Bank of Ghana's Directive on Corporate Governance, the Board hereby discloses the total number of Board meetings and the attendance rate of each Director below:

		Quarterly	**Quarterly**	**AGM**	**Quarterly**	**Quarterly**	
No.	**Name**	**14-Feb-20**	**8-May-20**	**8-May-20**	**5-Aug-20**	**3-Nov-20**	**% Attendance**
1	Thomas Attah John	Yes	Yes	Yes	Yes	Yes	100%
2	Kwasi M. Tagbor	Yes	Yes	Yes	Yes	Yes	100%
3	Olusegun Agbaje	Yes	Yes	Yes	Yes	Yes	100%
4	Mobolaji Jubril Lawal	Yes	Yes	Yes	Yes	Yes	100%
5	Rasheed Ibrahim	No	Yes	Yes	Yes	Yes	80%
6	Maidie Elizabeth Arkutu	Yes	Yes	Yes	Yes	Yes	100%
7	Irene Baaba Hagan	Yes	Yes	Yes	Yes	Yes	100%
8	Demola Odeyemi	Yes	Yes	Yes	N/A	N/A	100%

** N/A – Director did not hold appointment at the date of Board Meeting*

18.0 Board Sub-Committees

There are currently Four (4) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Credit Committee and the Board Risk Committee and the Board nomination committee. Their composition and functions are as follows:

18.1 Board Audit Committee

This Committee is currently made up of three (3) non-executive Directors while the Company’s Secretary serves as the secretary to the Committee. The membership comprise the following:

1. Irene B. Hagan – Chairperson
2. Maidie E. Arkutu – Member
3. Rasheed Ibrahim – Member

The committee is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors.

CORPORATE GOVERNANCE (CONTINUED)

18.1 Board Audit Committee (continued)

The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The internal and external auditors have unrestricted access to the Committee to ensure their continued independence. The Committee also seeks for explanations and additional information, where relevant, from the internal and external auditors.

Meetings are held on a quarterly basis. Other members of management may be invited to the Committee's meetings as and when appropriate. A report is provided to the full Board at each sitting.

18.2 Board Credit Committee

The Board's Credit Committee is responsible for review of all credits granted by the Bank and approves specific loans and credit related proposals beyond the Management Credit Committee's authority limit as may be defined from time to time by the Board.

The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets.

In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by members expeditiously between Credit Committee Meetings. Such urgent credits are circulated amongst the members and slated for ratification at the next meeting of the Board Credit Committee.

The Board Credit Committee is made up two (2) Non-Executive Directors and 1 Executive Director listed as follows:

1. Mobolaji J. Lawal – Chairman
2. Irene B. Hagan – Member
3. Thomas A. John – Member

The Committee meets at least four times a year. A report is provided to the full Board at each sitting.

18.3 Board Risk Committee

The Committee's main responsibilities include reviewing and recommending for approval of the Board, the Bank's Risk Management Policies including the risk profile and limits; determining the adequacy and effectiveness of the Bank's risk detection and measurement systems and controls; evaluating the Bank's internal control and assurance framework annually, in order to satisfy itself on the design and completeness of the framework relative to the Bank's activities and risk profile; oversight of Management's process for the identification of significant risks across the Bank and the adequacy of risk mitigation, prevention, detection, transfer and reporting mechanisms; and reviewing and recommending to the Board for approval, the contingency plan for specific risks.

The Board's Risk Committee is comprised of three (3) Non-Executive Directors and 1 Executive Director listed as follows:

1. Maidie E. Arkutu – Chairperson
2. Rasheed Ibrahim – Member
3. Mobolaji J. Lawal – Member
4. Thomas A. John – Member

The Committee is charged with the quarterly review of the Bank's central liability report and summary of criticised loans with the concurrent power of assessing the adequacy of the reserves for loan losses and approving possible charge-offs.

The Committee presents reports to the Board at its quarterly meetings.

CORPORATE GOVERNANCE (CONTINUED)

18.4 Board Nomination Committee

The committee is responsible for the selection and nomination of persons as Directors and Key Management personnel as defined by Act 930 and who meet the Fit and Proper requirements and in addition conducts due diligence and assessment of such candidates prior to appointment.

This Committee is currently made up of three (3) non-executive Directors. The membership comprise the following:

1. Olusegun Agbaje – Chairperson
2. Mobolaji J. Lawal – Member
3. Rasheed Ibrahim – Member

The Committee holds meetings as and when the need arises

19.0 Profile of Board of Directors

Kwasi M. Tagbor (Chairman)

Mr. Kwasi M. Tagbor is Chairman of the Board of Directors. He was appointed to the Board of the Bank in November 2018 as an Independent Non-Executive Director. He is a retired Engineer and Petrophysicist.

Mr. Tagbor holds a Bachelor of Science (B.Sc.) degree in Electrical Engineering from the Kwame Nkrumah University of Science and Technology (KNUST) and a Post Graduate Diploma in Computer Science from the University of Ghana, Legon.

He started off his career as a Resident Project Engineer with Finco Engineers, Lagos, Nigeria in 1977, a position he left in 1980 to join Schlumberger, an internationally renowned Oil & Gas service company as a wireline field engineer, thus becoming the first Ghanaian trained Engineer from KNUST to have held that position. He has over 33 years' experience in the Upstream sector of the Oil and Gas Industry through which he has obtained various qualifications and certifications.

His illustrious career path spans operations management to technical equipment and maintenance management, training and development management, personnel training, wireline logging, formation evaluation/log analysis in shaly/ thin-bed/turbidite reservoirs among others.

Olusegun J.K. Agbaje (Vice Chairman)

Mr. Agbaje is the Vice Chairman of the GTBank Ghana Board and the Managing Director/Chief Executive Officer of GTBank Plc. With over twenty-five years' commercial, investment and international banking experience, Mr. Agbaje is involved in the general management of the GTBank Plc's day-to-day operations and has earned a reputation as an accomplished and highly respected professional across the West Africa sub-region, given his diverse experience in the financial services industry.

He holds a Bachelor's degree in Business Administration with special emphasis in Accounting (1986) and a Master of Business Administration (1988) from the University of San Francisco, California, United States. He is also an alumnus of the Harvard Business School, Massachusetts, United States.

Prior to joining GTBank Plc, he worked with Ernst & Young, San Francisco, USA. He subsequently joined GTBank Plc as a pioneer staff in 1990 and rose through the ranks to become an Executive Director in January 2000 and Deputy Managing Director in August 2002, in which capacity he continued to act until his appointment as Acting Managing Director/CEO by the GTBank Plc Board in April, 2011. He became the substantive Managing Director/Chief Executive Officer of GTBank Plc in June 2011.

Mr. Agbaje possesses a deep understanding of the West African business environment. He initiated and led the execution of large, innovative and complex transactions in financial advisory, structured and project finance, balance sheet restructuring and debt and equity capital raising in several sectors of the Nigerian economy notably; oil and

CORPORATE GOVERNANCE (CONTINUED)

19.0 Profile of Board of Directors (continued)

Olusegun J.K. Agbaje (Vice Chairman) (continued)

gas, energy, telecommunications, financial services and manufacturing industries. In addition, he helped in developing the Interbank Derivatives market amongst dealers in the Nigerian banking industry and introduced the Balance Sheet Management Efficiency system.

He was also instrumental in structuring GTBank Plc's landmark US$ 350 million Eurobond offering in January 2007 and later that year, the listing of its US$824 million Global Depository Receipts in an unprecedented concurrent global offering in the domestic and international capital markets – which made GTBank Plc the first Nigerian company and first Sub-Saharan African bank to be listed on the Main Market of the London Stock Exchange. In 2011, he further led GTBank Plc to launch the first Sub-Saharan Africa financial sector benchmark Eurobond when the bank launched its USD500million Eurobond without a sovereign guarantee or credit enhancement from any international financial institution.

In addition to his responsibilities within GTBank Plc and GTBank Ghana, Mr. Agbaje also serves on the Boards of GTBank Gambia and United Kingdom. He is also a member of the MasterCard Regional Advisory Board (Asia-Pacific Middle East and Africa Region).

Thomas Attah John (Managing Director/Chief Executive Officer)

Mr. Thomas Attah John is an astute banker, a Certified Brewer and Chemist with a combined work experience of 16 years in various business development, deal origination and structuring and credit appraisal roles.

He has over the last 14 years led and executed landmark deals in various roles within GTBank's Corporate, Telecom, Operations and Retail Business.

Thomas holds a Chartered Banker MBA from the University of Bangor, UK, an MBA from the Lagos Business School, Certificate in Management Performance Measurement from Nanyang Technological University, Singapore and a Bachelor of Science (BSC. Hons) in Pure Applied Chemistry from the University of Calabar, Nigeria.

Mobolaji Jubril Lawal (Non-Executive Director)

Mr. Lawal was appointed to the GTBank Ghana Board in July 2011. Mr. Lawal joined GTBank Plc in 2003 to assume the position of Head, Corporate Finance Group and was directly involved in the execution of GTBank Plc's strategic initiatives as well as debt syndication transactions. He currently heads GTBank Plc's Digital Banking Division and also serves on the Board of GTBank Plc, Nigeria.

He holds a Bachelor of Laws degree (LLB) (1990) from Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria, a Barrister at Law (B.L) degree from the Nigerian Law School (1991) and an MBA from Oxford University, United Kingdom (2002). He has also attended courses at various institutions, including Citibank School of Banking, New York, Venture Capital Institute, Atlanta Georgia, USA and Harvard Business School, Boston, Massachusetts, USA. He has over 18 years of managerial experience covering, among other things, Corporate Banking, Commercial Banking and Risk Management.

Rasheed Ibrahim (Non-Executive Director)

Mr. Rasheed Ibrahim was appointed to the Board of the Bank in November 2018 as a Non-Executive Director.

Mr. Ibrahim holds a Bachelor of Science degree (B.Sc. Hons.) in Business Administration from the Abraham Lincoln University, Pennsylvania, United States of America.

He is a Businessman with diverse experience. He holds and has held various executive and managerial positions in Dara Salam Group of Companies, Chrome Energy Resources Limited, Dara Salam Estate Limited and Osagyefo Leadership International School.

CORPORATE GOVERNANCE (CONTINUED)

19.0 Profile of Board of Directors (continued)

Rasheed Ibrahim (Non-Executive Director) continued

His key areas of competence and skills acquired over the period include business development, contract negotiation, project and risk management as well as marketing and corporate sponsorships.

Maidie Elizabeth Arkutu (Non-Executive Director)

Ms. Maidie Elizabeth Arkutu was appointed to the Board of the Bank in May 2019 as an Independent Non-Executive Director.

Maidie Arkutu is the immediate past Vice President, Chairman and Managing Director of Unilever Francophone Africa. In this role, she led one of the 4 sub-Saharan Africa clusters for the Unilever Africa Group, managing over 10 French speaking countries and based in Abidjan. She was the Managing Director of Unilever Ghana prior to taking on the Francophone role.

Before her appointment as Managing Director of Unilever Ghana, Ms. Arkutu was the Marketing Director for Unilever West Africa (UWA). Miss Arkutu joined Unilever West Africa from Coca-Cola East and Central Africa Business Unit (ECABU) where she was the Marketing Manager for the Horn, Islands and Mid Africa (HIMA).

A professional Marketer, Ms. Arkutu has a post-Graduate Diploma in Marketing from the Chartered Institute of Marketing (U.K Board). She also holds a Master of Business Administration (MBA) degree from the Vrije Universiteit Brussel, Belgium and a Bachelor of Arts (BA) degree in Business Economics with a minor in French from Vesalius College, Belgium.

Prior to her recent appointment, Miss Arkutu was the Lady Chair and Executive Board Member of the Executive Women Network (EWN), a Non- Executive Board member at Barclays Bank Ghana Limited and an Executive Board Member at Unilever Ghana Limited. She also served as a Regulatory Committee Member of the Business

Enabling Environment Programme and a corporate advisory Group Member at the University of Ghana Business School.

During her tenure as Managing Director of Unilever Ghana, Ms. Arkutu received several recognitions, including the prestigious Marketing Woman of the Year (2015) at the Chartered Institute of Marketing Ghana Awards and Outstanding Manufacturing Executive, Personal Products (2016) at the Feminine Ghana Achievement Awards. She was awarded the Female Influential Leader Award by Ghana UK Based Achievements (GUBA) in 2017, and in 2018, the prestigious Jeune Afrique Magazine named Ms. Arkutu as one of the Top 50 Most Influential Women in African Business.

Irene Baaba Hagan (Non-executive Director)

Ms. Irene Baaba Hagan was appointed to the Board of the Bank in September 2019 as an Independent Non-Executive Director.

Irene is a Fellow Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales and a Certified Information Systems Auditor with both local and international experience in Audit, Finance, Governance, Risk and Compliance with FTSE 100 clients in the financial and telecommunications industries.
Her early career was with KPMG, UK in the Assurance practice within the Infrastructure & Government Group. She moved on to work with Pricewaterhousecoopers, London (U.K) and Boston, MA (U.S.A) where she managed various teams to deliver high quality engagements on a range of risk assurance and audit services including IT, Internal and External audit, Controls reporting, Business process re-engineering, SOX 404 and Finance effectiveness advisory engagements.

She later worked in various capacities in both Vodafone Plc, United Kingdom and Vodafone, Ghana and rose to a senior management position before leaving to pursue other interests.

CORPORATE GOVERNANCE (CONTINUED)

19.0 Profile of Board of Directors (continued)

Irene Baaba Hagan (Non-executive Director) – continued

Irene holds a B.Sc. (Hons.) in Accounting & Finance from The London School of Economics and Political Science and an MBA from the Hult International Business School, Massachusetts, USA. She is currently the Institute of Chartered Accountants in England and Wales (ICAEW) contact member and ambassador in Ghana.

She is also the founder of IHagan Consult, a consultancy practice which provides corporate advisory and capacity building services across a variety of industries.

20.0 Board Performance Evaluation

The Board carries out regular evaluation or self-assessment of its performance as a whole, including its sub-committees and of individual Board members in order to review the effectiveness of its own governance practices and procedures including Anti-Money Laundering/Combating the Fighting of Terrorism (AML/CFT).

21.0 Conflicts of Interest

The Board has in place a Conflict of Interest Policy which includes:

i. the duty of the director to avoid possible activities that could create conflicts of interest;

ii. a review or approval process for directors to follow before they engage in certain activity so as to ensure that such activity will not create a conflict of interest;

iii. the duty of the director to disclose in addition to section 59 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) any matter that may result, or has already resulted in a conflict of interest;

iv. the responsibility of the director to abstain from voting as prescribed under section 59 of Act 930 and on any matter where the director may have conflict of interest;

v. adequate procedures for transactions with related parties to be made on a non-preferential basis; and

vi. the way in which the Board will deal with any non-compliance with the policy.

22.0 Chief Risk Officer

The Bank has a Chief Risk Officer (CRO) who is an independent Key Management Personnel (who has no involvement in the operations of the bank) with distinct responsibility for the risk management function and the comprehensive risk management framework of the bank across the entire organisation.

The independence of the CRO is paramount and the role is distinct from other executive functions and business line responsibilities. The CRO reports to the Managing Director with an unfettered reporting access to Board and its risk committee. Interaction between the Board and the CRO is regular and comprehensively documented.

23.0 Chief Internal Auditor

The Bank has a Chief Internal Auditor (CIA) who is an independent Key Management Personnel who has no involvement in the audited activities and business line responsibilities of the Bank. The CIA is competent to examine all areas in which the Bank operates and shall;

1. have the professional competence to collect and analyse financial information as well as evaluate audit evidence and to communicate with the stakeholders of the internal audit function;
2. possess sufficient knowledge of auditing techniques and methodologies;
3. be a member of a relevant recognised professional body;

CORPORATE GOVERNANCE (CONTINUED)

23.0 Chief Internal Auditor (continued)

The Chief Internal Auditor reports directly to the Board sub-committee on audit or the full Board (depending on size and complexity) and has direct access to the Board and its audit committee. Interaction between the Board and the CIA is regular and comprehensively documented.

24.0 Internal Controls

Internal controls is designed to ensure that each key risk has a policy, process or other measure, as well as a control that ensure that the policy, process or other measure is being applied and works as intended. Internal controls helps provide comfort that financial and management information is reliable, timely and complete and that the Regulated Financial Institution is in compliance with its various obligations, including applicable laws and regulations.

25.0 Management Committees

Management Committees are various committees comprising of senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyse and make recommendations on risks arising from the day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented.

They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers. The key Management Committees in the Bank are:

- Management Credit Committee;
- Criticised Assets Committee;
- Assets and Liability Management Committee; and
- IT Steering Committee

25.1 Management Credit Committee (MCC)

Management Credit Committee is responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding, in aggregate, a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee meets at least once a week or once a fortnight depending on the number of credit applications to be considered.

The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The Secretary of the committee is the Head of Credit Administration Unit of the Bank.

25.2 Criticised Assets Committee (CAC)

The Criticised Assets Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank’s assets in line with the internal and external regulatory framework and ensures that triggers are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines.

The members of the Committee include the Managing Director, General Manager, and other relevant Senior Management Staff of the Bank.

CORPORATE GOVERNANCE (CONTINUED)

25.3 Assets and Liabilities Management Committee (ALMAC)

The Assets and Liability Management Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies.

The members of the Committee include the Managing Director, General Manager, the Treasurer, Head, Risk Management Group, the Head, Currency Trading Unit and relevant Management Staff of the Bank.

25.4 IT Steering Committee

The IT Steering Committee is responsible for the review of technology deployments in the Bank, planning of new IT products and the review of developments in the Technology industry.

The Committee is chaired by the Managing Director and has the Head of Technology Unit as the Secretary. Other members include; the General Manager, the Group Heads of Investment Bank, Retail Bank, Alternative Channels, Settlements; and Heads of Corporate Affairs, Risk Management, Systems and Control, and Financial Control and Strategy.

26.0 Profile of Senior Management

Daniel Attah (General Manager/Divisional Head, Operations)

Daniel Attah holds a Bachelor of Science Degree in Agricultural Economics from ABU Zaria and Master of Business Administration (MBA) from Ambrose Alli University in 1994 and 2000 respectively. He is a member of Chartered Institute of Management of Nigeria and a professional student member of The Chartered Institute of Bankers of Nigeria (CIBN).

He has over 20 years' experience working with Citizens Bank (now Enterprise Bank), Main Street Bank and Guaranty Trust Bank Nigeria PLC (GTBank). He was seconded to Guaranty Trust Bank (Ghana) Limited in 2015 as the General Manager in charge of Operations and Technology. He also deputises for the Managing Director.

Daniel's banking experience covers Clearing, Transaction Services, Customer Service, Funds Transfer, Domestic Operations, Remittances - Western Union, International Operations and Treasury Operations. Within these broad functional areas, he has handled specific functions which include cheque presentation and clearing, review of account opening forms, funds transfer, branch operations head, customer service, reconciliation of ledger and accounts, investigations and resolution of customers complaints, preparation of audit summaries and schedules, customer third party transfers via Nigeria Interbank Settlement System, CBN funds transfer platform, settlement of interbank transactions, settlement of foreign and local placements and takings, settlement of treasury bills and bonds, customer and interbank FX transactions settlement, non-proprietary asset settlement, handling customer importation documents, payment for services abroad, liaison with CBN and other regulatory bodies amongst others.

He has attended several local and foreign trainings including Citibank New York Seminar in California (2013), ICC FIT training (2011), Understudy of Offshore Banks Operations (Citibank London, Deutsche London and GTB UK, - 2011), Structured LC/Trade Finance organised by Citibank NA (2010), BASIS Software Training in Amman Jordan (2009), CBN Foreign Exchange Seminars, Personal Effectiveness Course, Fixed Income Securities Trainings on Bond and Treasury Bills, Fraud Detection, Prevention and Control training, Banking Operations and The Whole Manager (Facilitated by Human Performance Solutions).

Iris Richter-Addo (Divisional Head, Internal Services)

Ms. Richter-Addo holds a Bachelor of Laws Degree from the University of Ghana and Barrister at Law qualification from the Ghana School of Law. She also holds a Master's Degree (cum laude) in International Trade and Investment Law jointly run by the University of the Western Cape, Cape Town, South Africa/American University, Washington DC, USA. She was called to the Ghana Bar in 1995 and has over 24 years' post-qualification experience in company secretarial practice and diverse areas of law. She possesses a proven track record of being an efficient, results-

CORPORATE GOVERNANCE (CONTINUED)

26.0 Profile of Senior Management (continued)

Iris Richter-Addo (Divisional Head, Internal Services) - continued

oriented multi-tasker possessing the ability to meet and exceed delivery expectations; strong strategy and policy formulation capabilities; superior leadership, communication, negotiation and interpersonal skills.

She currently oversees Human Resources, Legal, Corporate Affairs and Administration and also serves as the Company Secretary of the Bank, a position she has held since inception of the Bank.

Prior to joining the Bank, she worked as an associate lawyer with Messrs. Fugar & Company, a reputable law firm with offices in Accra, Ghana, providing legal and company secretarial services to both local and multi-national clients.

Ms. Richter-Addo is a member of the Ghana Bar Association.

Nelson Ofosu (Head, Corporate Banking)

Mr. Ofosu joined the Bank in February 2010 as the Head of Tema Branch and was later appointed as the Group Head for the Tema Business Group comprising of the Corporate, Commercial and Retail Teams of the branches within Tema. Later, he became the Divisional Head overseeing the Corporate, Retail and Advantium (SME & Commercial) Business Groups within the Tema and Spintex area. Currently, he is the Divisional Head overseeing the Tema Corporate Bank Division.

Mr. Ofosu started his banking career with the Bank for Housing and Construction (in-official -liquidation) as Commercial Banking Officer in 1998. He had previously worked for the Ghana Education Service and taught for one academic year at the Presbyterian Boys' Secondary School, Legon. Thereafter, he worked with a team of implementation consultants from the International Projekt Consult, Frankfurt-Germany, to set up ProCredit Savings and Loans Company Limited, in Ghana. In 2002, Mr. Ofosu was employed as Credit Officer and later assumed responsibility as Deputy Credit Manager (in charge of Risk Management) and eventually as the Head of Credit of ProCredit, a senior management position he held until September 2006. He later moved to Intercontinental Bank Ghana Limited as a Microfinance Specialist to manage the Microfinance Department.

He holds a Bachelor of Science degree (Second Class Upper Division) in Physics from the Kwame Nkrumah University of Science and Technology and Masters degree in Business Administration (Finance Option) from the University of Ghana.

Leopold L. L. Armah (Divisional Head, Digital Banking & Alliances)

Mr. Armah is currently leading the Bank's digitalization drive in the capacity of the Divisional Head, Digital Bank, managing both the technical and business components of the electronic banking value-chain. Prior to this, he had held the position of Group Head of Technology from June 2012 to May 2017. Leopold has an enviable mix of experience, and versatility in the automation of both the private and public sectors of the Ghanaian economy, particularly within Banking, Telecommunication, Pensions and Insurance sub-sectors. In acknowledgement of his contribution to the industry, he was recently adjudged the "Chief Information Officer for the Year" during the Ghana Information Technology and Telecommunication Awards (GITTA) in July 2017. He was also nominated as the "National ICT Young Personality" on a similar platform in 2008.

Leopold graduated from the University of Ghana with Bachelor of Science Degree in Computer Science & Statistics (Combined Major), and also holds Executive MBA in Information Technology Management from Paris Graduate School of Management. Additionally, he has Postgraduate Certificate in Public Administration from GIMPA and also holds Certificate in Digital Money from Digital Frontiers Institute. Leopold is also an Alumnus of Internet Governance Capacity Building Programme.

CORPORATE GOVERNANCE (CONTINUED)

26.0 Profile of Senior Management (continued)

Calleb Osei (Chief Finance Officer)

Mr. Calleb Osei is a member of the Association of Certified Chartered Accountants (ACCA-UK) and Institute of Chartered Accountants (ICA-Ghana), has an Executive Master's in Business Administration (Accounting option) and BSc in Administration (Accounting Option), both from the Business School of the University of Ghana, Legon.

Mr. Osei has over 15 years work experience from very renowned institutions such as Marine and General Brokers, Access Bank (Ghana) Limited and Guaranty Trust Bank (Ghana) Ltd. His expertise cuts across Risk Management, Treasury Management, Financial Reporting, Corporate Finance, Strategic Management as well as Tax Planning and Administration.

He was a panel member of the Arab African Trade Forum held in Dubai in December 2017, providing key insights into how the Middle East can tap into the trade business of the Sub-Saharan African Countries. He attended the London Banking School of Risk Management and was the guest of the British Government at the 2015 City Week, an International Financial Services Forum. He also participated in the 2016 Future of Finance Conference organised by FMO in Netherlands amongst others.

Mr. Osei has been very influential in the banking and financial sector through his contributions in leading the process for the Initial Public Offer of Access Bank Ghana Limited as well as a Note Programme. He played a key role in the implementation of IFRS 9 and 16 for Access Bank and Guaranty Trust Bank respectively.

Mr. Osei has held key positions in the financial industry. He currently is the Chief Finance Officer (CFO) of Guaranty Trust Bank Ghana Limited having previously worked with Access Bank Ghana Limited in the same capacity.

Yahaya Atchulo (Divisional Head, Public Sector Banking)

Mr. Yahaya Atchulo is a member of the Institute of Chartered Accountants, Ghana (ICAG) and holds an EMBA in Finance from the University of Ghana, Legon.

Mr. Atchulo has over 15 years work experience in the finance profession and banking industry. He joined the Bank from inception in 2005. He later joined the United Nations Development Program (UNDP) where he rose to be the Head of the Finance unit, before proceeding to Guaranty Trust Bank (Ghana) Limited where rose through the ranks to hold several leadership positions. He became the Head of the Northern Sector, Energy and Power, and Public Sector businesses consecutively.

He currently is Divisional head of the Public Sector Business, and a Senior Member of the Bank, where he champions the Bank's cause to provide quality and timely services to customers and other stakeholders of the Bank.

Ernest Kumi (Divisional Head, Retail Bank 1)

Mr. Kumi holds a Bachelor's degree in Banking and Finance from the Central University. He is currently the Divisional Head, Retail Division 1 prior to the new role, he was the head of the Currency Trading Group of the Bank and has been in-charge of the leadership the Investment Bank Group. He has over twenty years of Banking experience.

Prior to joining the Bank, Mr. Kumi had worked with CAL Bank Ltd in various capacities including holding the Risk Officer position as well as Head of Treasury Back Office. He also worked with erstwhile Intercontinental Bank as Head of the Trading and Investment Banking Unit. Currently, he is a Divisional Head of one of the Bank's Retail Banking Business.

Nana Kwabena Afoom (Divisional Head, Accra Corporate Bank 1)

Nana Kwabena Afoom currently heads the Accra Corporate Banking 1 Division of the Bank. He joined the Bank in 2008 as the Unit Head of the Commercial Banking Group in charge of FMCG businesses. He was responsible for

CORPORATE GOVERNANCE (CONTINUED)

26.0 Profile of Senior Management (continued)

Nana Kwabena Afoom (Divisional Head, Accra Corporate Bank 1) – continued

setting up the SME Group of the Bank in 2013 before being appointed the Group head of Corporate Banking Group in 2015. Prior to setting up the SME group, he was the Pioneer Branch Head of the Achimota Branch from 2009 to 2011, Branch Head of the Airport branch from 2011 to 2012 and then Regional head for Retail Banking, 2012 to 2013. He is currently the Divisional Head of the Bank's Accra Corporate Banking Business.

He started his banking career as a Credit officer with the Dansoman Branch of the Agricultural Development Bank (ADB) in 2000 before becoming the credit manager of the branch in 2003. His other work experiences are in the areas of marketing and events management.

He holds a B. Sc. (Agricultural Economics) degree from the University of Ghana (1994 - 1998) and an M.Sc. (International Economics, Banking & Finance) degree from Cardiff Business School, Cardiff, Wales 2003-2004.

Robert Allan Barnes (Divisional Head, Institutional Bank Division)

Mr. Barnes is a Senior Executive of GTBank Ghana, possessing immense business experience in Sales, Relationship Management, Credit and Business Development. He is currently the Divisional Head of the Bank's Institutional Banking Business, managing all the institutional banking teams across Accra. He is directly in charge of identifying business opportunities for the bank, strategising, spearheading, diversifying and maximising the company's institutional portfolio under the areas that he overseas. Prior to his current role, Robert was the Branch Manager of the North Industrial Area Branch from June 2009 – July 2012, before which he had been the Unit Head of the bank's Import Desk from May 2008 – June 2009.

He retains a wealth of experience in Administration, Finance and Banking gathered through years of working in various companies within Ghana and the UK. He maintains just the right blend of innovation, tenacity, ingenuity and exceptional client relationship management skills, with a keen eye and ear for industry trends. In addition to all these qualities, he possesses an immeasurable wealth of experience in credit writing and analysis.

Robert graduated with honors from the University of Ghana with a Bachelor's Degree in Political Science and History (Combined Major). He also holds an MSc in Business Management from the University of Hull – UK and is an Alumnus of St. Augustine's College (Advanced and Ordinary Levels). In addition, he holds several certificates from a plethora of workshops and seminars including Project Loan Appraisal, Induction to Banking, Fundamentals of Credit Analysis and Management, Service Marketing as well as Credit Risk Management.

Oscar Dadzie (Chief Risk Officer)

Mr. Oscar Dadzie is a member of the Association of Certified Chartered Accountants (ACCA-UK) and of the Information Systems Audit and Control Association (ISACA). He also has a Masters in Business Administration (Financial Management), BA (Hons) Economics), and Project Management Professional (PMP) level one from Hull University, UK, the University of Ghana, Legon, and Knowledge Tree Technologies, Accra respectively.

Mr. Dadzie has over 20 years work experience in the banking industry. He began in the erstwhile ProCredit Savings & Loans Co. Accra, Ghana (now part of Fidelity Bank Ghana Limited) before later joining Guaranty Trust Bank (Ghana) Limited where he rose through the ranks to positions such as Head of Domestic operations, Chief Finance Officer and Chief Risk Officer.

He is also an attendant of several professional seminars cutting across Risk, Finance and Information Technology (IT) which have served to fine-tune his expertise in these various fields – IT Governance in Banking, Ethics, ERM and Corporate Governance as organized by credible institutions.

He currently is the Chief Risk Officer (CRO) of Guaranty Trust Bank (Ghana) Limited where he has achieved the feat of successfully managing the Bank's credit and risk portfolio.

CORPORATE GOVERNANCE (CONTINUED)

26.0 Profile of Senior Management (continued)

Chris Joseph Haruna (Head, Internal Audit)

Chris Joseph Haruna is a Chartered Accountant and a member of the Institute of Chartered Accountants Ghana. He is an associate member of Association of Certified Fraud Examiners (ACFE). He is also a member of the Institute of Internal Auditors Ghana (IIAG). He is also a certified ISO 9001:2015 Lead Auditor. He holds a first degree in Bachelor of Commerce (B.COM) from the University of Cape Coast, Ghana.

Mr. Haruna joined the Bank in November 2016 from PricewaterhouseCoopers Ghana (PWC Ghana) where he was responsible for the conduct of external assurance audit engagements with specialization in financial sector audits. He joined the Bank as the Unit Head of Internal Audit and was later appointed as the Chief Internal Auditor. He has 10 years working experience covering external and internal audit and control. He has knowledge and understanding of applicable banking operations, regulations, International Standards for the Professional Practice of Internal Auditing.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guaranty Trust Bank (Ghana) Limited ("the Bank"), which comprise the statement of financial position as 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 26 to 117.

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

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.

Impairment of loans and advances to customers GHS 4.2m Refer to Note 17 (ii) to the financial statements	
The key audit matter	*How the matter was addressed in our audit*
Gross Loans and advances to customers amounted to GHS 1,062 million at 31 December 2020 (GHS 573.6 million at 31 December 2019), with related impairment allowance of GHS 4.2 million at 31 December 2020 (GHS 4.1 million at 31 December 2019). The Bank is required to recognise expected credit losses (ECL) on financial instruments which involve significant judgement and complexity. The carrying value of financial instruments, within the scope of International Financial Reporting Standard: Financial Instruments (IFRS 9), may be materially misstated if judgements or estimates made by the Bank are inappropriate. In 2020, the global COVID-19 pandemic has also significantly impacted businesses of customers and this could consequently impact the performance of credit portfolios.	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our procedures to address the key audit matter included: • Reviewed the effectiveness of controls over credit administration, evaluation and monitoring processes. • Reviewed the ageing of loans and advances to customers to confirm the appropriateness of the staging into the various IFRS 9 staging buckets. We also assessed the effect of government and Bank specific COVID-19 interventions on both the arrears bucketing for IFRS 9 ECL staging and regulatory ECL provisions. • Reviewed loan files of selected customers to ascertain performance and quality of the underlying facilities focusing on industries that were severely impacted by COVID-19 for any distress indicators not already

The following are considered the most significant areas of risk in the estimation of expected credit losses on loans and advances to customers considering the effect of COVID-19 and other areas of complexity and uncertainty: • Allocation of loan to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of COVID-19 Bank specific COVID support measures, such as payment deferrals and reduction in loan interest rates on customer behaviour as well and overall credit quality of loans and advances to customers. • Measurement of ECL on loans and advances classified as stage 3 including the assessment of macroeconomic scenarios and the impact COVID-19 had on exit strategies, collateral valuations and time to collect. • Macroeconomic scenarios used in the calculation of ECL for loans and advances to customers may not sufficiently consider the impact of COVID-19. • Qualitative adjustments – adjustments to model-driven ECL results are raised to address model limitations or emerging risks and trends in underlying portfolios which are inherently judgmental. • Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL considering the impact of COVID-19 on model performance and any additional data to be considered in the ECL calculation Disclosure quality - the disclosures required by IFRS 9 are complex and provide insights to the key judgments and material inputs to the IFRS 9 ECL results. The effect of these matters is that, as part of our risk assessment, we determined that the value of ECL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. 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 to be a key audit matter in our audit of the financial statements.	considered by management in the staging of the customers for ECL purposes. • Reviewed the meeting minutes of the critical assets committee to understand the nature of the loan book and assess the completeness of post model adjustments and also for an indication of impairment on loan customers discussed by management. • Assessed macroeconomic scenarios used in calculation of ECL on Loans and advances to customers to determine whether these have sufficiently considered the impact of COVID-19. • Re-performed management's allowance calculation, assessing supporting evidence in relation to key inputs on a sample basis, that included expected future cash flows, discount rates, valuations of collateral held, and the weightings applied to scenario outcomes; • We assessed whether the data used in the models included all the relevant information through testing a sample of relevant data fields and their aggregate amounts against data in the systems • Assessing the completeness, accuracy and relevance of disclosures required by IFRS 9.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GUARANTY TRUST BANK (GHANA) LIMITED

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) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Report of the Audit Committee; Corporate Governance; Corporate Information and Appendices which we obtained prior to the date of this auditor's report date and the Chairman's Statement and the Managing Director's statement which is expected to be made available to us after that date.

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

Responsibilities of the Directors for the Financial Statements

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

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

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional 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.

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 Amendments and Regulations governing the Acts.

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

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

09 March 2021

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Ghana Cedis)

		Year ended 31 December	
	Note	**2020**	**2019**
Interest income calculated using the effective interest method	6	**344,557,057**	334,971,038
Other interest income	6	**22,527,809**	24,247,267
Interest expense	6	**(81,175,603)**	(91,007,876)
Net interest income		**285,909,263**	268,210,429
Fee and commission income	7	**134,637,513**	81,403,284
Net gain/(loss) on derivative instrument	19	**(10,386,516)**	10,386,516
Net trading income	8	**67,179,424**	59,765,970
Net income from other financial instruments carried at fair value	9	**81,957,328**	68,940,015
Net trading and other income		**273,387,749**	220,495,785
Revenue		**559,297,012**	488,706,214
Other income	10	**105,493**	401,587
Net impairment on financial assets	17 (ii)	**(7,852,454)**	(8,521,227)
Personnel expenses	11	**(56,279,786)**	(55,952,253)
Amortisation of prepaid leases	12	**(1,631,591)**	(2,822,262)
Depreciation and amortisation	22	**(18,677,071)**	(16,627,924)
Finance charge	30	**(3,884,552)**	(3,086,760)
Other operating expenses	13	**(86,089,947)**	(101,953,062)
Profit before income tax expense and national fiscal stabilisation levy		**384,987,104**	300,144,313
National fiscal stabilisation levy	14	**(19,249,355)**	(15,007,216)
Income tax expense	14	**(96,406,943)**	(77,336,107)
Profit for the year and total comprehensive income		**269,330,806**	207,800,990

The notes on pages 30 to 117 are an integral part of these financial statements.

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

	Note	As at 31 December 2020	2019
Assets			
Cash and cash equivalents	15	**598,072,669**	423,746,000
Non-pledged trading assets	18(ii)	**439,593,290**	436,739,101
Derivative assets	19	**-**	10,386,516
Loans and advances to customers	17(i)	**1,057,579,838**	569,536,071
Investment securities	18(i)	**1,647,944,648**	1,591,459,777
Current tax assets	14	**-**	5,911,020
Property and equipment	20	**104,651,923**	116,182,565
Intangible assets	21	**3,603,518**	3,860,665
Deferred tax assets	23	**2,195,356**	1,404,331
Other assets	24	**227,448,056**	93,954,804
Total assets		**4,081,089,298**	3,253,180,850
Liabilities			
Deposits from customers	25	**2,995,393,368**	2,149,049,215
Deposits from banks	15	**-**	241,345,860
Current tax liabilities	14	**6,507,246**	**-**
Deferred tax liabilities	23	**3,277,117**	3,695,575
Provision on off balance sheet Items	3.3.2	**460,158**	137,922
Other liabilities	26	**68,031,166**	70,679,812
Total liabilities		**3,073,669,055**	2,464,908,384
Equity			
Stated capital	27	**404,895,476**	404,895,476
Credit risk reserve	28	**16,244,825**	13,520,423
Statutory reserve fund	28	**324,999,589**	257,666,887
Income surplus	28	**261,280,353**	112,189,680
Total shareholders' funds		**1,007,420,243**	788,272,466
Total liabilities and equity		**4,081,089,298**	3,253,180,850

The notes on pages 30 to 117 are an integral part of these financial statements.

The financial statements were approved by the Board on 09 March 2021 and signed on its behalf by:

………………………………
Kwasi M. Tagbor
Chairman

………………………………
Thomas Attah John
Managing Director

(All amounts are in Ghana Cedis)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Income Surplus	Total
Balance at 1 January 2020	**404,895,476**	**257,666,887**	**13,520,423**	**112,189,680**	**788,272,466**
Profit for the year	-	-	-	269,330,806	269,330,806
Total comprehensive income	-	-	-	**269,330,806**	**269,330,806**
Transfers					
Transfer to credit risk reserve	-	-	2,724,402	(2,724,402)	-
Transfer to statutory reserve fund	-	67,332,702	-	(67,332,702)	-
Total Transfers	-	**67,332,702**	**2,724,402**	**(70,057,104)**	-
Transaction with shareholders					
Dividends	-	-	-	**(50,183,029)**	**(50,183,029)**
	-	-			
Balance at 31 December 2020	**404,895,476**	**324,999,589**	**16,244,825**	**261,280,353**	**1,007,420,243**

	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Income Surplus	Total
Balance at 1 January 2019	**404,895,476**	**153,766,392**	**16,812,201**	**4,997,407**	**580,471,476**
Profit for the year	-	-	-	207,800,990	207,800,990
Total comprehensive income	-	-	-	**207,800,990**	**207,800,990**
Transfers					
Transfer from credit risk reserve	-	-	(3,291,778)	3,291,778	-
Transfer to statutory reserve fund	-	103,900,495	-	(103,900,495)	-
Total Transfers	-	**103,900,495**	**(3,291,778)**	**(100,608,717)**	-
Total transactions recognised directly in equity	-	**103,900,495**	**(3,291,778)**	**(100,608,717)**	-
Balance at 31 December 2019	**404,895,476**	**257,666,887**	**13,520,423**	**112,189,680**	**788,272,466**

The notes on pages 30 to 117 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in Ghana Cedis)

	Note	2020	2019
Cash flows from operating activities			
Profit for the year		**269,330,806**	207,800,990
Adjustments for:			
Depreciation and amortisation	22	**18,677,071**	16,627,924
Impairment on financial assets	17(ii)	**8,036,642**	8,665,680
Foreign exchange difference on borrowings		**-**	475,784
Profit on disposal of property and equipment	10	**(94,293)**	(401,587)
Loss/(Gain) on derivative assets	19	**10,386,516**	(10,386,516)
Fair value gains on non-pledged trading asset	9	**(37,032,879)**	(15,724,565)
Foreign exchange gains	8	**(20,843,000)**	(33,699,526)
Net interest income	6	**(285,909,263)**	(268,210,429)
Income tax expense	14	**115,656,298**	92,343,323
Lease liability finance charges	30(ii)	**3,884,552**	3,086,760
		82,092,450	577,838
Change in: loans and advances	3.4.3	**(495,758,173)**	(153,663,552)
trading assets and investment securities		**(10,238,525)**	(1,104,584,380)
other assets	24	**(133,493,252)**	(33,606,318)
deposit from banks	15	**(241,345,860)**	241,345,860
deposits from customers	25	**846,344,153**	484,749,504
other liabilities	26	**(2,416,419)**	(1,872,059)
Interest received		**367,084,866**	359,218,305
Interest paid		**(81,175,603)**	(91,007,876)
Finance charges on lease liability paid	30(iii)	**(3,097,506)**	(3,086,760)
Cash generated from/ (used in)operations		**327,996,131**	(301,929,438)
Income tax paid	14	**(87,201,172)**	(82,517,702)
National fiscal stabilisation levy paid	14	**(17,246,343)**	(16,035,553)
Net cash generated from/(used in) operating activities		**223,548,616**	(400,482,693)
Cash flows from investing activities			
Purchase of property and equipment	20	**(4,791,939)**	(29,409,067)
Purchase of intangible assets	21	**(538,816)**	(1,522,188)
Proceeds from sale of property and equipment		**98,309**	565,748
Net cash used in investing activities		**(5,232,446)**	(30,365,507)
Cash flows from financing activities			
Repayment of borrowings	-	**-**	(6,525,000)
Lease liability payments	30(iii)	**(2,581,816)**	(9,864,213)
Dividends paid	29	**(50,183,029)**	-
Net cash (used in) financing activities		**(52,764,845)**	(16,389,213)
Net increase/(decrease) in cash and cash equivalents		**165,551,325**	(447,237,413)
Cash and cash equivalents at 1 January	15	429,625,177	832,689,912
Effect of exchange rate fluctuations	8	17,078,225	44,172,678
Cash and cash equivalents at end of period	15	**612,254,727**	429,625,177

The notes on pages 30 to 117 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

1. REPORTING ENTITY

Guaranty Trust Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is 25A Castle Road Ambassadorial Area, Ridge, PMB CT 416, Cantonments, Accra. The Bank is a subsidiary of Guaranty Trust Bank Plc Nigeria. The Company is licensed to operate as a bank with a universal banking license that allows it to undertake all banking and related services. The financial statements are the individual financial statements of the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied to all periods presented in these financial statements**.**

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention except for the following assets and liabilities that are measured at their fair value:

- derivative financial instruments
- financial instruments at fair value through profit or loss

The statement of comprehensive income presents income and expenses based on their nature while the statement of financial position presents assets and liabilities according to their order of liquidity.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.3 Changes in accounting policy and disclosures

(i) New standard effective from 1 January 2020

The following standards which became effective from 1 January 2020 do not have a material effect on the Bank's financial statements;

- Amendments to References to Conceptual Framework in IFRS Standards

The IASB revised the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

The IASB updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

- Definition of material (Amendments to IAS 1 and IAS 8)

The Bank does not intend to use the Framework as a reference for selecting its accounting policies in the absence of specific IFRS requirements and therefore does not expect this to impact the Bank significantly.
The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

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

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change -the refinements are not intended to alter the concept of materiality.
It is not expected that this will impact the Bank significantly.

- Interest rate benchmark Reform (Amendments to IFRS 9, IAS 39 and AFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.
The amendments are effective from 1 January 2020. Early application is permitted.
It is not expected that this will impact the Bank significantly.

(ii) New and amended standards and interpretations issued but not yet adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to early adopt these Standards.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)
The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet adopted by the Bank (continued)

COVID-19-Related Rent Concessions (Amendments to IFRS 16) – continued

The practical expedient will only apply if:
- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:
- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

The Bank is yet to determine the impact of this standard on its financial statements.

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:
- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The Bank is yet to determine the impact of this standard on its financial statements.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the ‘’10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
IAS 41 Agriculture	The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet adopted by the Bank (continued)

Annual Improvements to IFRS Standards 2018-2020 (continued

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The Bank is yet to determine the impact of this standard on its financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits 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.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The Bank is yet to determine the impact of this standard on its financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Bank is yet to determine the impact of this standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet adopted by the Bank (continued)

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Bank is yet to determine the impact of this standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are generally recognised in profit or loss.

2.5 Interest income and expense

a. Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

b. Amortised cost and gross carrying amount

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

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Interest income and expense (continued)

c. Calculation of interest income and expenses

The effective interest rate of a financial asset or a 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.

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.

d. Presentation

Interest income and expense presented in the income statement includes:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net income from other financial instruments carried at FVTPL.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in interest income.

2.6 Fees and commission income

Fees and commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments’ terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided / performed.

2.7 Net trading income

Net trading income comprises gains less losses related to foreign exchange transactions undertaken on behalf of customers and other banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed), on or after 1 January 2019.

2.8.1 Bank acting as the lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Bank recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs attributable to the lease contract.

The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of lease liability includes:

- fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amountis expected to be ayailable under a residual value guarantee; and
- lease payments in an optional renewal period if the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. A re-measurement of the lease liability and right-of-use asset is required under the following circumstances:

- a change in future lease payments arising from a change in an index or rate;
- a change in the lease term (assessment of whether the Bank will exercise a purchase, extension or termination option);
- a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee;
- a revised in-substance fixed lease payment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the current amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the statement of financial position.

Short term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.9 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments

2.10.1 Recognition and initial measurement

The Bank initially recognises loans and advances and deposits from customers on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2.10.2 Classification of financial instruments

The Bank classified its financial assets under IFRS 9, into the following measurement categories:

- those measured at fair value through profit or loss (FVTPL); and
- those measured at amortised cost.

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial asset's cash flows (i.e. solely payments of principal and interest – SPPI test).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are are solely payments of principal and interest on the principal amount outstanding.

All other financial assets held by the Bank that are not measured at amortised cost and are also not held at FVOCI are classified at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.2 Classification of financial instruments (continued)

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

i. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
ii. How the performance of the portfolio is evaluated and reported to the Bank's management;
iii. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
iv. How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
v. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.
vi. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.2 Classification of financial instruments (continued)

Business model assessment (continued)

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Cash and cash equivalents
Cash and cash equivalents' include notes and coins on hand, balances held with banks 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.

Non pledged trading assets and trading liabilities
Non pledged trading assets and trading liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

Loans and advances to banks and customers
These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Investment securities

The 'investment securities' caption in the statement of financial position includes:
- debt securities measured at amortised cost, these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVTPL with changes recognised immediately in profit or loss

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 held for risk management purposes are measured at fair value in the statement of financial position.

Financial liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.2 Classification of financial instruments (continued)

Business model assessment (continued)

Deposits and borrowings

Deposits and borrowings from other banks are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

2.10.3 Modifications of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank considers the following non-exhaustive criteria.

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.3 Modifications of financial assets and financial liabilities (continued)

(i) Financial assets (continued)

In addition to the above, the bank also considers qualitative factors as detailed below.

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
- Conversion of a loan from one currency to another currency

(ii) Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re computing the effective interest rate on the instrument.

2.10.4 Impairment of financial assets

The Bank recognises Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Risk free and gilt-edged debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.4 Impairment of financial assets (continued)

1. Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

i. **Financial assets that are not credit-impaired at the reporting date**: ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive) using the original effective interest rate or an approximation thereof as the discount rate;

ii. **Financial assets that are credit-impaired at the reporting date:** ECL represents the difference between the gross carrying amount and the present value of estimated future cash flows using the original effective interest rate or an approximation thereof as the discount rate;

iii. **Undrawn loan commitments**: ECL is the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The discount rate is the original effective interest rate or an approximation thereof that will be applied to the financial asset resulting from the loan commitment; and

iv. **Financial guarantee contracts:** This is the expected payments to reimburse the holder less any amounts that the Bank expects to recover. The discount rate is the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial asset

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

If the expected restructuring will not result in de recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de recognition to the reporting date using the original effective interest rate of the existing financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.4 Impairment of financial assets (continued)

2. Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days or more overdue are considered impaired except for certain specialised loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Ghana) in which the bank has rebutted the 90 DPD presumptions.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- It is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs shall require endorsement by the Board of Directors and the Central Bank in accordance with the Bank's policies and regulatory guidance. Credit write-off approval shall be documented in writing and properly initialed by the Board of Directors.

A write-off constitutes a derecognition event. However, 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 amount due. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the credit impairment loss decreases, and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in profit or loss.

2.10.5 Fair value measurement

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

When one is 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 on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio level adjustments – e.g. bid ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.6 Fair value measurement (continued)

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

2.10.7 Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a current 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

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

2.10.8 De-recognition of financial instruments:

Financial Assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

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 transferred), 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 other comprehensive income is recognised in profit or loss.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.10.9 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at fair value, and the initial fair value is amortised over the life of the financial guarantee. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Liabilities arising from Financial guarantees and loan commitments are included within other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10.9 Financial guarantees and loan commitments (continued)

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Bank recognises a provision in accordance with IAS 37 if the contract is considered to be onerous.

2.11 Pledged assets

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers 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 rate method. Securities lent to counterparties are also retained in the financial statements.

2.12 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Subsequent costs

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

Depreciation

Depreciation is charged to the profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5.

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

Leasehold improvements and buildings	50 years
Equipment	5 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicle	4 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Property and equipment - continued

De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

2.13 Intangible assets - software

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. Amortisation methods, useful lives and residual values are re-assessed at each reporting date.

2.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Provisions (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(l) **Contingent liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

2.16 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due.

a. Social Security
Under a national defined contribution pension scheme, the Bank contributes 13% of employees’ basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. Obligations for contributions are recognised as an expense in profit or loss when they are due. The Bank’s obligation is limited to the relevant contributions, which were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

b. Provident Fund
The Bank has a provident fund scheme for staff under which it contributes 10% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the Fund Manager.

Short-term 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.

2.17 Stated capital

Ordinary shares

Ordinary shares are classified as ‘stated capital’ in equity. Proceeds from issue of ordinary shares are classified as equity. Incremental costs that are directly attributable to the issue of equity instruments are deducted from the initial measurement of the equity instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Stated capital (continued)

Share issue costs

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

Dividend on ordinary shares

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

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

The Bank's business involves taking on risk 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 the market, 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 forgone, which may be caused by internal or external factors.

3.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability Management Committee (ALMAC) and Management Credit Committee and the Risk Management Unit, which are responsible for developing and monitoring risk management policies in their specified areas.

All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. 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 Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

COVID-19 considerations
IFRS 7 Financial Instruments: Disclosures requires disclosure of the nature and extent of risks arising from financial instruments and how the company manages those risks.

Regulatory changes
Banks, per COVID-19 induced regulatory directives, introduced changes to the way they did their businesses, which in turn impacted the credit risk that arose from the transactions that they entered into and the way they managed those risks. Banks changed the terms and conditions of the loans that they originated, changed their debt collection processes, received government guarantees in respect of its credit exposures among others (restructured timing and amounts of repayments), reduced provisions for loans in the "Other Loans Especially Mentioned" (OLEM) category from 10 percent to 5 percent for all banks and SDIs as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity. These impacted the qualitative considerations in impairment computation as well as the regulatory credit reserve of the banks.

Bank-specific changes
In line with the measures taken by the Regulator, The Bank also amended its regulatory loan provision requirement for OLEM category of loans from 10% to 5%.
Additionally, the Bank restructured the terms of loans of its customers impacted by the Covid-19 pandemic. Quantitatively, these modifications (mainly restructuring of terms) resulted in a modified loss of GHS 168,909 which was assessed as immaterial and therefore not recognised in the Financial statement for the year ended 31 December 2020. No modifications were made for facilities that its loss allowance were measured at an amount equal to lifetime ECL.

3.3.1. Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Managing Director, Management Credit Committee, and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk*. Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- *Developing and maintaining the Bank's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3.3 Credit risk exposure (continued)

3.3.1. Management of credit risk (continued)

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Risk Management unit of the Bank on the credit quality of local portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorised by the Board Credit Committee. Each business unit with the responsibility of initiating credit has experienced credit managers who report on all credit related matters to local management of the Board Credit Committee and respond to issues at the Bank's Criticised Assets Committee (CAC). Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

- *Regular review of business units and credit quality* are undertaken by internal audit function of the bank and the parent company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3.3.2 Credit risk exposure

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.
The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

	2020				
In thousands of Ghana Cedis	**Gross loans**	Stage 1	Stage 2	Stage 3	**Net loans**
Loans and advances to customer at amortised cost - Bankwide					
Grades 1–3: Low–fair risk	998,425	(1,278)	-	-	997,147
Grades 4: Watch list	52,978	-	(2,049)	-	50,929
Grade 5 & 6: Substandard, Doubtful & Loss	10,414	-	-	(910)	9,504
Total Amount	**1,061,817**	**(1,278)**	**(2,049)**	**(910)**	**1,057,580**
Investment securities at amortised cost					
Grades 1–3: Low–fair risk	1,647,945	-	-	-	1,647,945
Due from Banks and other financial institution					
Grades 1–3: Low–fair risk	341,584,134	-	-	-	341,584,134
Other assets					
Grades 1–3: Low–fair risk	214,802	-	-	-	214,802
Loan commitments					
Grades 1–3: Low–fair risk	30,558,179	(603,394)	-	-	29,954,785
Financial Guarantees and Letters of credit					
Grades 1–3: Low–fair risk	100,157,715	(460,158)	-	-	99,697,557

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 30%. 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 11% 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

	2019				
In thousands of Ghana Cedis	**Gross loans**	**Stage 1**	Stage 2	Stage 3	**Net loans**
Loans and advances to customer at amortised cost -Bank-wide					
Grades 1–3: Low–fair risk	552,031	(1,624)	-	-	550,407
Grades 4: Watch list	6,357	-	(1,693)	-	4,664
Grade 5 & 6: Substandard, Doubtful & Loss	15,247	-	-	(782)	14,465
Total	**573,635**	(1,624)	(1,693)	(782)	**569,536**
investment securities at amortised cost					
Grades 1–3: Low–fair risk	1,591,460	-	-	-	1,591,460
Due from Banks and other financial institution					
Grades 1–3: Low–fair risk	106,251,692	-	-	-	106,251,692
Other assets					
Grades 1–3: Low–fair risk	89,295	-	-	-	89,295
Loan commitments					
Grades 1–3: Low–fair risk	42,627,850	(168,414)	-	-	42,463,032
Financial Guarantees and letters of credit					
Grades 1–3: Low–fair risk	158,813,919	(137,922)	-	-	158,675,997

No impairment has been recognised on investment securities because these are government securities denominated in cedis for which no credit losses have been incurred historically. Impairment on these is therefore assessed as not significant.

No impairment has been recognised on amount due from correspondant banks and financial institutions as these are reputable and regulated banks with no history of credit losses. Impairment on these is therefore assessed as not significant.

No impairment has been recognised on other asset as these are mainly comprised of e-cash balances which are held in a control account and settlement within a month. Additionally, there has no history of credit losses on these balances and there impairment on these is therefore assessed as not significant.

Analysis of credit quality

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For lending commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

		2020					**2019**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
In thousands of Ghana Cedis										
Loans and advances to at amortised cost										
Grade 1-3 Current: Low risk		998,424,344	-	-	998,424,344		552,031,397	-	-	552,031,397
Grade 4 OLEM: Fair risk		-	52,978,158	-	52,978,158		-	6,356,889	-	6,356,889
Grade 5 Substandard: Impaired		-	-	-	-		-	-	-	-
Grade 5 Doubtful: Impaired		-	-	5,601,414	5,601,414		-	-	6,886,829	6,886,829
Grade 6 Loss: Impaired		-	-	4,812,983	4,812,983		-	-	8,359,661	8,359,661
Gross amount		**998,424,344**	**52,978,158**	**10,414,397**	**1,061,816,899**		**552,031,397**	**6,356,889**	**15,246,490**	**573,634,776**
Loss allowance		(1,278,132)	(2,049,414)	(909,515)	(4,237,061)		(1,623,975)	(1,693,180)	(781,550)	(4,098,705)
Carrying amount		997,146,212	50,928,744	9,504,882	1,057,579,838		550,407,422	4,663,709	14,464,940	569,536,071

Balances with other Banks at amortised cost										
Grade 1-3 Current: Low risk		341,584,134	-	-	341,584,134		106,251,692	-	-	106,251,692
Grade 4 OLEM: Fair risk		-	-	-	-		-	-	-	-
Gross amount		**341,584,134**	**-**	**-**	**341,584,134**		**106,251,692**	**-**	**-**	**106,251,692**
Loss allowance		-	-	-	-		-	-	-	-
Carrying amount		341,584,134	-	-	341,584,134		106,251,692	-	-	106,251,692

Analysis of credit quality (cont'd)

		2020					2019			
		Stage 1	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
In thousands of Ghana Cedis										
Lending commitments and Financial guarantee contracts										
Grade 1-3 Current: Low risk		130,715,893	-	-	130,715,893		586,441,769	-	-	586,441,769
Grade 4 OLEM: Fair risk		-	-	-	-		-	-	-	-
Gross amount		**130,715,893**	**-**	**-**	**130,715,893**		**586,441,769**	**-**	**-**	**586,441,769**
Loss allowance		(1,063,552)	-	-	(1,063,552)		(306,336)	-	-	(306,336)
Carrying amount		129,652,341	-	-	129,652,341		586,135,433	-	-	586,135,433

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

The Bank did not have any derivatives at 31 December 2020 so there is no analysis of counterparty credit exposures arising from derivative transactions. The Bank's 2019 derivative transaction (Fx swap deal) was settled in May 2020. The Bank generally ensures that derivative transactions are fully secured.

The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

	Note	**2020**	2019
Individually impaired			
Grade 5 & 6: Substandard, Doubtful & Loss		**10,414,397**	15,246,490
Allowance for impairment	19	**(909,515)**	(781,550)
Carrying amount		**9,504,882**	14,464,940
Neither past due nor impaired -			
Grade 1-3: Low–fair risk		**998,424,344**	552,031,397
Allowance for impairment	19	**(1,278,132)**	(1,623,975)
Carrying amount		**997,146,212**	550,407,422
Past due but not impaired			
Grade 4: Watch list and other loans exceptionally mentioned		**52,978,158**	6,356,889
Allowance for impairment	19	**(2,049,414)**	(1,693,180)
Carrying amount		**50,928,744**	4,663,709
Total carrying amount on balance sheet	6, 19	**1,057,579,838**	569,536,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

Credit risk exposures relating to off-balance sheet items are as follows:

	2020	2019
Concentration by product		
Bonds and Guarantees	**31,841,277**	104,309,791
Letters of Credit	**68,316,437**	54,504,128
	100,157,715	158,813,919
Less: impairment	**(460,158)**	(137,922)
	99,697,557	158,675,997
Undrawn loan commitment	**30,558,179**	42,627,850
Less: impairment	**(603,394)**	(168,414)
	129,652,342	201,135,433

Key ratios on loans and advances

The total loans loss provision made by the bank constitutes 0.40% (2019: 0.71%) of the gross loans.

As at the reporting date, gross non-performing loans classified under the Bank of Ghana Prudential Guideline constitute 0.98% (2019: 2.66%) of total gross loans and advances.

The total non-performing loans and advances amounts to GH¢10.4 million (2019: GH¢15.2 million) and the gross loan book was GH¢1.062 billion at 31 December 2020 (2019: GH¢573.8 million).

The fifty largest loan and advances exposure (gross) to total exposure is 89.11% (2019: 85.04%).

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded 5 to 6 in the Bank's internal credit risk grading system.

Past due but not impaired loans and advances

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. These loans are graded 4 in the Bank's internal credit risk grading system.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The Bank's Credit Committee determines the loans/securities that are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status. As at 31 December 2020, the Bank had written off GHS7,576,050 (2019: 11,828,268) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). These amounts are still subject to enforcement activities.

Other types of collateral and credit enhancements

In addition to the above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

During the period, there was no change in the Bank's collateral policies.

Collateral on impaired exposures
The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating over all corporate assets and other liens and guarantees. Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is performed at the time of borrowing. For exposures that subsequently become impaired, collaterals are revalued after every three (3) years.

Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2020. Collateral values of impaired loans are at cash flows of the forced sale values less estimated costs of sale as discounted to present values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

Credit collateral
Details of financial and non-financial assets as collaterals held by the Bank for the year ended 31 December 2020 as security against loans and advances under IFRS 9 for 2020 are shown below.

	2020	2019
Against stage 1 loans and advances		
Property	**715,068,600**	949,928,030
Equities	**-**	-
Cash	**566,341,718**	92,011,398
Guarantees	**375,432**	14,880,000
Others (letters of comfort)	**567,273,461**	492,462,143
Total	**1,849,059,211**	1,549,281,571
Against stage 2 loans and advances		
Property	**43,554,896**	177,753,901
Cash	**3,587,773**	602,202
Others (letters of comfort)	**35,362**	576,984
Total	**47,178,031**	178,933,087
Against stage 3 loans and advances		
Property	**94,185,135**	32,421,970
Total	**94,185,135**	32,421,970
Grand total	**1,990,422,377**	1,760,636,628

Assets obtained by taking possession of collateral

The Bank's policy is to pursue timely realisation of all repossessed collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations. Where the repossessed collaterals are of nature which can be used in the Bank's operations, they are obtained at market values through auction or by mutual consent of both parties. Where repossessed collaterals are sold, proceeds from their sale are used to reduce related outstanding indebtedness. They are normally sold within two years.

The Bank did not hold any financial and non-financial assets resulting from taking possession of collaterals held as security against loans and advances at the reporting date.

Offsetting financial assets and financial liabilities

The Bank did not hold any financial assets and financial liabilities that are off-set in the statement of financial position at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

Credit concentration
The Bank monitors concentrations of credit risk by product, by industry and by customer.
An analysis of concentrations of credit risk in respect of loans and advances at the reporting date is shown below:

	2020	2019
Carrying amount	**1,057,579,838**	569,536,071
Concentration by product		
Overdraft	**236,499,985**	104,609,060
Term loan	**825,316,914**	469,025,716
Gross	**1,061,816,899**	573,634,776
Less: impairment	**(4,237,061)**	(4,098,705)
Net	**1,057,579,838**	569,536,071
Concentration by industry		
Manufacturing	**189,092,108**	185,745,655
Construction	**130,429,589**	4,718,853
Electricity, gas and water	**48,862,405**	35,368,280
Commerce and finance	**91,474,661**	142,648,576
Transport, storage and communication	**205,484,133**	93,949,689
Services	**337,108,872**	59,242,129
Miscellaneous	**59,365,131**	51,961,594
Gross	**1,061,816,899**	573,634,776
Less: impairment	**(4,237,061)**	(4,098,705)
Net	**1,057,579,838**	569,536,071
Concentration by customer		
Individuals	**59,365,131**	46,890,781
Public sector institutions and enterprises	**171,391,082**	52,843,677
Private enterprises	**831,060,686**	473,900,318
Gross	**1,061,816,899**	573,634,776
Less: impairment	**(4,237,061)**	(4,098,705)
Net	**1,057,579,838**	569,536,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.2 Credit risk exposure (continued)

Credit concentration (continued)
Concentration by industry for loans and advances are measured based on the industry in which customer operates. Where the nature of business operation of a client cannot be clearly identified, it is classified as miscellaneous.

At 31 December 2020, the gross staff loans amount to GH¢7.4 million (2019: 8.8 million) comprising various types of loans granted to staff at concessionary rates.

Investments securities
Investment securities amounting to GH¢1.65 billion (2019: GH¢1.59 billion) are held in Government of Ghana Treasury Bills and bonds.

Non-pledged trading securities
Investment securities amounting to GH¢439.6 million (2019: GH¢436.7 million) are held in Government of Ghana Treasury Bills and bonds.

Due from banks and other financial institutions
Amount due from local banks of GH¢529,499 (2019: GH¢240,276) and foreign banks of GH¢341.1 million (2019: GH¢106 million) are held with correspondant banks and financial institutions and therefore impairments on these are not considered significant. These amounts are with regulated reputable institutions. The amounts due from banks and other financial institutions set out in Note 15 represent the maximum credit risk exposure of the Bank by holding these placements.

3.3.3 Amount arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Credit risk grades (continued)
Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Risk grading
A risk rating is a grade given to a loan (or group of loans), reflecting its quality. The ratings are either stated in numbers or as a description from one (1) to six (6).
The bank's internal rating scale is as follows:

Description	Ratings	Characteristics of Credits
Superior Credits	1	They are credits (low-fair risk) that have overwhelming capacity to repay obligations. The business has adequate cash flow and high-quality revenue from continuing business. It has strong equity when related to the quality of its assets with track record of at least consistent profit for three (3) years. Full cash collateralised credits are classified as Superior Credits.
Above average Credits	2	These have majority of attributes of superior credits (low-fair risk) but may have weaknesses in not more than two of the characteristics of superior credits. These weaknesses should not impair repayment capacity of the borrower.
Acceptable Credits	3	Acceptable Credits have most of the attributes of Above Average Credits but may have one or more of the following weaknesses which if not closely managed could impair repayment capacity of the borrower: Low capitalisation and equity base, short track record, low market share, price control on its products and highly cyclical demand.
Watch-list Credits/ Other Loans Exceptionally Mentioned (OLEM)	4	This category applies to existing credits that have shown signs of deterioration because they have well-defined weaknesses which could affect the ability of the borrower to repay. Immediate corrective actions are set in motion to avoid complete loss.
Substandard and Doubtful	5	This rate is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Some attributes are interest and principal past due for 90 days or more, borrower has recorded losses consistently for 2 years, borrowers net worth is grossly eroded due to major business failure or disaster and security offered has deteriorated.
Bad and Lost	6	This applies when all or part of the outstanding loans are uncollectible based on present conditions. Attributes are principal and interest overdue and unpaid for more than 180 days, legal processes do not guarantee full recovery of outstanding debt, clients request for a waiver of part of interest accrued has been granted, borrower is under receivership or in the process of liquidation, borrower has absconded and or documentation is shoddy or incomplete to pursue recovery through legal means.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	• Internally collected data on customer behaviour – e.g. utilisation of credit card facilities • Affordability metrics	• Payment record– this includes overdue status as well as a range of variables about payment ratios • Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions
• Data from Credit from credit reference agencies, press articles, changes in external credit ratings		• Existing and forecast changes in business, financial and economic conditions
• Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by economic sectors by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Asset and Liability Management Committee (ALMAC) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a regulatory maximum of six (6) months before the exposure is no longer considered to be credit-impaired or in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

The Bank considers a financial asset to be in default when:

i. the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
ii. the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

i. qualitative – e.g. breaches of covenant;
ii. quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
iii. based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank's Market Risk Unit and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and Bank of Ghana and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2020 included the following ranges of key indicators for Ghana for the years ending 31 December 2020 and 2019.

	2020	2019
US Exchange rate	Base 13%	Base 13%
	Range between 10% and 40%	Range between 5 and 10%
Interest rates	Base 4%	Base 16%
	Range between 20% and 30%	Range between 16 and 20%

Predicted forward looking macro-economic scenarios have been considered for all portfolios held by the bank.

The bank has assumed a 100% weighting for each macroeconomic scenarios considered in their ECL.

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management do not perform sensitivity analysis on the ECL recognised on its assets since each scenario is weighted 100% instead of applying scenario probability weights across the three scenarios.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

(i) Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated repayment rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Incorporation of forward-looking information (continued)

Measurement of ECL (continued)

(ii) Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Loss Given Default represents the bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type of exposure and seniority of claim and availability of collateral or other credit support.

(iii) Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as undrawn portion of overdrafts are considered for impairment. These include estimates based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristic that include instrument type; credit risk grading; collateral type; Loan -To-Value ratio (LTV) for mortgages; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, Bank of Ghana guidelines as well as external benchmark information is used to supplement the internally available data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3.3.2i:

		2020		
In thousands of Ghana Cedis	**Stage 1**	**Stage 2**	**Stage3**	**Total**
Loans and advances to customer at amortised cost – corporate customers				
Balance at 1 January 2020	1,613	975	782	3,370
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(17)	(17)	-
Net remeasurement of loss allowance	(1,449)	1,091	7,559	7,201
New financial assets originated, purchased or reclassified	-	-	-	-
Write-offs	-	-	(7,576)	(7,576)
Balance at 31 December 2020	**164**	**2,049**	**782**	**2,995**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

	2019			
In thousands of Ghana Cedis	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customer at amortised cost – corporate customers				
Balance at 1 January 2019	3,709	978	2,207	6,894
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(1,703)	(3)	10,403	8,697
New financial assets originated, purchased or reclassified	(393)	-	-	(393)
Write-offs	-	-	(11,828)	(11,828)
Balance at 31 December 2019	**1,613**	**975**	**782**	**3,370**

The loss allowance in these tables below includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

	2020			
In thousands of Ghana Cedis	**Stage 1**	**Stage 2**	**Stage3**	**Total**
Loans and advances to customer at amortised cost – retail customers				
Balance at 1 January 2020	11	718	-	729
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(25)	25	-
Net remeasurement of loss allowance	1,103	(693)	103	513
New financial assets originated, purchased or reclassified	-	-	-	-
Write-offs	-	-	-	-
Balance at 31 December 2020	**1,114**	**-**	**128**	**1,242**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
In thousands of Ghana Cedis				
Loans and advances to customer at amortised cost – retail customers				
Balance at 1 January 2019	26	165	-	191
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(15)	553	-	538
New financial assets originated, purchased or reclassified	-	-	-	-
Write-offs	-	-	-	-
Balance at 31 December 2019	**11**	**718**	**-**	**729**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

		2020		
In thousands of Ghana Cedis	**Stage 1**	**Stage 2**	**Stage3**	**Total**
Loans and advances to customer at amortised cost – Bankwide				
Balance at 1 January 2020	1,624	1,693	782	4,099
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(42)	42	-
Net remeasurement of loss allowance	(346)	398	7,662	7,714
New financial assets originated, purchased or reclassified	-	-	-	-
Write-offs	-	-	(7,576)	(7,576)
Balance at 31 December 2020	**1,278**	**2,049**	**910**	**4,237**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

(iii) Exposure at default (EAD) (continued)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
In thousands of Ghana Cedis				
Loans and advances to customer at amortised cost – Bankwide				
Balance at 1 January 2019	3,735	1,143	2,207	7,085
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(1,718)	550	10,403	9,235
New financial assets originated, purchased or reclassified	(393)	-	-	(393)
Write-offs	-	-	(11,828)	(11,828)
Balance at 31 December 2019	**1,624**	**1,693**	**782**	**4,099**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Loans and investment debt securities that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL. There were no loans and advances from Banks as at December 2020.

Exposure estimate for off-balance sheet items

CCF for loan commitments and financial guarantees
The modelling approach for credit conversion factor (CCF)/utilisation rate reflects expected changes in the utilisation of the undrawn amount over the lifetime of the loan commitment that are permitted by the current contractual terms. The model also considers the bank's credit mitigation policies applied during period of increased credit risk for the undrawn commitment.

The modelling of CCF on loan commitments needs to be consistent with the expectations of drawdowns on that loan commitment. It should consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses.
It should consider the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses.

CCF translates an off-balance sheet exposure to its credit exposure equivalent. It is the percentage of undrawn credit lines (UCL) which has not been paid out but can be utilised by the borrower until the point of default.

The following percentages were used in converting the notional amount of the transaction using a credit conversion factor (CCF) into an on-balance sheet credit equivalent amounts (CEA), direct Credit Substitutes-100%, Performance-Related Contingencies-50%, Trade-Related Contingencies-20%, and Commitment with certain Drawdowns-100%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Exposure estimate for off-balance sheet items

The table below shows the movement in off balance sheet items upon which the CCF was used to determine the impairment on off balance sheet items.

In thousands of Ghana Cedis	**2020**	2019
Impairment on off-balance sheet items		
Balance at 1 January	**138**	314
Net re-measurement of loss allowance	**322**	(176)
Balance at 31 December	**460**	138

In thousands of Ghana Cedis	**2020**	2019
Loan commitments and financial guarantee contracts (Gross exposure)		
Balance at 1 January	**158,814**	125,420
Net re-measurement of loss allowance	**(322)**	(176)
New financial assets	**(58,334)**	33,218
Balance at 31 December	**100,158**	158,814

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instruments; and
- the 'impairment losses on financial instruments' line item in the statement of comprehensive income.

In thousands of Ghana Cedis	**Loans and advances to customers at amortised cost**	**Letters of credit, undrawn commitments and guarantee**	**Total**
2020			
Net remeasurement of loss allowance	7,714	322	8,036
Recoveries of amounts previously written off	(184)	-	(184)
	7,530	322	7,852
			2019
Net remeasurement of loss allowance	9,235	138	9,373
New financial assets originated or purchased	(393)	-	(393)
	8,842	138	8,980

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Amount arising from ECL (continued)

Impaired loans and advances.

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers:

In thousands of Ghana Cedis	**2020**	2019
Credit-impaired loans and advances to customers at 1 January	**14,465**	15,570
Change in allowance for impairment	**(128)**	1,425
Classified as credit-impaired	**3,813**	19,019
Net repayments	**(1,070)**	(9,721)
Write off	**(7,576)**	(11,828)
Balance at 31 December	**9,504**	14,465

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

COVID-19 considerations
IFRS 7 requires disclosure of quantitative data about liquidity risk arising from financial instruments. The Bank of Ghana reduced the cash reserve requirement from 10% to 8%. The Bank managed its liquid assets accordingly to stay within regulatory liquidity limits.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank. The liquidity requirements of business units are met through short-term loans and investments from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The Bank maintains liquidity limits imposed by the regulator, Bank of Ghana. The overall liquidity is within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset and Liabilities Management Committee (ALMAC). Daily reports on the liquidity position of the bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALMAC on monthly basis.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the composition of net liquid assets to deposits from customers (liquid ratio). For this purpose, net liquid assets comprise cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Liquidity risk (continued)

Exposure to liquidity risk (continued)

The Bank's liquid ratio determined by the total deposit liabilities covered by the total liquid assets is set out below:

	2020	**2019**
Liquid Assets		
Cash on hand	72,858,238	49,593,528
Balance with banks	111,172,070	61,982,091
Due from bank of Ghana	183,630,296	267,900,780
Placements with foreign banks	230,412,064	44,269,600
Treasury bills and notes maturing 1 year	1,263,028,647	1,462,772,774
Government bonds maturing in 1 year	61,938,161	259,999,465
Total liquid assets	**1,923,039,476**	**2,146,518,238**
Demand	2,070,880,049	1,532,801,139
Savings	368,563,276	227,019,562
Time/Term	386,503,492	295,904,824
Takings (banks)	-	241,345,860
Security deposits	169,446,551	93,323,691
Total deposit liabilities	**2,995,393,368**	**2,390,395,076**
Liquid ratio	**64.20%**	**89.80%**

The Bank's ratio of net liquid assets to deposits at 31 December 2020 and during the reporting period then ended are as follows:

	2020	2019
	%	%
At 31 December	**64.20%**	**89.80**
Average for the period	**83.27%**	**85.21**
Maximum for the period	**96.14%**	**93.03**
Minimum for the period	**64.20%**	**72.70**

Assets used in managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly 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 central banks, due from other banks and investments securities including Government bonds and securities that are readily acceptable in repurchase agreements with the central bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Liquidity risk (continued)

Maturity analysis for financial liabilities and financial assets
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 date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Carrying amount	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2020					
Financial liability by type					
Deposits from customers	2,995,393,369	2,882,605,890	67,237,047	45,550,432	-
Other Liabilities	23,731,219	23,731,219	-	-	-
Lease liability	96,452,088	-	-	5,833,527.53	90,618,560
Total Liabilities	**3,115,576,676**	**2,906,337,109**	**67,237,047**	**51,383,960**	**90,618,560**
Financial assets by type					
Cash and bank balances	256,488,535	256,488,535	-	-	-
Non-pledged trading assets	439,593,290	439,593,290	-	-	-
Due from banks and other financial institutions	341,584,134	341,584,134	-	-	-
Loans and advances	1,057,579,839	117,409,816	252,070,128	174,783,490	513,316,405
Investment securities	1,647,944,650	546,526,749	336,891,486	1,955,283	762,571,132
Other assets	214,802,380	214,802,380	-	-	-
Total Assets	**3,957,992,828**	**1,916,404,904**	**588,961,614**	**176,738,773**	**1,275,887,537**
Liquidity Excess/(gap)	**842,416,152**	**(989,932,205)**	**521,724,567**	**125,354,813**	**1,185,268,977**
Financial guarantees	31,841,277	11,630,875	17,397,219	2,058,922	754,261
Letters of Credit	68,316,437	52,351,301	14,328,570	1,636,566	-
Loan commitment	30,558,179	2,870,887	16,609,243	10,262,557	815,493
Total	**130,715,893**	**66,853,063**	**48,335,032**	**13,958,045**	**1,569,754**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3.4 Liquidity risk (ccontinued)

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

	Carrying amount	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2019					
Financial liability by type					
Deposits from banks	241,345,860	241,345,860	-	-	-
Deposits from customers	2,149,049,215	2,074,900,487	49,950,641	24,198,086	-
Other Liabilities	68,611,631	68,611,631	-	-	-
Lease liability	78,887,117	-	-	6,586,213	72,300,905
Total Liabilities	**2,537,893,823**	**2,384,857,978**	**49,950,641**	**30,784,299**	**72,300,905**
At 31 December 2019					
Financial assets by type					
Cash and bank balances	317,494,308	317,494,308	-	-	-
Non-pledged trading assets	436,739,100	130,538,075	26,679,252	54,056,930	225,464,843
Derivative assets	10,386,516	-	10,386,516	-	-
Due from banks and other financial institutions	106,251,692	106,251,692	-	-	-
Loans and advances	569,536,070	184,021,298	119,582,882	99,221,172	166,710,718
Investment securities	1,591,459,777	470,864,753	882,133,435	158,499,794	79,961,795
Other assets	89,295,443	89,295,443	-	-	-
Total Assets	**3,121,162,906**	**1,298,465,569**	**1,038,782,085**	**311,777,896**	**472,137,356**
Liquidity Excess/ (gap)	**583,269,083**	**(1,086,392,409)**	**988,831,444**	**280,993,597**	**399,836,451**
Financial guarantees	104,309,791	46,016,414	58,293,377	-	-
Letters of Credit	54,504,128	54,504,128	-	-	-
Loan commitment	42,627,850	5,716,263	16,681,872	18,308,233	1,921,482
	201,441,769	**106,236,805**	**74,975,249**	**18,308,233**	**1,921,482**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

Maturity analysis for financial liabilities and financial assets (continued)
The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
• Non-derivative financial liabilities and financial assets	• Undiscounted cash flows,
• Issued financial guarantee contracts, and unrecognised loan commitments	• Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain table or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately

Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high quality highly 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 the Bank of Ghana;
- Government bonds and other securities that are readily acceptable in repurchase agreements with the Bank of Ghana; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank are trading portfolios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks

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

COVID-19 considerations

IFRS 7 requires disclosure of quantitative data about market risk arising from financial instruments. The Bank's market risk increased slightly as an outcome of various management steps taken in response to COVID 19 economic interventions and interruptions. The Bank held a lot of long duration bonds with higher yields to offset the effect of general decrease in yield, thus increasing interest rate risk. Additionally, the Bank held high net positions in foreign currency to benefit from currency appreciations, which subsequently increased the Bank's market risk arising from foreign exchange exposure.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

31 December 2020	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios.**
Assets subject to market risk			
Cash and cash equivalents	230,412,064	-	230,412,064
Non-pledge trading assets	439,593,290	439,593,290	-
Loans and advances to customers	1,057,579,839	-	1,057,579,839
Investment securities	1,647,944,650	-	1,647,944,650
Total	**3,375,529,843**	**439,593,290**	**2,935,936,553**
Liabilities subject to market risk			
Non-pledge trading liabilities	-	-	-
Deposits from customers	2,995,393,369	-	2,995,393,369
Total	**2,995,393,369**	**-**	**2,995,393,369**
31 December 2019			
Assets subject to market risk			
Cash and cash equivalents	44,269,600	-	44,269,600
Non-pledge trading assets	436,739,101	436,739,101	-
Derivative asset	10,386,516	-	10,386,516
Loans and advances to customers	569,536,071	-	569,536,071
Investment securities	1,591,459,777	-	1,591,459,777
Total	2,652,391,065	436,739,101	2,215,651,964
Liabilities subject to market risk			
Non-pledge trading liabilities	-	-	-
Deposits from banks	241,345,860	-	241,345,860
Deposits from customers	2,149,049,215	-	2,149,049,215
Total	2,390,395,075	-	2,390,395,075

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks (continued)

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios, foreign exchange risk within the Bank are monitored by the Risk Management Group. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

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

3.5.1 Interest rate risk

The principal risk to which the bank is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's exposure to interest rate risk on non-trading portfolios is as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks (continued)

3.5.1 Interest rate risk (continued)

	Total	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 1 year**
At 31 December 2020					
Cash and bank balance	256,488,535	256,488,535	-	-	-
Due from other bank and other financial inst.s	341,584,134	341,584,134	-	-	-
Investment securities and trading assets	2,087,537,941	14,182,058	844,437,868	34,592,172	1,194,325,843
Loans and advances to customers	1,057,579,839	117,409,816	252,070,128	174,783,490	513,316,405
Total financial assets	**3,743,190,449**	**729,664,543**	**1,096,507,996**	**209,375,662**	**1,707,642,248**
Deposits from customers	2,995,393,369	2,835,166,067	101,416,610	58,810,692	-
Total financial liabilities	**2,995,393,369**	**2,835,166,067**	**101,416,610**	**58,810,692**	**-**
Total interest repricing excess/(gap)	**747,797,080**	**(2,105,501,524)**	**995,091,386**	**150,564,970**	**1,707,642,248**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks

3.5.1 Interest rate risk (continued)

At 31 December 2019	Total	Less than 3 months	3 to 6 months	6 to 12 months	More than 1 year
Cash and bank balance	317,494,308	317,494,308	-	-	-
Due from other bank and other financial inst.s	106,251,692	106,251,692	-	-	-
Derivative assets	10,386,516	-	10,386,516	-	-
Investment securities and trading assets	2,028,198,878	5,879,177	857,364,420	572,988,150	591,967,131
Loans and advances to customers	569,536,071	152,698,605	92,356,272	87,899,256	236,581,938
Total financial assets	**3,031,867,465**	**582,323,782**	**960,107,208**	**660,887,406**	**828,549,069**
Deposits from banks	241,345,860	241,345,860	-	-	-
Deposits from customers	2,149,049,215	1,908,753,373	118,883,863	95,621,897	25,790,082
Total financial liabilities	**2,390,395,075**	**2,150,099,233**	**118,883,863**	**95,621,897**	**25,790,082**
Total interest repricing gap	**641,472,390**	**(1,567,775,450)**	**841,223,345**	**565,265,509**	**802,758,987**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks (continued)

3.5.1 Interest rate risk (continued)

Sensitivity analysis
An increase of a 100 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

Sensitivity analysis of interest rate risks increase/decrease of 100 basis points in net interest margin

	December 2020	December 2019
Interest income impact	**3,670,849**	3,592,183
Interest expense impact	**(811,756)**	(910,079)
Net impact on profit before tax	**2,859,093**	2,682,104

A decrease of a 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.5.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The Bank applied the Bank of Ghana mid-rates indicated below to translate balances denominated in foreign currencies to Ghana cedi as at 31 December 2020:

	2020	2019
USD	**5.7602**	5.5337
GBP	**7.8742**	7.3164
EUR	**7.0643**	6.2114

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Market risks (continued)

3.5.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

At 31 December 2020	USD	GBP	EUR	CNY	NAIRA	Total
Assets						
Cash and bank balances	43,155,052	27,063,475	3,115,149	220,600	-	73,554,276
Due from banks	293,539,649	4,395,918	43,022,460	46,215	50,197	341,054,439
Investment securities and trading assets	216,502,418	-	-	-	-	216,502,418
Loans and advances to customers	106,639,380	96	226	-	-	106,639,702
Other assets	-	-	-	-	-	-
Total financial assets	**659,836,499**	**31,459,489**	**46,137,835**	**266,815**	**50,197**	**737,750,835**
Liabilities						
Deposits from customers	726,503,509	27,921,162	45,720,203	70,928	-	800,215,802
Other liabilities	1,523,333	48,171	372,891	-	-	1,944,395
Total financial liabilities	**728,026,842**	**27,969,333**	**46,093,094**	**70,928**	**-**	**802,160,197**
Net on-balance sheet financial position	**(68,190,343)**	**3,490,156**	**44,741**	**195,887**	**50,197**	**(64,409,362)**
Credit commitments	**62,249,122**	**-**	**6,067,316**	**-**	**-**	**68,316,438**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Market risks (continued)

3.6.2 Foreign exchange risk (continued)

At 31 December 2019	USD	GBP	EUR	CNY	NAIRA	Total
Assets						
Cash and bank balances	22,191,400	23,561,029	29,988,433	240,418	62,659	76,043,939
Due from banks	44,269,600	-	-	-	-	44,269,600
Investment securities and trading assets	81,409,906	-	-	-	-	81,409,906
Loans and advances to customers	49,840,805	228	93	-	-	49,841,126
Other assets	-	-	-	-	-	-
Total financial assets	**197,711,711**	**23,561,257**	**29,988,526**	**240,418**	**62,659**	**251,564,571**
Liabilities						
Deposits from customers	620,457,542	23,127,240	31,880,472	63,911	-	675,529,165
Other liabilities	2,828,241	537,964	265,858	176,507	62,659	3,871,229
Borrowings	-	-	-	-	-	-
Total financial liabilities	**623,285,783**	**23,665,204**	**32,146,330**	**240,418**	**62,659**	**679,400,394**
Net on-balance sheet financial position	**(425,574,072)**	**(103,947)**	**(2,157,804)**	**-**	**-**	**(427,835,823)**
Credit commitments	**115,645,339**	**-**	**1,763,320**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5.2 Foreign exchange risk (continued)

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2020 would have increased equity and profit/(loss) by GHS 275,535 (December 2019: GHS 140,429.02).

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2020 would have had the equal but opposite effect on the amount shown above.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

3.6 Capital management

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

In compliance with the capital requirement directive issued by the Bank of Ghana in June 2018, the Bank changed its calculation of the capital adequacy ratio from the banking supervisory Department framework (BSD) to the Capital Requirements Directive (CRD) framework in the current year.

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

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after-tax profit, income surplus and general statutory reserves.

- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

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

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained. However, the new capital requirement directive requires that the Bank maintains an additional conservation buffer of 3%.

	2020	Re-presented* 2019
Tier 1 capital		
Ordinary issued shares	**404,895,476**	404,895,476
Disclosed reserves (excluding credit risk reserve)	**586,279,947**	369,856,575
Shareholders' fund	**991,175,423**	774,752,051
Less:		
Intangible assets as per Bank of Ghana guideline	**11,395,735**	6,286,666
Total qualifying tier 1 capital	**979,779,688**	768,465,385
Tier 2 capital		
Fair value reserve for available for sale securities	**-**	-
Total qualifying tier 2 capital	**-**	-
Total regulatory capital	**979,779,688**	768,465,385
Total Credit Risk Equivalent Weighted Asset	**1,161,756,605**	825,931,312
Total Operational Risk Equivalent Weighted Asset	**782,992,084**	649,199,141
Total Market Risk Equivalent Weighted Asset	**289,567,243**	135,676,887
Risk-weighted assets	**2,234,315,932**	1,610,807,340
Total regulatory capital expressed as a percentage of total risk-weighted assets*	**43.85%**	47.71%

*For comparative purposes, the capital adequacy ratio of 62.84% calculated using the Banking Supervisory Department (BSD) framework in the financial statements for the year ended 31 December 2019 has been re-presented using the Capital Requirements Directive (CRD) framework issued by the Bank of Ghana in 2018. The requirements of the new directive was adopted in the current year as allowed by the Bank of Ghana.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.7 Capital management (continued)

Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying of risk associated with different activities associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit and is subject to review by the Bank Asset and Liability Management Committee (ALMAC). Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the 'bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

COVID-19 considerations

Paragraph 125 of IAS 1 requires disclosure about the assumptions that a company makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year. COVID-19 is to significantly impact such assumptions. During the pandemic, the Bank has started facing significant disruption to business operations and economic activity, particularly where there has been implementation of stringent measures to contain or reduce the spread of the virus, with cascading impacts on both upstream and downstream supply chains; a more volatile capital, commodity and foreign exchange markets; and disrupted business relations with companies that operate in the non-essential sectors as determined by the Central Government.

The above economic and business impacts will have significant and pervasive financial reporting implications on financial statements resulting in increased complexity, subjectivity and uncertainty which will impact the recognition, measurement, presentation and disclosure in the financial statements including but not limited to increased estimation uncertainty and changes to estimation techniques and assumptions for measuring ECL, measuring fair values of financial instruments, and recognising deferred tax assets. No impairment has been recognised on Non-financial assets specifically Property, plant and equipment as there has been no indicators of impairment such as market value decline, obsolescence or physical damage, worse economic performance than expected among others. Management has therefore accessed that the assets useful life, depreciation method or residual value as earlier determined remains the same.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

COVID-19 considerations (continued)
Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.11.4 and note 3.

These critical assumptions have been applied consistently to all periods presented, except the Bank applied the impairment requirements under IFRS 9 f resulting in changes to the assumptions used for the calculation for provision for doubtful debts using the expected credit loss model. The expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation models as described in Note 6.2.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank's accounting policy on fair value measurements is discussed in Note 2.11.7

5. Accounting classification, measurement basis and fair values

In thousands of Ghana Cedis

	Amortised cost	Amortised cost	FVTPL	FVTPL
	2020	**2019**	**2020**	**2019**
Financial assets classification				
Cash and cash equivalents	598,073	423,746	-	-
Non-pledged trading securities	-	-	493,593	436,739
Loans and advances to customers	1,057,579	1,591,460	-	-
Investment securities	1,647,944	569,536	-	-
Other assets (excluding prepayments & inventory)	214,802	89,295	-	-
Total	**3,518,398**	**2,674,037**	**493,593**	**436,739**
Financial liabilities classification				
Deposits from banks	-	241,346		
Deposits from customers	2,995,393	2,149,049	-	-
Other liabilities	68,031	68,612	-	-
Total	**3,063,424**	**2,459,007**	**-**	**-**

NB: FVTPL – Fair value through Profit and Loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

5. Accounting classification, measurement basis and fair values (continued)

5.2 Fair values of financial instrument

COVID-19 considerations

The COVID-19 coronavirus pandemic has significantly affected financial markets and may impact valuation techniques used by banks and classification of financial instruments in the fair value hierarchy. Given the impact of the increase in economic uncertainty on forecasting cash flows and other unobservable inputs used in valuation techniques (e.g. certain risk-adjusted discount rates), the Bank has provided additional sensitivity disclosures – together with disclosure of the key assumptions and judgements made by management – to enable users to understand how fair value has been determined. These disclosures are required under both IFRS 13 Fair Value Measurement and IAS 1. IFRS 13 also contains specific disclosure requirements when amounts are transferred into Level 3 of the fair value hierarchy, including sensitivity disclosures.

The Bank has an established control framework for the measurement of fair values. This framework includes a Product control function, which is independent of front office management and reports to the Divisional Head, Enterprise Risk Management and its reports endorsed by Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Board’s Audit Committee

5.2 (i) Fair value hierarchy

The fair value hierarchy section explains the judgements and estimates made in determining the fair values of the financials instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels prescribed under the accounting standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5.2 Fair values of financial instruments (continued)

An explanation of each level is as follows:

Level 1: The fair value of financials instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible in entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The inputs used include the Bank of Ghana published rates and discounted cash flow techniques.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation technique

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.
The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5.2 Fair values of financial instruments (continued)

5.2 (i) Fair value hierarchy (continued)

Valuation technique (continued)

market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is an approximation of the fair value.

The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

31 December 2020

In Ghana cedis	Level 1	Level 2	Level 3	Total
Government bonds – Non pledged trading assets	-	439,593,290	-	439,593,290
Total	**-**	**439,593,290**	**-**	**439,593,290**

31 December 2019

In Ghana cedis	Level 1	Level 2	Level 3	Total
Government bonds – Non pledged trading assets	-	436,739,101		436,739,101
Derivative assets	-	10,386,516	-	10,386,516
Total	**-**	**447,125,617**	**-**	**447,125,617**

Financial instruments not measured at fair value

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

31 December 2020

In Ghana Cedis	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	-	-	598,072,669	598,072,669
Loans and advances	-	-	1,028,459,229	1,028,459,229
Investment securities	-	-	1,608,346,660	1,608,346,660
Other assets	-	-	214,802,380	214,802,380
Total financial assets	**-**	**-**	**3,449,680,938**	**3,449,680,938**
Deposits from customers	-	-	2,995,393,369	2,995,393,369
Other Liabilities	-	-	69,381,070	69,381,070
Total financial liabilities	**-**	**-**	**3,064,774,439**	**3,064,774,439**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5.2 Fair values of financial instruments (continued)

5.2 (i) Fair value hierarchy (continued)

31 December 2019

In Ghana Cedis	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	-	-	423,746,000	423,746,000
Loans and advances	-	-	569,536,071	569,536,071
Investment securities	-	-	1,591,459,777	1,591,459,777
Other assets	-	-	89,295,443	89,295,443
Total financial assets	**-**	**-**	**2,674,037,291**	**2,674,037,291**
Deposits from banks	-	-	241,345,860	241,345,860
Deposits from customers	-	-	2,995,393,369	2,995,393,369
Other Liabilities	-	-	70,679,812	70,679,812
Total financial liabilities	**-**	**-**	**3,307,419,041**	**3,307,419,041**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The discrete discounting approach was used in valuing Level 2 derivative assets.

Valuation Techniques used

The fair value of loans and advances is estimated using valuation models, such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collaterals.

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

The fair value of other liabilities and cash and cash equivalent are considered to approximate the carrying values as these financial instruments are short tenured and therefore the effective of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

6. NET INTEREST INCOME

	2020	2019
Interest income calculated using the effective interest method		
Money market placements	**8,738,756**	24,010,383
Loans and advances to customers	**122,019,591**	86,186,980
Investment securities	**213,798,710**	224,773,675
Total interest income calculated using the effective interest method	**344,557,057**	334,971,038
Other interest income		
Financial assets designated as FVTPL	**22,527,809**	24,247,267
Total interest income	**367,084,866**	359,218,305
Interest expense		
Deposits from banks	**7,257,590**	11,169,473
Deposits from customers	**73,918,013**	79,760,583
Borrowings	**-**	77,820
Total interest expense	**81,175,603**	91,007,876
Net interest income	**285,909,263**	268,210,429

There were no interest income on loans and advances to customers (December 2019: GH¢179,664) in respect of impaired financial assets. Interest income from investment securities of GH¢213,798,710 (December 2019: GH¢224,773,675) relates to debt securities hold-to-collect.

7. FEE AND COMMISSION INCOME

	2020	2019
Commission income	**36,890,800**	13,064,039
Fees from banking activities	**14,441,423**	8,189,530
Other fees and commission*	**83,305,290**	60,149,715
Fee and commission income	**134,637,513**	81,403,284

***** The ‘Other fees and commission’ comprise largely of card-related fees and commissions on issued transfers, swift, foreign currency withdrawals among others.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

8. NET TRADING INCOME

	2020	2019
Net trading gain	**63,414,649**	70,239,122
Other foreign exchange gains/ (loss)*	**3,764,775**	(10,473,152)
	67,179,424	59,765,970

Foreign exchange gains in statement of cash flow comprises:		
Effect FX rate fluctuation cash and cash-equivalent	**17,078,225**	44,172,678
Foreign exchange gains on non cash and cash-equivalent	**3,764,775**	(10,473,152)
	20,843,000	33,699,526

9. NET INCOME FROM FINANCIAL INSTRUMENTS AS FVTPL

	2020	2019
Profit/ (loss) on trading securities	**44,924,449**	53,215,450
Mark-to-market gain on trading assets	**37,032,879**	15,724,565
	81,957,328	68,940,015

10. OTHER INCOME

	2020	2019
Profit on disposal of property and equipment	**94,293**	401,587
Other recoveries	**11,200**	-
	105,493	401,587

11. PERSONNEL EXPENSES

	2020	2019
Staff costs	**36,519,088**	36,819,816
Employer’s pension contributions	**2,475,330**	2,490,578
Employer’s provident fund contributions	**1,904,088**	1,915,831
Other staff related expenses *	**15,381,280**	14,726,028
	56,279,786	55,952,253

The number of permanent persons employed by the bank during the period ended 31 December 2020 was 456 (December 2019: 473). The Bank contributes 10% of employees’ basic salary as provident fund contribution for staff.

**Other staff related expenses comprise staff medical allowance, training, relocation and welfare expenses.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

12. AMORTISATION OF PREPAID LEASE RENTALS

	2020	2019
Operating lease rentals –Staff houses	**654,372**	611,517
Operating lease rentals on low value items	**977,219**	2,210,745
	1,631,591	2,822,262

13. OTHER OPERATING EXPENSES

	2020	2019
Advertising and marketing expenses	**3,362,608**	4,107,904
Administrative expenses	**65,965,239**	83,120,773
Contract services	**8,471,984**	8,959,548
Software licensing	**5,897,472**	4,283,177
Directors’ emoluments	**1,269,163**	1,010,652
Auditor’s remuneration	**440,000**	325,000
Corporate social responsibility costs	**683,481**	146,008
	86,089,947	101,953,062

The Administrative expenses relate to repairs and maintenance, occupancy costs, bank charges among others.

13.1 Breakdown of Corporate social responsibility costs	**2020**	2019
GTBank ICT project and Renovation works at Ayi Mensah School	**24,193**	-
Ghana CEO Summit	**-**	20,000
Donation in support of fight against COVID-19	**476,667**	-
Donation in support of International Students Association of Ghana	**100,000**	-
Donation in support of Annual Independence Polo Tournament	**27,500**	-
Sponsorship Package – Ghana International School	**-**	20,000
Sponsorship – Speaking Intelligently Ladies Lead (SPILL)	**-**	10,000
Sponsorship package for some University students in Ghana	**20,000**	-
Refurbishment of Anumle Computer Lab	**5,970**	34,008
Sponsorship - Nigerian High Commission	**-**	10,000
Korle-Bu Administration Block	**-**	40,000
Others	**29,151**	12,000
	683,481	146,008

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

14. INCOME TAX EXPENSE AND NATIONAL FISCAL STABILIZATION LEVY

	2020	2019
Corporate Income tax	97,616,426	75,682,274
Deferred income tax (Note 25)	(1,209,483)	1,653,833
Income tax expense	**96,406,943**	**77,336,107**
National fiscal stabilization levy	19,249,355	15,007,216
Total	**115,656,298**	**92,343,323**

The National fiscal stabilisation Levy is a 5% levy applied on profit before tax for certain companies including financial institutions operating in Ghana.

Current income tax

2020	**Balance at 1 January**	**Payments during year**	**Charge for the year**	**Balance at 31 December**
Year of assessment				
Up to 2019 (31 December)	**(5,378,103)**	**-**	**-**	**(5,378,103)**
December 2020	-	(87,201,172)	97,616,426	**10,415,254**
	(5,378,103)	(87,201,172)	97,616,426	**5,037,151**

National fiscal stabilisation levy

Year of assessment				
Up to 2019 (31 December)	**(532,917)**	**-**	**-**	**(532,917)**
December 2020	**-**	(17,246,343)	19,249,355	**2,003,012**
	(532,917)	(17,246,343)	19,249,355	**1,470,095**
Total	**(5,911,020)**	(104,447,515)	116,865,781	**6,507,246**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

14. INCOME TAX EXPENSE AND NATIONAL FISCAL STABILISATION LEVY (CONTINUED)

2019	**Balance at 1 January**	**Payments during year**	**Charge for the year**	**Balance at 31 December**
Year of assessment				
Up to 2018 (31 December)	**1,457,325**	(1,457,325)	-	-
December 2019	-	(81,060,377)	75,682,274	**(5,378,103)**
	1,457,325	(82,517,702)	75,682,274	**(5,378,103)**
National fiscal stabilisation levy				
Year of assessment				
Up to 2018 (31 December)	**495,420**	(495,420)	-	-
December 2019	**-**	(15,540,133)	15,007,216	**(532,917)**
	495,420	(16,035,553)	15,007,216	**(532,917)**
Total	**1,952,745**	(98,553,255)	90,689,490	**(5,911,020)**

All tax liabilities are subject to the agreement of the Commissioner General of the Ghana Revenue Authority.

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

	2020	2019
Profit before income tax	**384,987,104**	300,144,313
Income tax using the enacted corporation tax rate (25%)	**96,246,776**	75,682,274
Effect of:		
National fiscal stabilisation levy (5%)	**19,249,356**	15,007,216
Income not subject to tax	**-**	(184,781)
Non-deductible expenses	**160,167-**	1,838,614
Income tax expense	**115,656,298**	92,343,323
Effective tax rates	**30.04%**	30.77%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

15. CASH AND CASH EQUIVALENTS

The Bank's cash and cash equivalents are held with central banks and financial institutions counterparties that are not rated.

	2020	2019
Cash on hand	**72,858,239**	49,593,528
Balance with foreign banks (Nostro)	**110,642,571**	61,741,816
Balances with local banks	**529,499**	240,276
Unrestricted balance with Bank of Ghana	**-**	28,861,272
Mandatory reserve deposit with Bank of Ghana	**183,630,296**	239,039,508
Money market placements	**230,412,064**	44,269,600
TOTAL CASH AND CASH EQUIVALENTS	**598,072,669**	423,746,000

Money market placements

	2020	2019
Placements with foreign banks and other financial institutions	**230,412,064**	44,269,600
Money market placements	**230,412,064**	44,269,600

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

15. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents for as included in statement of cashflow:

	2020	2019
Cash on hand	**72,858,239**	49,593,528
Balances with Bank of Ghana	**183,630,296**	267,900,780
Cash and bank balances	**256,488,535**	317,494,308
Mandatory reserve deposits	**183,630,296**	239,039,508
Unrestricted cash and bank balances	**72,858,238**	78,454,800
Due from and to banks and other financial institutions	**341,584,134**	106,251,692
Total cash and cash equivalent per statement of financial position	**598,072,668**	423,746,000
Treasury bills with contractual maturities of 90 days and less	**14,182,058**	5,879,177
Cash and cash equivalent per statement of cash flows	**612,254,727**	429,625,177

Due from and to banks and other financial institutions

	2020	2019
Nostro account balances	**110,642,571**	61,741,816
Placements with Local banks and other financial institutions	**-**	-
Placements with Foreign banks and other financial institutions	**230,412,064**	44,269,600
Due from other local banks	**529,499**	240,276
Due from banks and other financial institutions	**341,584,134**	106,251,692
Due to banks and other financial institutions	**-**	(241,345,860)
Due from and to banks and other financial institutions	**341,584,134**	(135,094,168)

Amounts due from and to banks and other financial institutions are current.

16. PLEDGED ASSETS

Assets are pledged as collateral under repurchase agreements with other banks and as security relating to overnight borrowings.

	2020	2019
Investment securities	**-**	477,285,094

There were no investment securities held in Government treasury bills and bonds which have been pledged as collateral for liabilities. At 2019, liabilities for which assets were pledged by the Bank totalled GHS453,298,164. All transactions are conducted under normal commercial terms and conditions and at market rates. The pledged assets

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

16. PLEDGED ASSETS – (continued)

for prior year are part of investment securities disclosed in Note 18. In the event that, the entity fails to make good the payment as and when it falls due, the collateral will not be released back to the entity. The pledged assets could not be used for any other trading until the payment is done and the pledged assets are released by Central Securities Depository.

17.(i) LOANS AND ADVANCES TO CUSTOMERS

	2020	2019
Gross Loans and advances to customers at amortised cost	**1,061,816,899**	573,634,776
Stage 3 impairment loss allowance	**(909,515)**	(781,550)
Stage 1 & 2 impairment loss allowance	**(3,327,546)**	(3,317,155)
	1,057,579,838	569,536,071
Loans and advances to customers at Amortised cost		
Current	**544,263,434**	374,954,874
Non-current	**513,316,404**	194,581,197

At 31 December 2020, the gross loan and advances include non-performing loans of GH¢10.41 million (31 December 2019: GH¢15.25 million).

17(ii). Impairment allowance on loans and advances

	2020	2019
At 1 January	**4,098,705**	7,085,076
Write off	**(7,576,050)**	(11,828,268)
Impairment charge	**7,714,406**	8,841,897
At 31 December	**4,237,061**	4,098,705

Impairment charge for the year:

Impairment charge on loans and advances to customers	**7,714,406**	8,841,897
Off balance sheet impairment charge/(release)	**322,236**	(176,217)
At 31 December	**8,036,642**	8,665,680
Recoveries	**(184,188)**	(144,453)
At 31 December	**7,852,454**	8,521,227

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

18. INVESTMENT SECURITIES AND NON-PLEDGED TRADING ASSETS

18(i). Investment securities

Hold-to-collect investments

	2020	2019
Treasury bills	**828,742,933**	1,251,498,517
Government bonds	**819,201,715**	339,961,260
Total	**1,647,944,648**	1,591,459,777
Impairment on investment securities	**-**	-
Net	**1,647,944,648**	1,591,459,777
Maturing within 90 days from purchase	**12,445,109**	4,135,877
Maturing over 90 days from purchase	**1,635,499,539**	1,587,323,900
Current	**885,373,518**	1,511,497,982
Non–current	**762,571,130**	79,961,795

18 (ii). Non-pledged trading assets

Hold-to-sell portfolio

	2020	2019
Treasury bills and government bonds	**439,593,290**	436,739,101
		436,739,101
Maturing within 90 days from purchase	**439,593,290**	1,743,300
Maturing over 90 days from purchase	**-**	434,995,801
Current	**439,593,290**	211,274,258
Non–current	**-**	225,464,843

Non-pledged trading assets are financial assets classified as hold-to-sell investments carried at fair value through profit or loss.

19. Derivative asset

	2020	2019
Balance at 1 January	**10,386,516**	-
Net (loss)/gain on derivative instrument	**(10,386,516)**	10,386,516
Balance at 31 December	**-**	10,386,516

This relates to gain/ (loss) on foreign currency swap transaction entered into in 2019 which settled in 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

20. PROPERTY AND EQUIPMENT

	Land, Build. & Leasehold Improvement	Furniture and equipment	Computer and accessories	Motor vehicle	Capital work in progress	Total
Cost						
2019						
At 1 January	26,546,735	24,246,568	12,038,849	13,721,654	8,350,254	84,904,060
Recognition of right-of-use asset on initial application of IFRS 16	54,929,289	-	-	-	-	54,929,289
Adjusted balance at 1 January	81,476,024	24,246,568	12,038,849	13,721,654	8,350,254	139,833,349
Additions	319,359	2,490,669	4,710,220	3,800,529	18,088,290	29,409,067
Right of use assets	970,074	-	-	-	-	970,074
Disposal	-	(739,330)	(2,500)	(1,300,133)	-	(2,041,963)
Transfers	2,835,175	624,618	-	226,895	(5,151,897)	(1,465,209)
At 31 December 2019	**85,600,632**	**26,622,525**	**16,746,569**	**16,448,945**	**21,286,647**	**166,705,318**
2020						
At 1 January	85,600,632	26,622,525	16,746,569	16,448,945	21,286,647	166,705,318
Additions	1,607,496	1,339,517	451,168	682,423	2,277,439	6,358,043
Disposal	-	(431,580)	-	(224,508)	-	(656,088)
Transfers	13,414,835	890,925	2,433,857	-	(17,251,308)	(511,691)
At 31 December 2020	**100,622,963**	**28,421,387**	**19,631,594**	**16,906,860**	**6,312,778**	**171,895,582**
Accumulated Depreciation						
2019						
At 1 January	7,187,327	14,748,860	9,096,897	5,847,766	-	36,880,850
Charge for the year	6,544,362	3,143,297	2,308,086	3,523,960	-	15,519,705
Released on disposal	-	(733,480)	(2,500)	(1,141,822)	-	(1,877,802)
At 31 December 2019	**13,731,689**	**17,158,677**	**11,402,483**	**8,229,904**	**-**	**50,522,753**
2020						
At 1 January	13,731,689	17,158,677	11,402,483	8,229,904	-	50,522,753
Charge for the year	7,295,396	3,286,564	3,236,809	3,554,209	-	17,372,978
Released on disposal	-	(427,564)	-	(224,508)	-	(652,072)
At 31 December 2020	**21,027,085**	**20,017,677**	**14,639,292**	**11,559,605**	**-**	**67,243,659**
Carrying amount						
At 1 January 2019	19,359,408	9,497,708	2,941,952	7,873,888	8,350,254	48,023,210
At 31 December 2019	71,868,943	9,463,848	5,344,086	8,219,041	21,286,647	116,182,565
At 31 December 2020	79,595,878	8,403,710	4,992,302	5,347,255	6,312,778	104,651,923

As at 31 December 2020, property and equipment includes right-of-use assets of GHS 57,461,906 related to leased properties that do not meet the definition of investment property (see note 32i for details).

No items of property, plant and equipment has been pledged as security for loan or have any restriction of use both at 31 December 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

21. INTANGIBLE ASSETS

	Purchased software	Developed software	Total
Cost			
Year ended 31 December 2019			
At 1 January	6,829,376	53,421	6,882,797
Additions	1,522,188	-	1,522,188
Transfers	1,465,209	-	1,465,209
At 31 December 2019	**9,816,773**	**53,421**	**9,870,194**
Year ended 31 December 2020			
At 1 January	9,816,773	53,421	9,870,194
Additions	538,816	-	538,816
Transfers	508,130	-	508,130
At 31 December 2020	**10,863,719**	**53,421**	**10,917,140**
Amortisation			
Year ended 31 December 2019			
At 1 January	4,847,889	53,421	4,901,310
Amortisation for the year	1,108,219	-	1,108,219
At 31 December 2019	**5,956,108**	**53,421**	**6,009,529**
Year ended 31 December 2020			
At 1 January	5,956,108	53,421	6,009,529
Amortisation for the year	1,304,093	-	1,304,093
At 31 December 2020	**7,260,201**	**53,421**	**7,313,622**
Carrying amount			
At 31 December 2019	3,860,665	-	3,860,665
At 31 December 2020	**3,603,518**	**-**	**3,603,518**

No items of intangible has been pledged as security for loan or have any restriction of use both at 31 December 2020 and 31 December 2019.

Capital commitments in respect of intangible assets amount to GHS 4,896,361 (2019: 530,901).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

22. DEPRECIATION AND AMORTISATION

The depreciation and amortisation charged to the year is as follows:

	2020	2019
Property and equipment (Note 22)	**17,372,978**	15,519,705
Intangible assets (Note 23)	**1,304,093**	1,108,219
	18,677,071	16,627,924

23. DEFERRED INCOME TAX

Movements in deferred income tax during the year is as follows:

	At 1 January	**Recognised in profit or loss**	**At 31 December**	**Deferred tax assets**	**Deferred tax liabilities**
Year ended 31 December 2020					
Property, equipment and software	3,695,575	(418,458)	3,277,117	-	3,277,117
Leases	(540,562)	(480,488)	(1,021,050)	(1,021,050)	-
Loans and advances to customers	(863,769)	(310,537)	(1,174,306)	(1,174,306)	-
	2,291,244	**(1,209,483)**	**1,081,761**	**(2,195,356)**	**3,277,117**
Year ended 31 December 2019					
Property, equipment and software	1,856,961	1,838,614	3,695,575	-	3,695,575
Lease assets	-	(540,562)	(540,562)	(540,562)	-
Loans and advances to customers	(1,219,550)	355,781	(863,769)	(863,769)	-
	637,411	1,653,833	2,291,244	(1,404,331)	3,695,575

24. OTHER ASSETS

	2020	2019
E-Cash Accounts	**210,479,811**	67,719,022
Prepaid expenses	**10,568,462**	2,426,002
Stationery and stocks	**2,077,214**	2,233,359
Others*	**4,322,569**	21,576,421
	227,448,056	93,954,804
Current	**227,448,056**	93,954,804
Non-current		-

** These comprise mainly of e-cash balances which are held in a control account. These balances are short term in nature and settlement is within a month.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

25. DEPOSITS FROM CUSTOMERS

	2020	2019
By type of deposit		
Current and call account	**2,070,880,049**	1,532,801,139
Savings account	**368,563,276**	227,019,561
Cash collateral	**169,446,551**	93,323,691
Term deposit	**386,503,492**	295,904,824
	2,995,393,368	2,149,049,215
Current	**2,995,393,368**	2,149,049,215

The twenty largest depositors constitute 35.17% (2019: 30.02%) of total deposit.

	2020	2019
By type of customer		
Financial institutions	**323,867,594**	274,825,840
Individuals and other private enterprises	**2,631,158,357**	1,753,671,975
Public enterprises	**40,367,417**	120,551,400
	2,995,393,368	2,149,049,215

26. OTHER LIABILITIES

	2020	2019
Bankers draft	**5,653,854**	7,511,193
Lease liability	**44,299,851**	43,352,009
Others*	**18,077,461**	19,816,610
	68,031,166	70,679,812
Guarantee contract liabilities	**-**	-
Current	**25,081,315**	27,850,985
Non-current	**42,949,851**	42,828,827

** 'Others' largely relate to accounts payables (SSNIT, PAYE, ATM Acquirer Balance, E-zwich Account and other Product related payables). These are normally cleared as and when due with no overdue balance.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

27. STATED CAPITAL

The authorised shares of the Bank are 15,000,000,000 ordinary shares of no par value of which 14,171,890,279 ordinary shares have been issued as follows:

	No. of shares	Proceeds
Issued and fully paid		
Issued for cash consideration	14,102,398,589	402,910,076
Issued for consideration other than cash	69,491,690	1,985,400
Stated Capital in Account	14,171,890,279	404,895,476

There are no calls or instalments unpaid. There are no treasury shares (2019: Nil).

Number of shareholders

The company's shareholders at 31 December 2020 are as follows:

Number of Ordinary shares	Shareholding	Percentage %
Guaranty Trust Bank Plc	13,933,838,405	98.32%
Alhaji Yusif Ibrahim	238,051,874	1.68%
	14,171,890,279	100.00%

28. OTHER RESERVES

Credit risk reserve

Credit risk reserve represents the amounts set aside in respect of the excess impairment provision determined in accordance with of Bank of Ghana prudential guidelines over the total impairment provision recognised under the International Financial Reporting Standards framework. The movement is included in the statement of changes in equity.

Statutory reserve fund

Statutory reserve fund represents transfer from net profit for the year to reserve in accordance with requirements of 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.

Income Surplus

Income Surplus represents the free and undistributed accumulated reserves of the Bank available for distribution to shareholders in future periods. The movement is included in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

29. DIVIDENDS

At the next shareholders meeting on the financial performance for the year ended 31 December 2020, a dividend per share of GHS0.092 (2019: GHS0.0035) amounting to GHS130,620,156 (2019: GHS50,183,029) will be tabled for approval subject to the prior approval of the Bank of Ghana. The amount which was approved and recommended by the Board was determined as follows:

	2020
Profit after tax	269,330,806
transfer to Statutory reserve fund	(67,332,702)
transfer to Credit risk reserve	(2,724,402)
declared and paid	(50,183,029)
Income surplus at January 1	112,189,680
Total distributable profit	261,280,353

The amount being recommended for shareholders' approval represents 50% of total distributable profit.

30. LEASES

The Bank leases its premises and other facilities. The leases typically run for a period of 20 years, with an option to renew the lease after the date. Lease payments are increased over a term agreed in the contract to reflect the market rentals. The premises and other facilities leases were entered into before the commencement of IFRS 16 as combined leases of land and buildings. Previously, these were classified as operating leases under IAS 17.

Information about leases for which the Bank is a lessee is presented below.

i. **Right-of-use assets**

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

In Ghana Cedis	**Land and Building**	
	2020	**2019**
Balance at 1 January	50,431,772	54,929,289
Depreciation charge for the year	(6,017,991)	(5,467,558)
Modifications to right-of-use assets	336,478	-
Additions to right-of-use assets	1,226,098	970,041
Balance at 31 December	**45,976,357**	**50,431,772**

(ii) Amounts recognised in profit or loss (in GHS):

	2020	**2019**
Finance charges	3,884,552	3,086,760
Expenses relating to short term leases	654,372	611,517
Expenses relating to low-value assets, excluding short-term leases of low-value assets	977,219	2,210,745

(iii) Amounts recognised in statement of cash flows (in GHS):

	2020	**2019**
Lease liability finance charges paid	3,097,506	3,086,760
Other lease liability payments	2,581,816	9,864,213
Total cash outflow for leases	5,679,322	12,950,973

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

30. LEASES (CONTINUED)

(iv) Reconciliation, in respect of lease liability, of opening amounts to closing amounts are detailed below:

	2020 GHS	2019 GHS
Balance at 1 January	43,352,009	47,338,778
Modifications to leases	336,809	-
New leases	1,226,032	823,337
Finance charge	3,884,552	3,086,760
Lease payments	(5,679,322)	(12,950,973)
Foreign currency transactional loss	1,179,770	5,054,108
Balance at 31 December	**44,299,851**	**43,352,009**

(vi) Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

(v) Lease commitments

The Bank had no lease commitments as at 31 December 2020 and the prior year.

31. CONTINGENCIES

i. Claims and Litigation

The Bank has pending legal suits in respect of claims arising in the ordinary course of business as at 31 December 2020. It is not anticipated that any significant liabilities will arise from the claims and litigation against the bank at 31 December 2020 (2019: Nil).

ii. Contingent liabilities and commitments

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

Nature of instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

ii. Contingent liabilities and commitments (continued)

Nature of instruments (continued)

31. CONTINGENCIES

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

The following table summarises the amount of contingent liabilities and commitments with off-balance sheet risk.

	2020	2019
Contingent liabilities:		
Bonds and guarantees	**31,841,277**	104,309,791
Commitments:		
Clean line facilities for letters of credit	**68,316,437**	54,504,128
Undrawn commitment	**30,558,179**	510,567,588

iii. Commitments for capital expenditure

The Bank's commitments for capital expenditure as at 31 December 2020 amounts to GHS832,628 (2019: GHS6,432,806) and these relate to maintenance of property and equipment.

32. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The ultimate controlling party is the parent company Guaranty Trust Bank Plc, a bank licensed in the Federal Republic of Nigeria.

a. i. Parent company transactions

As at both 31 December 2020 and 31 December 2019, the Bank had no balances due to/ from the Parent Bank. Transactions with the parent company relate to dividend and salaries of directors and key management personnel.

ii. Fellow subsidiaries' transactions
The Bank had nostro balance of GHS 7,567,474 (2019: 3,327,872) and placement of GHS 115,204,000 (2019: Nil) with interest income of GHS 31.56 with sister companies.

b. Related entities of a shareholder
Related entities of a shareholder had loan balances amounting to GHS 12.4m with related impairment allowance of GHS4,532 as at December 31 2020 (2019: nil and nil respectively) and corresponding interest income of GHS935,059. There were no guarantees nor letters of credits outstanding at 31 December 2020 (2019: GHS7,431) for related entities. Undrawn loan commitments amounted to GHS100,000 (2019: Nil). Deposit balances for the related entities were GHS86,028 at 31 December 2020 (2019: GHS736,386). There were no interest expense on these deposits (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

32. RELATED PARTIES (CONT'D)

c. Transactions with key management personnel and disclosures

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

(i) key management personnel transaction

Key management personnel transaction comprise the following:

	2020	2019
Secured loans	**3,092,487**	2,320,023
Impairment – ECL not credit-impaired	**(6,986)**	(9,487)
Net loans to directors and key management personnel	**3,085,501**	2,310,536
Interest income on loans to directors and key management personnel	157,266	464,005
Deposits balances	**1,681,296**	1,012,044
Interest expense on deposits from directors and key management personnel	11,215	40,785

(ii) Key management personnel compensation

The compensation paid to key management for employee services is shown below:

	2020	2019
Salaries	**2,972,546**	2,586,134
Other short term benefits	**1,733,820**	1,795,951
Social Security Fund	**256,525**	188,302
Provident Fund	**207,993**	232,239
	5,170,884	4,802,626

33. REGULATORY NON-COMPLIANCE

The Bank was not penalised by the regulator or other statutory bodies for any breach of regulations during the period ended 31 December 2020 and subsequent to the year end (2019: GHS Nil).

34. SUBSEQUENT EVENT – UNCLAIMED BALANCES AND DORMANT ACCOUNTS DIRECTIVE, 2021

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 TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana Cedis in the respective notes)

35. VALUE ADDED STATEMENT

	2020	2019
Interest and other operating income	**640,472,615**	579,858,545
Direct cost of services	**(171,512,531)**	(197,859,308)
	468,960,084	381,999,237
Value added by banking services		
Non-banking income	**105,493**	401,587
Impairments	**(7,852,454)**	(8,665,680)
Value added	**461,213,123**	373,735,144
Distributed as follows:		
To employees:-		
Directors (without executives)	**1,269,163**	1,010,652
Executive directors	**830,027**	654,580
Other employees	**55,449,758**	55,297,675
To government:		
Income tax	**115,656,298**	92,343,323
To providers of capital		
Dividends to shareholders	**50,183,029**	-
To expansion and growth		
Depreciation	**17,372,978**	14,660,015
Amortisation	**1,304,093**	1,967,909
Income surplus	**219,147,777**	207,800,990

APPENDIX I:
FIVE-YEAR FINANCIAL HIGHLIGHT

	2020	2019	2018	2017	2016
Statement of Comprehensive income (GHS'm)					
Revenue (Net Earnings)	552	489	313	230	206
Profit before tax	385	300	215	128	107
Profit after tax	269	208	151	88	74
Dividend declared	50	-	-	-	36
Statement of financial position (GHS'm)					
Loans and advances to customers	1,058	570	425	396	627
Customer deposits	2,995	2,149	1,664	1,467	1,111
Total assets	4,081	3,253	2,284	1,874	1,545
Shareholders' equity	1,007	788	580	335	283
Ratios					
Dividend per share in pesewas	0.0035	-	-	-	0.0049
Earnings per share in pesewas	0.0190	0.0147	0.0106	0.0120	0.0100
ROAE (%) *	43%	44%	47%	41%	41%
ROAA (%) **	10%	11%	10%	7%	7%

*ROAE - Return on Average Equity, computed as current year PBT divided by the average of total equity for the two most current years.

**ROAA - Return on Average Equity, computed as current year PBT divided by the average of total assets for the two most current years.

APPENDIX II:
EXTRACT OF THE CODE OF PROFESSIONAL CONDUCT

Standards, policies and procedures are described in the Code of Professional Conduct document and must be understood and observed by each employee of Guaranty Trust Bank (Ghana) Limited to the extent that they are applicable to his /her situation.

Employees of GT Bank are required to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional life. By virtue of the obligations which their unique employment as Bankers imposes upon them, they are subject to standards of professional conduct which transcends the law.

The Code of Conduct stipulates the organisation's values and the minimum standards of good practices required of employees in their dealings within the Bank and with external parties maintaining relationships with the organisation. Employees of the Bank is required to aspire at all times to be excellent role models for the society. Staff are therefore required not to violate the laws of the land and/or the rules regulating the organisation's business.

Whenever the company's attention is drawn to any inadvertent violation of the law by its code of conduct, the necessary amendments will be made immediately. Where employees are uncertain about the applicability of any part of the standards to their particular situation, they shall consult the Bank's Company Secretary for guidance.