FIRST NATIONAL BANK GHANA LIMITED

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

Company Registration Number CS350172014 - a subsidiary of the FirstRand Group, South Africa.

Contents

Board of directors	Joseph Tetteh (Chairman) Richard Hudson (Chief Executive Officer) Michael Larbie Stephan Claassen Seth Asante Ebrahim Motala Conrad Dempsey (appointed 1 April 2019) Emmanuel Idun (appointed 1 August 2019)
Company secretary	Annita Bedzra 6th Floor Accra Financial Centre Corner of Independence Avenue and Liberia Road Accra, Ghana
Independent auditor	PricewaterhouseCoopers PwC Tower A4 Rangoon Lane Cantonment City PMB CT 42, Cantonments Accra, Ghana
Registered office	6th Floor Accra Financial Centre Corner of Independence Avenue and Liberia Road Accra, Ghana

The directors present their report together with the audited financial statements for the year ended 31 December 2019 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 First National Bank Ghana Limited (the bank).

Directors responsibility statement

The directors of are responsible for the preparation and fair presentation of the annual financial statements comprising the statement of financial position, and statement of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

In preparing the annual financial statements, suitable accounting policies in accordance with IFRS have been applied and reasonable judgements and estimates have been made by management. In the current financial year, the company adopted IFRS 16. Refer 2.17 for further detail on the impact of these new accounting standards on the bank.

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 reviewed the company's budgets and flow of funds forecasts and considered the company's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review, and in light of the current financial position and trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

Financial results and dividend

	GHS'000
Profit for the year ended 31 December 2019 (before taxes)	3,518
National Fiscal Stabilization Levy	(266)
Income tax charge	(559)
Profit for the year ended 31 December 2019 (after tax)	**2,693**

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

Nature of business

The bank is authorised by Bank of Ghana to carry on the business of universal banking, and there was no change in the nature of the bank's business.

Holding company

The bank is controlled by FirstRand EMA Holdings Limited, a company incorporated in South Africa. FirstRand EMA Holdings Limited is a subsidiary of FirstRand Limited (FirstRand). The ultimate holding company is FirstRand.

Acquisition of Ghana Home Loans (GHL)

Subsequent to 31 December 2019, both regulators, the South African Reserve Bank's Prudential Authority and the Bank of Ghana, approved the acquisition of 100% interest in GHL Bank Plc. The effective date is yet to be determined based on meeting the last outstanding conditions. The acquisition provides the bank with the foundation for a broader retail strategy going forward. GHL is considered to be the leader in the mortgage finance industry.

Interest in other body corporates

The bank had no subsidiaries or associate entities during the year or as at year end.

Corporate Social Responsibilities (CSRs)

The bank did not undertake many CSR activities in the year under review.
In partnership with Kowa Foundation, an NGO in Tafo, a selected number of staff volunteered to provide financial literacy education to some people in Tafo in the Eastern region. The team also made a donation of items to the local community.

Audit fee payable

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

Capacity of directors

The bank ensures that only fit and proper persons are appointed to the Board after obtaining the necessary consent from the regulator, Bank of Ghana. Relevant training and capacity building programs, facilitated by the Ghana Banking College and the Bank of Ghana, have been undertaken by the directors to enable them to discharge their duties.

Auditor
The auditor, PricewaterhouseCoopers will continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992) and Section 81 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 903).

Approved by:

………………………………	………………………………
Joseph Tetteh	Richard Hudson
Chairman	*Chief Executive Officer*

Strict adherence to good Corporate Governance and international best practices remains high on the agenda of First National 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 ensure best practices for the Board of Directors (the Board) and senior management in order to maximise stakeholder value.

There are currently four (4) committees through which the Board of Directors discharge their functions: the Audit Committee, the Risk, Capital and Compliance Committee, the Directors Affairs and Governance Committee and the Remuneration Committee. Depending on their role, Executive Committee members may be invited to attend the board and other sub-committee meetings.

The Company Secretary is the secretary to all committees of the Board with the exception of the Remuneration Committee where the Head of Human Capital acts as Secretary.

1.0 Board of Directors

The eight (8)-member Board of Directors of the bank is composed of an independent Chairman, two (2) other independent directors, four (4) non-executive but not independent directors and one (1) executive director who is the Chief Executive Officer (CEO), 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, time tested integrity and business acumen to bring well balanced judgement to bear on board deliberations for the good of the bank. The table below summarises the composition of the board.

Name	Type of Directorship
Joseph Tetteh (Chairman)	Independent Director
Richard Hudson (Chief Executive Officer)	Executive Director
Seth Asante	Independent Director
Stephan Claassen	Non-Executive Director
Conrad Dempsey	Non-Executive Director
Emmanuel Idun	Independent Director
Michael Larbie	Non-Executive Director
Ebrahim Motala	Non-Executive Director

The roles of the Chairman and the CEO are separate as the Chairman of the Board shall not serve simultaneously as the CEO in line with Bank of Ghana's Corporate Governance Directive.

The Board is responsible for determining strategic objectives and policies of the bank to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulations. The Board meets at least four times in a year.

1.1 The Audit Committee

The Audit Committee is made up of two (2) independent directors with one being the chairman and one (1) non-executive but not independent director. It is responsible for ensuring that the bank complies with all the relevant policies and procedures both from regulators and as laid-down by the Board.

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 auditor. The internal and external auditors have unrestricted access to the Audit Committee to ensure their continued independence. The Audit Committee also seeks explanations and additional information, where relevant, from the internal and external auditors. A report is provided to the full Board at each sitting. The Audit Committee meets at least four times in a year.

1.2 Risk, Capital and Compliance Committee (RCCC)

The RCCC is a committee of the Board and discharges its duties and responsibilities in respect of its charter on behalf of the Board. The RCCC is made up of one (1) independent director, being the chairman and four (4) non-executive but not independent directors.

The primary objective of the RCCC is to assist the Board in discharging its responsibilities regarding overseeing risk management across the bank. Without derogating from its primary responsibility, the committee has delegated the responsibility of managing the different risk types arising from the nature, complexity and risks inherent in its operations to specialist risk management subcommittees. The RCCC submits its reports and findings to the Board. The RCCC operates independently in order to provide effective oversight and makes recommendations to the Board for consideration and final approval. The RCCC meets at least four times in a year.

1.3 Directors' Affairs and Governance Committee (DAGC)

The DAGC's prime objective is to assist the Board in discharging its responsibilities in respect of governance, board and committee structures, board continuity, executive succession among other objectives. The DAGC reviews the structure and composition of the Board. The committee ensures that the Board is at all times in compliance with all applicable laws, regulations and codes of conduct and practices. The DAGC is made up of two (2) non-executive but not independent directors with one being the chairman and one (1) independent director. The committee meets at least two times in a year.

1.4 Remuneration Committee (Remco)

Remco is constituted as a committee of the Board and is answerable to the Board and reports to the Board. Remco ensures that remuneration and benefits practices are appropriate and conform with the general philosophy of rewarding performance at the bank. Remco is made up of two (2) non-executive but not independent directors with one being the chairman and one (1) independent director: The committee meets at least twice in a year.

2.0 Management Committees

Management Committees are various committees comprising senior management of the bank. The Committees are risk driven as they are established 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 scheduled and also as frequently as the risk issues occur to immediately take actions and decisions within the confines of their mandates. The key Management Committees in the bank are six (6) and are the Executive Committee (EXCO), the Risk Committee (RISCO), the Asset, Liability and Capital Committee (ALCCO), the Procurement Committee (PC), Financial Resource Management Committee (FRM) and Management Credit Risk Committee.

3.0 Profile and attendance of directors

In line with the Corporate Governance Directive issued by Bank of Ghana in 2018, the tables below provide details of:

a. Profile of directors;
b. Outside board and management positions;
c. Role of directors;
d. Year appointed;
e. Number of meetings in 2019;
f. As well as attendance of each of the directors.

3.0 Profile and attendance of directors (continued)

Number	Non-Executive	Qualification	Outside Board and Management position	Position
1	Joseph Tetteh	ACIB/FCIB	Retired	
2	Michael Larbie	MBA-Finance & Entrepreneurial Management	RMB Nigeria Management	CEO
3	Stephan Claassen	LLB, BCOM	FNB SA Commercial Division	Provincial Head
4	Seth Asante	LLB	Financial Institutions and Capital Markets Practice Group, Bentil-Enchill Letsa & Ankomah Law Firm	Head Partner
5	Ebrahim Motala	BCOM, CA - SA	RMB Rest of Africa Business	Head Business
6	Conrad Dempsey	CA, GCMA, AMCT	RMB Namibia	CEO
7	Emmanuel Idun	FCCA, ICA	Enterprise Group	Consultant
	Executive			
1	Richard Hudson	B.COM (Honours) CAIBSA	First National Bank Ghana Limited	CEO

3.0 Profile and attendance of directors (continued)

	BOARD OF DIRECTORS			
Directors	**Role**	**Year appointed**	**Number of Meetings 2019***	**Attendance**
Joseph Tetteh	Chairman	2015	4	4
Richard Hudson	Member	2014	4	4
Michael Larbie	Member	2014	4	4
Stephan Claassen	Member	2014	4	3
Seth Asante	Member	2014	4	4
Ebrahim Motala	Member	2016	4	4
Conrad Dempsey	Member	2019	3	3
Emmanuel Idun	Member	2019	2	2

	Risk, Capital and Compliance Committee			
Directors	**Role**	**Year appointed**	**Number of Meetings 2019***	**Attendance**
Seth Asante	Chairman	2019	2	2
Stephan Claassen	Member	2015	4	3
Michael Larbie	Member	2019	-	-
Ebrahim Motala	Member	2016	4	4
Conrad Dempsey	Member	2019	3	3

	Directors' Affairs and Governance Committee (DAGC) - 2019			
Directors	**Role**	**Year appointed**	**Number of Meetings 2019***	**Attendance**
Stephan Claassen	Chairman	2019	3	2
Michael Larbie	Member	2015	3	3
Emmanuel Idun	Member	2019	1	1

3.0 Profile and attendance of directors (continued)

	Audit Committee - 2019			
Directors	**Role**	**Year appointed**	**Number of Meetings 2019***	**Attendance**
Emmanuel Idun	Chairman	2019	1	1
Seth Asante	Member	2019	2	1
Ebrahim Motala	Member	2016	4	4

	Remuneration Committee (Remco)			
Directors	**Role**	**Year appointed**	**Number of Meetings 2019***	**Attendance**
Ebrahim Motala	Chairman	2019	2	2
Joseph Tetteh	Member	2015	2	2
Stephan Claassen	Member	2019	2	2

* Number of meetings required for each director varies according to the date of appointment / resignation.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST NATIONAL BANK GHANA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of First National Bank Ghana Limited for the year ended 31 December 2019.

The financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matters(continued)

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances – GHS 4.7 million	
The Bank continues to use the expected credit loss model as defined by IFRS 9 in the assessment of financials instruments. Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment charge, we critically assessed the more judgemental decisions made by management. Some of these include: a) Determination of default and the criteria for assessing significant increase in credit risk (SICR) based on both qualitative and quantitative factors; b) Segmentation of the Banks portfolio to reflect similar behaviour and characteristics; c) Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations; d) Incorporation of forward-looking information; and e) Determination of the Probability of default (PD), the Loss Given Default (LGD) and the Exposure at Default (EAD). The accounting policies, critical estimates and judgements and impairment charge are set out in notes 3.2.1, 4.1, 10, and 17 to the financial statements.	Performed a detailed walkthrough of the design of the key controls over the determination of ECLs and tested their operating effectiveness. Assessed the definition of default on SICR. We then examined and evaluated specific circumstances of borrowers for selected credit facilities to identify qualitative and quantitative factors resulting in significant increase in credit risk or default. Developed an understanding of the characteristics that led to the portfolio segmentation and tested the underlying information. Identified the key inputs which drive the ECL provision calculation. Where key inputs to the model are derived from other sources, we confirmed the accuracy of these sources. We checked that the ECL calculations were consistent with the approved model methodologies. We assessed the reasonableness of the forward-looking economic scenarios used by agreeing economic information to independent external sources, and challenging the weightings applied. We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD derived by reviewing on a sample basis the valuation of the collateral held and expected future recoveries. We challenged management on subjective estimates and assumptions such as the haircut and time to realisation used on the collateral. We challenged managements determination of the EAD and reviewed the reasonableness of the credit conversion factors used. We tested the underlying disclosures and compared these to underlying accounting records.

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Oseini Amui (ICAG/P/1139).

PricewaterhouseCoopers

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

pwc

(All amounts are in thousands of Ghana Cedis)

Statement of comprehensive income

for the year ended 31 December

	Note	2019	2018
Interest income	5	**96,507**	34,120
Interest expense	6	**(26,689)**	(12,397)
Net interest income		**69,818**	21,723
Fees and commission income	7	**10,556**	5,673
Fees and commission expense	7	**(4,586)**	(1,960)
Net fees and commission		**5,970**	3,713
Net trading income	8	**22,509**	23,058
Other income	9	**(6,732)**	92
Operating income		**91,565**	48,586
Impairment allowance	10	**(7,116)**	(4,570)
Personnel expenses	11	**(50,280)**	(48,104)
Operating lease expense	12	**(1,798)**	(9,089)
Depreciation and amortisation	20, 21	**(13,022)**	(6,286)
Other operating expenses	13	**(15,831)**	(17,428)
Profit/(Loss) before tax		**3,518**	(36,891)
National fiscal stabilisation levy	15	**(266)**	-
Income tax (charge)/credit	14	**(559)**	2,584
Profit/(Loss) for the year		**2,693**	(34,307)
Total comprehensive income /(loss) for the year		**2,693**	(34,307)

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

(All amounts are in thousands of Ghana Cedis)

Statement of financial position

As at 31 December

	Note	2019	2018
Assets			
Cash and cash equivalents	16	**286,420**	225,205
Non-pledged trading assets	18	**29,576**	48,158
Loans and advances	17	**105,670**	84,633
Investment securities	19	**491,036**	244,738
Intangible assets	21	**-**	30
Deferred tax assets	22	**2,674**	3,233
Other assets	23	**31,922**	14,242
Property, equipment and right-of-use assets	20	**38,991**	20,381
Total assets		**986,289**	640,620
Equity and liabilities			
Liabilities			
Deposits from banks	30	**1,748**	1,289
Deposits from customers	24	**487,549**	182,826
Other liabilities	25	**64,311**	26,517
Total liabilities		**553,608**	210,632
Equity			
Stated capital	26	**505,850**	505,850
Retained earnings		**(74,516)**	(79,051)
Statutory reserve	28	**1,347**	-
Credit risk reserve	27	**-**	3,189
Total equity		**432,681**	429,988
Total liabilities and equity		**986,289**	640,620

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

The financial statements on pages 17 to 83 were approved by the Board on 17 March 2020 and signed on its behalf by:

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Joseph Tetteh
Chairman

Richard Hudson
Chief Executive Officer

(All amounts are in thousands of Ghana Cedis)

Statement of changes in equity

for the year ended 31 December 2018

	Stated capital	Contributions towards capital	Credit risk reserve	Other reserve	Retained earnings	Total equity
Balance at 1 January 2018	162,017	8,820	280	5,461	(39,594)	136,984
Changes on initial application of IFRS 9						
Increase in impairment provisioning	-	-	-	-	(2,241)	(2,241)
Transfer to retained earnings	-	-	(280)	-	280	-
Reclassification of investment securities	-	-	-	(5,461)	-	(5,461)
Restated balance at 1 January 2018	162,017	8,820	-	-	(41,555)	129,282
Loss for the year	-	-	-	-	(34,307)	(34,307)
Total comprehensive loss	-	-	-	-	(34,307)	(34,307)
Transactions with owners						
Issue of ordinary shares	343,833	(8,820)	-	-	-	335,013
Transfer to credit risk reserve	-	-	3,189	-	(3,189)	-
Total transactions with owners	343,833	(8,820)	3,189	-	(3,189)	335,013
Balance at 31 December 2018	**505,850**	**-**	**3,189**	**-**	**(79,051)**	**429,988**

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

(All amounts are in thousands of Ghana Cedis)

Statement of changes in equity (continued)

for the year ended 31 December 2019

Year ended 31 December 2019	Stated capital	Contributions towards capital	Credit risk reserve	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2019	505,850	-	3,189	-	(79,051)	429,988
Profit for the year	-	-	-	-	2,693	2,693
Total comprehensive income	**-**	**-**	**-**	**-**	**2,693**	**2,693**
Transactions with owners						
Transfer to statutory reserve	-	-	-	1,347	(1,347)	-
Transfer from credit risk reserve	-	-	(3,189)	-	3,189	-
Total transactions with owners	-	-	(3,189)	1,347	1,842	-
Balance at 31 December 2019	**505,850**	**-**	**-**	**1,347**	**(74,516)**	**432,681**

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

(All amounts are in thousands of Ghana Cedis)

Statement of cash flows

for the year ended 31 December

	Note	2019	2018
Cash flows from operating activities			
Profit/(loss) for the period		**2,693**	(34,307)
Adjustments for:			
Depreciation and amortization	20,21	**13,022**	6,286
Impairment on financial assets	10	**7,116**	4,570
Net interest income		**(69,818)**	(21,723)
Income tax expense	14	**559**	(2,584)
Change in non-pledged trading assets	18	**18,582**	(6,334)
Change in loans and advances	17	**(28,153)**	(59,324)
Change in investment securities	19	**(246,298)**	(176,857)
Change in other assets	23	**(17,681)**	(1,345)
Change in deposits from banks	30	**459**	976
Change in deposits from customers	24	**304,723**	79,452
Change in other liabilities	25	**10,769**	6,245
Interest received		**99,828**	33,585
Interest paid		**(27,969)**	(12,283)
Net cash from/ (used in) operating activities		**67,832**	**(183,643)**
Cash flows from investing activities			
Purchases of property and equipment	20	**(1,432)**	(3,690)
Net cash used in investing activities		**(1,432)**	**(3,690)**

(All amounts are in thousands of Ghana Cedis)

Statement of cash flows (continued)

for the year ended 31 December

	Note	2019	2018
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	335,013
Payment of lease liability		**(5,185)**	-
Net cash (used in)/ from financing activities		**(5,185)**	335,013
Net increase in cash and cash equivalents		**61,215**	147,680
Cash and cash equivalents at 1 January		**225,205**	77,525
Cash and cash equivalents at 31 December	16	**286,420**	225,205

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

1. Reporting entity

First National Bank Ghana Limited ('the bank') is a private limited liability company incorporated and domiciled in Ghana licensed to carry out universal banking activities. The bank is wholly owned by FirstRand EMA Holdings Limited, and the ultimate holding company is FirstRand Limited. The holding and ultimate holding companies are all incorporated in the Republic of South Africa. The address of the bank's registered office is 6th Floor Accra Financial Centre, Corner of Independence Avenue and Liberia Road, Accra.

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 years presented in these financial statements, unless otherwise stated.

2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy below.

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

2.2 Changes in accounting policy and disclosures

i. New and amended standards adopted by the bank

The following new standards were adopted in the current year:

The bank adopted IFRS 16 effective 1 January 2019, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which had an impact on the bank's financial results as at 1 January 2019. For more details on the impact of adopting IFRS 16, please refer to note 2.17.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

None of the other new or amended IFRS that became effective during the current year had any impact on the bank's reported earnings, financial position or reserves, or the accounting policies.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

ii. New and amended standards issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
Conceptual framework	The improvements to the conceptual framework include revising the definitions of an asset and liability and updating the recognition criteria for including assets and liabilities in financial statements. The following concepts have been clarified: prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various standards which reference the Conceptual Framework, or to indicate that the definitions in the standards have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments are not expected to have a significant impact on the bank's accounting policies.	Annual periods commencing on or after 1 January 2020
IFRS 3	**Definition of a business** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is only applicable for business combinations for which the acquisition date is on or after the effective date going forward and the clarified requirements will be applied on a transaction by transaction basis.	Annual periods commencing on or after 1 January 2020

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

ii. New and amended standards not adopted by the bank (continued)

Standard	Impact assessment	Effective date
IAS 1 and IAS 8	**Definition of material** The amendments clarify the definition of material and aligns the definition used in the Conceptual Framework. The explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards and will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The IASB issued amendments to the following standards as part of the interest rate benchmark reform that has a direct impact on the bank's hedging relationships. These impacts are - ➢ The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. ➢ Prospective assessments – When performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. ➢ Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk, a company shall apply the separately identifiable requirement only at the inception of such hedging relationships.	Annual periods commencing on or after 1 January 2020

2. Summary of significant accounting policies (continued)

2.3 Foreign currency transactions

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

2 Summary of significant accounting policies (continued)

2.4 Financial instruments

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

2.4.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income.

2.4.2 Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

The bank distinguishes two main business models for managing financial assets:

- holding financial assets to collect contractual cash flows; and
- managing financial assets and liabilities on a fair value basis or selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The main consideration in determining the different business models across the bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Classes of financial assets	Business model considerations	Cash flow characteristics
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include all of the retail and corporate advances of the bank as well as certain investment securities utilised for liquidity risk management of the bank.		
Retail advances	The bank holds retail advances to collect contractual cash flows. The business model focuses on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business models include: residential mortgages; vehicle and asset finance; personal loans, credit card and other retail products such as overdrafts. The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). There are no penalties on the prepayment of advances.
Corporate advances	The business models of Commercial and Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include: trade and working capital finance; specialised finance; commercial property finance; and asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.	The cash flows on these corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). There are no penalties on the prepayment of advances.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Classes of financial assets	Business model considerations	Cash flow characteristics
Investment securities	The bank holds investment securities with lower credit risk (typically with the government of Ghana) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills. These investment securities are held to collect contractual cash flows but are also available to be pledged as collateral or sold if required for liquidity management purposes. Sales are often in the form of a repurchase agreement transaction. If the accounting requirements for derecognition are not met, the transaction does not constitute a sale for IFRS 9 business model assessment purposes. For accounting purposes, repurchase agreement transactions are treated as a secured funding transaction rather than a sale, and the bank continues to recognise the asset and collect the contractual cash flows. These investment securities are only sold before maturity to meet liquidity needs in a stress scenario, which is consistent with a business model to collect contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Other assets	Financial other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Mandatory at fair value through profit or loss		
Financial assets of the bank are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Classes of financial assets	**Business model considerations**	**Cash flow characteristics**
Investment securities	Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short term profit realisation. These securities are managed on a fair value basis.	Not applicable
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	Not applicable

2.4.3 Classification and subsequent measurement of financial liabilities

Financial liabilities and compound financial instruments
The bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement.
Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss: • deposits; • creditors; and • other funding liabilities.
Financial liabilities measured mandatory at fair value
The following held for trading liabilities are measured at fair value through profit or loss: • derivative liabilities; and • short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.4 Impairment of financial assets

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

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

Refer to Note 3.2 for further details on the impairment process of financial assets.

2.4.5 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are transferred when the bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IFRS 9).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the bank determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition. A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition, the original asset continues to be recognised.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.5 Transfers, modifications and derecognition (continued)

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

2.4.6 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

It is the bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For Corporate and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.

2.4.7 Derivative financial instruments

Derivative instruments are classified as held for trading with the resulting fair value gains or losses being recognised in the income statement.

2.5 Interest income and expenses

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

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2. Summary of significant accounting policies (continued)

2.6 Fee and commission income and expense

The fee and commission income that the bank earns from providing customers with services and selling them products and services provided by external entities, consists of the following main categories:

- Banking fees and commissions;
- Non-banking fees and commissions;
- Insurance commissions (excluding insurance risk related income); and
- Management, trust and fiduciary fees.

Fees and commissions that form an integral part of the effective interest rate is excluded from fees and commissions from customers and are recognised as part of interest income.

All other fees and commissions from customers are recognised as the bank satisfies its performance obligations, which can either be satisfied at a specific point in time or over a period of time.

For fees earned on the execution of a significant act, the performance obligation is satisfied when the significant act or transaction takes place. These fees typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions and knowledge-based fee and commission income.

Where the performance obligation is satisfied over a period of time, the fees are recognised as followed:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the bank's performance obligation is satisfied;

- commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis; and

Commitment fees for unutilised funds made available to customers in the past, is recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, is recognised as revenue on a straight line over the period for which the funds are promised to be kept available.

Commissions earned on the sale of insurance products to customers of the bank on behalf of an insurer and the income arising from third-party insurance cell captives and profit share agreements, are recognised as fee and commission income.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers. This includes commission earned from the sale of prepaid airtime.

Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.

2. Summary of significant accounting policies (continued)

2.7 Income tax

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the bank and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.8 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to 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 cost in the statement of financial position.

2.9 Property and equipment

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

2. Summary of significant accounting policies (continued)

2.9 Property and equipment (continued)

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives of the assets as follows:

- Leasehold improvements — Shorter of estimated life or period of lease
- Computer equipment — 3 – 5 years
- Furniture and fittings — 6 years
- Other equipment — Various between 3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

These are included in 'other income' in profit or loss.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

There is no specific useful life for software as it would depend on the specific software and its purpose. The bank amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset.

The estimated useful life of the capitalised software (Aperta) is two years. As at year end December 2019, the carrying value is zero.

2.11 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.

2. Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

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.

2.12 Provisions

A provision is recognised if, as a result of a past event, the bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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.

2.13 Employee benefits

The bank contributes to defined contribution pension schemes. These defined contributions schemes are approved by the regulatory authority. A defined contribution scheme is a pension plan under which the entity pays fixed contributions into a separate entity. The bank has no further payment obligations once the contributions have been paid.

The bank's obligations to defined contribution plans are recognised as an expense in the profit or loss when they are due.

2. Summary of significant accounting policies (continued)

2.13 Employee benefits (continued)

Termination benefits

Termination benefits are recognised as an expense when the bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Liability for short term employee benefits

The bank recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the bank is based on current salary of employees and the contractual terms between the employee and the bank. The expense is included in staff costs.

The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

Cash-settled share-based payment plans

The bank recognises a liability and an expense for share options granted by the parent company to employees of the bank.

2.14 Stated capital

Issued ordinary shares are classified as 'stated capital' in equity.

2.15 Financial guarantees

In the ordinary course of business, the bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties. These financial guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

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

2. Summary of significant accounting policies (continued)

2.16 Leases

The bank leases a variety of properties, equipment and vehicles. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The bank assesses whether a contract is or contains a lease at inception of a contract.

Qualifying leases are recognised as a ROUA and a corresponding liability at the date at which the leased asset is made available for use by the bank.

	Bank is the lessee
Inception	The bank recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as lease assets with a replacement value of GHS 33 or less at the inception of the lease). The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the bank uses its own incremental borrowing rate. The ROUA's are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUA's are treated in line with other property and equipment.
Over life of lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.

2. Summary of significant accounting policies (continued)

2.16 Leases (continued)

	Bank is the lessee
Presentation	The lease liability is presented in other liabilities in the statement of financial position. The ROUA's are not presented as a separate line in the statement of financial position, but rather disclosed as ROUA in the property, plant and equipment note.
Operating leases	For short-term and low value leases, which the bank has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the income statement.

Contracts where the bank is the lessee (IAS 17)

The bank classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The bank classifies as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset.

	Bank company is the lessee
At inception – Finance lease	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.
Over the life of the lease – Finance lease	The asset is depreciated – refer to accounting policy Note 4.
Operating leases	Recognised as an operating expense in profit or loss on a straight-line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability or asset of the bank in creditors and accruals.

(All amounts are in thousands of Ghana Cedis)

2. Summary of significant accounting policies (continued)

2.17 Impact of adopting revised accounting standards

The bank adopted IFRS 16 during the current period, with the most significant impact on the accounting treatment of leases where the bank is the lessee. The standard requires lessees to recognise a right-of use-asset (ROUA) and corresponding lease liability in respect of all leases that were previously classified as operating leases under IAS 17. The standard does allow for certain exemptions from this treatment for short-term leases and leases where the underlying asset is considered to be of low-value.

As permitted by IFRS 16, the bank did not restate comparative information and elected to apply the modified retrospective approach on the date of adoption (DIA) being 1 January 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA was recognised. The bank elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made as well as any operating lease smoothing liabilities that were raised under IAS 17.

The recognition of the lease liability and right-of use asset has impacted the amounts recognised in the bank's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From DIA, the following amounts will be recognised in the income statement under IFRS 16:

- interest expense on the lease liability;
- depreciation charge on the right-of use assets and will be recognised over the lease term; and
- rental charge will be recognised in operating expenses for assets classified as short-term or low-value in terms of the bank's policy.

As at 1 January 2019:

- Right-of-use assets of GHS 30,170 were recognised and presented in the statement of financial position with "Property, equipment and right-of-use assets".
- Lease liabilities of 28,383 (included in "Other liabilities) were recognised.
- The adoption of IFRS 16 had no impact on the bank's retained earnings and no impact on its CET1 ratio.

The table below reconciles the operating lease commitments recognised under IAS 17 as at 31 December 2018 to the lease liabilities recognised on balance sheet as at 1 January 2019:

	Note	Amount
Operating lease commitments disclosed as at 31 December 2018 under IAS 17	1	**41,638**
Less: short term leases	2	(1,504)
Total qualifying operating leases subject to IFRS 16		**40,134**
Less: Discounted using the bank's incremental borrowing rate.	3	(11,751)
Additional lease liability recognised as at 1 January 2019 (included in other liabilities)		**28,383**

(All amounts are in thousands of Ghana Cedis)

2. Summary of significant accounting policies (continued)

2.17 Impact of adopting revised accounting standards (continued)

Note	Adjustment	Description of bank's policy
1	Operating lease commitments under IAS 17	The bank applied the practical expedient in IFRS 16 C3 and did not reassess the definition of a lease on its current lease contracts but applied the requirements of IFRS 16 to all leases recognised as operating leases previously under IAS 17.
2	Short term leases	IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The bank applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition. The bank defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain: no extension periods that the bank will reasonably exercise which would result in the lease term being longer than 12 months; and no purchase option in the lease contract.
3	Discounting using the bank's incremental borrowing rate	IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The bank used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The incremental borrowing rate used was 17% which is indicative of: Duration of the lease; and Credit risk of the bank.

3. Financial risk management

3.1 Risk management framework

The bank's activities expose the business to risks. These risks are managed in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations.

The bank has exposure to the following types of risks from its use of financial instruments; credit risk, liquidity risk and market risks. The bank continues to assess its overall risk management framework and governance structure.

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 Committee (ALCCO) 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.

3.2 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.

The Board of Directors has delegated responsibility for the management of credit risk to its Management Credit Committee, 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 Chief Executive Officer, Management Credit Committee, and the Board of Directors as appropriate;

3. Financial risk management (continued)

3.2 Credit risk (continued)

- 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 gradings 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 four 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 Management Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the bank;

- 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 authorities authorised by the Management 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 Management Credit Committee. 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 subjects to central approval; and

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

Key ratios on loans and advances

The total loan loss provision made by the bank constitutes 4.3% (2018: 8.7%) of the gross loans. The twenty largest exposure (gross funded and non-funded) of the total exposure is 59% (2018: 77%).

3.2.1 Management of credit risk

Allowances for impairment

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- Stage 1 - at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;

- Stage 2 - if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and

- Stage 3 - non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Expected credit losses			
Expected credit losses are calculated by multiplying the exposure at default (EAD) of a financial asset by the probability of default (PD) and the loss given default (LGD) of the asset and by discounting this figure to the reporting date using the original effective interest rate. Impairment losses are recognised in profit or loss. In the section below, the term financial asset also refers to loan commitments, finance lease debtors where bank is the lessor and financial guarantees, unless stated otherwise.			
Financial liabilities measured at amortised cost			
Credit risk has not increased significantly since initial recognition (Stage 1)	Credit risk has increased significantly (SICR) since initial recognition, but asset is not credit-impaired (Stage 2)	Asset has become credit-impaired since initial recognition (Stage 3)	Purchased or originated credit impaired
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Movement in lifetime expected credit losses since initial recognition

Advances

Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the bank had an opportunity to price or re-price the advance based on the outcome of either the original or an up-to-date risk assessment. SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis.
	Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.
	In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of Corporate and commercial SME facilities on a credit watch list.
	Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk.

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Advances (continued)

Significant increase in credit risk since initial recognition (SICR) *(continued)*	The SICR test is performed on a monthly basis, as part of the monthly impairment calculation process. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.
Low credit risk	Financial assets with low credit risk are assumed not to have experienced a significant increase in credit risk since initial recognition.
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the bank to actions such as the realisation of security. Any distressed restructures of financial assets which have experienced a significant increase in credit risk since initial recognition are defined as default events. Financial assets are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defined rates.
Purchased or originated credit-impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition.

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Advances (continued)

Write-offs and post-write-off recoveries	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised). By implication, in both Retail and Corporate, for secured as well as unsecured, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and within Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and within Corporate portfolios, a judgmental approach to write-off is followed, based on case-by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.

Risk limit control and mitigation policies

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved annually by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

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

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Collateral

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

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

Financial covenants (for credit related commitments and loan books)

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

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

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

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

Credit risk exposures relating to on balance sheet assets are as follows:

	2019	2018
Balances with Bank of Ghana	**176,084**	108,209
Cash and balances with other banks	**89,783**	102,498
Non-pledged trading assets	**29,576**	48,158
Investment securities	**491,036**	244,738
Loans and advances to customers	**105,670**	84,633
Other financial assets	**26,314**	11,430
	918,463	599,666
Credit risk exposures relating to off balance sheet items are as follows:		
Undrawn commitment	**57,512**	17,051
Letters of credit	**5,387**	592
Non-financial guarantees	**55,092**	67,441
	117,991	85,084

The above table represents a worst-case scenario of credit risk exposure to the bank without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. 53% (2018: 41%) of the total maximum balance sheet exposure is derived from investment securities.

The bank's credit exposures were categorised as follows:

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

The bank's credit exposures are categorised under IFRS 9 as follows:

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

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Maximum exposure to credit risk – financial instruments subject to impairment

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

	At 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	286,420	-	-	**286,420**
Investment securities	491,036	-	-	**491,036**
Loans and advances	92,444	17,299	656	**110,399**
Other financial assets	26,314	-	-	**26,314**
Gross carrying amount	896,214	17,299	656	**914,169**
Loss allowance on:				
- Loans and advances	(2,969)	(1,104)	(656)	**(4,729)**
Carrying amount	**893,245**	**16,195**	**-**	**909,440**

	At 31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	225,205	-	-	**225,205**
Investment securities	244,738	-	-	**244,738**
Loans and advances	71,923	9,276	11,501	**92,700**
Other assets (excluding prepayments)	11,430	-	-	**11,430**
Gross carrying amount	553,296	9,276	11,501	**574,073**
Loss allowance on:				
Loans and advances	(2,654)	(182)	(5,231)	**(8,067)**
Investment securities	(1,361)	-	-	**(1,361)**
Carrying amount	**549,281**	**9,094**	**6,270**	**564,645**

Maximum exposure to credit risk – financial instruments not subject to impairment

The maximum credit risk exposure to the bank from financial assets not subject to impairment (i.e. FVPL) is GHS29,576 (2018: GHS48,158).

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.3 Collateral and other credit enhancements

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

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

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

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

At 31 December 2019	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Overdrafts	28	28	-	-
Term loans	628	628	-	-
Total credit impaired assets	**656**	**656**	**-**	**-**

At 31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Overdrafts	7,377	1,838	5,539	7,505
Term loans	4,124	3,393	731	2,965
Total credit impaired assets	**11,501**	**5,231**	**6,270**	**10,470**

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.4 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 represents gross carrying amounts. For loan commitments and performance guarantee contracts, the amounts in the table represent amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost

At 31 December	**2019**				**2018**
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Cat 0: Performing	92,444	17,032	-	109,476	71,923
Cat 1: Watchlist/OLEM	-	267	-	267	9,203
Cat 2: High risk	-	-	-	-	73
Cat 3: Non-performing	-	-	656	656	11,501
Gross loans	**92,444**	**17,299**	**656**	**110,399**	**92,700**
Loss allowance	(2,969)	(1,104)	(656)	(4,729)	(8,067)
Carrying amount	**89,475**	**16,195**	**-**	**105,670**	**84,633**

At 31 December	**2018**				2017
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Cat 0: Performing	71,923		-	**71,923**	25,707
Cat 1: Watchlist/OLEM	-	9,203	-	**9,203**	3,114
Cat 2: High risk	-	73	-	**73**	-
Cat 3: Non-performing	-	-	11,501	**11,501**	-
Gross loans	**71,923**	**9,276**	**11,501**	**92,700**	28,821
Loss allowance	(2,654)	(182)	(5,231)	(8,067)	(303)
Carrying amount	**69,269**	**9,094**	**6,270**	**84,633**	28,518

The following table sets out the credit quality of trading debt securities. The analysis has been based on S&P ratings.

At 31 December	**2019**	2018
Government of Ghana bonds Rated BBB+ and below	**29,576**	48,158

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.4 Credit quality analysis (continued)

(i) Neither past due nor impaired loans

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

31 December 2019	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	70,804	27,685	9,814	108,303

31 December 2018	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	32,015	34,415	14,390	80,820

Loans and advances graded current are neither considered past due nor impaired and are analysed by type of advance.

(ii) Past due but not impaired loans

Loans 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 based on the level of security or collateral available and/or the stage of collection of amounts owed to the bank.

31 December 2019	Term loans	Overdrafts	Total
Grade			
Past due up to 30 days	255	2	257
Past due 30 to 60 days	224	12	236
Past due 60 to 90 days	29	17	46
Past due above 90 days	617	32	649
Total	**1,125**	**63**	**1,188**

31 December 2018	Term loans	Overdrafts	Total
Grade:			
Past due up to 30 days	227	45	272
Total	227	45	272

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.5 Credit concentration

The bank monitors concentrations of credit risk by sector and by customer.
An analysis of concentrations of credit risk in respect of loans and advances is shown below:

	Loans and advances	
	2019	2018
Carrying amount	**105,670**	84,633
Concentration by sector		
Corporate:		
Manufacturing and commerce	**30,640**	38,226
Mining	**2,231**	2,591
Real estate	**21,748**	8,890
Other service	**14,040**	16,649
Retail:		
Unsecured lending	**37,923**	23,602
Mortgages	**3,817**	2,742
Gross	**110,399**	92,700
Less: Impairment provision	**(4,729)**	(8,067)
Net	**105,670**	84,633

All investment securities are concentrated in the Government sector: 2019: GHS 491,036 (2018: GHS 244,738).

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.3 Liquidity risk

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

3.3.1 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.

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

The bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury department 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 (ALCCO). 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 ALCCO on monthly basis.

3.3.2 Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment 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.

	2019	2018
At 31 December	**44%**	66%
Average	**36%**	30%
Maximum	**67%**	69%
Minimum	**-30%**	-54%

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

3.3.3 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.

Government bonds and securities are readily acceptable in repurchase agreements with the Central Bank.

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

At 31 December 2019	Total	On demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Deposits from banks	**1,748**	1,748	-	-	-	-
Deposits from customers	**491,634**	181,375	134,709	161,724	13,826	-
Other financial liabilities	**35,973**		9,961	24,869	1,143	-
Lease liability (Note 25)	**42,426**	-	3,662	5,183	33,581	-
Total financial liabilities	**571,781**	**183,123**	**148,332**	**191,776**	**48,550**	**-**
Cash and cash equivalents	**286,420**	286,420	-	-	-	-
Loans and advances	**105,670**	25,822	561	11,190	64,518	3,579
Other financial assets	**26,314**		16,849	834	2,157	6,474
Investment securities	**491,036**	408,663	72,435	9,938	-	-
Non-pledged trading assets	**29,576**	29,576	-	-	-	-
Assets held for managing liquidity risk	**939,016**	**750,481**	**89,845**	**21,962**	**66,675**	**10,053**
Liquidity gap	**367,235**	**567,358**	**(58,487)**	**(169,814)**	**18,125**	**10,053**

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

3.3.3 Assets used in managing liquidity risk (continued)

At 31 December 2018	Total	On demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Deposits from banks	1,289	1,289	-	-	-	-
Deposits from customers	194,871	171,189	11,340	12,256	86	-
Other financial liabilities	25,528	11,071	5,554	6,566	2,337	-
Total financial liabilities	221,688	183,549	16,894	18,822	2,423	-
Cash and cash equivalents	225,205	225,205	-	-	-	-
Loans and advances	84,633	36,841	273	6,568	38,298	2,653
Other financial assets	11,430	217	4,283	4	2,172	4,754
Investment securities	244,738	78,438	121,786	-	34,614	9,900
Non-pledged trading assets	48,158	48,158	-	-	-	-
Assets held for managing liquidity risk	614,164	388,859	126,342	6,572	75,084	17,307
Liquidity gap	392,476	205,310	109,448	(12,250)	72,661	17,307

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.4 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, 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.

Management of market risks

The bank separates its exposure to market risk between trading and non-trading portfolios. All foreign exchange risk within the bank are monitored by the Treasury department. 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 ALCCO. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALCCO) and for the day-to-day review of their implementation.

3.4.1 Exposure to interest rate risk -- non-trading portfolios

The principal risk to which non-trading portfolios are 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 ALCCO is the monitoring body for compliance with these limits and is assisted by Risk Management Committee in its day-to-day monitoring activities.

Standard scenarios that are considered on a regular basis include a 100 basis points (bp) parallel fall or rise in policy rates.

Sensitivity analysis

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

	Impact on post tax profit	
	2019	2018
Interest rate – increase by 100 bps*	**2,930**	(1,590)
Interest rate – decrease by 100 bps*	**(8,690)**	(1,600)
**Holding all other variables constant*		

The bank monitors interest and exchange rates to facilitate trading and non-trading assets by the Treasury department. This will help the bank to know the market developments and where opportunities are present to make gains from high interest rates. The bank does not hedge its interest rate risk.

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.4 Market risks (continued)

3.4.2 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 table below summarises the bank's exposure to foreign exchange risk at 31 December 2019. Included in the table are the bank's financial instruments at carrying amounts, categorised by currency:

At 31 December 2019	GHS	USD	EUR	GBP	ZAR	OTHER	TOTAL
Assets							
Cash and cash equivalents	148,135	126,924	8,259	1,004	709	1,389	**286,420**
Non-pledged trading assets	29,576	-	-	-	-	-	**29,576**
Investment securities	491,036	-	-	-	-	-	**491,036**
Other financial assets	26,239	78	-2	-1	-	-	**26,314**
Loans and advances	86,070	19,600	-	-	-	-	**105,670**
Financial assets - banking book	781,056	146,602	8,257	1,003	709	1,389	**939,016**
Unsettled Forex Purchases	-	1,660	-	-	2,965	-	**4,625**
Total financial assets	**781,056**	**148,262**	**8,257**	**1,003**	**3,674**	**1,389**	**943,641**
Liabilities							
Deposits from other banks	1,748	-	-	-	-	-	**1,748**
Deposits from customers	387,836	91,334	7,806	573	-	-	**487,549**
Lease liability	27,026	-	-	-	-	-	**27,026**
Other financial liabilities	13,991	16,664	-	-	3,228	-	**33,883**
Financial liabilities - banking book	430,601	107,998	7,806	573	3,228	-	**550,206**
Unsettled Forex Sales	-	31,033	37	-	-	-	**31,070**
Total financial liabilities	430,601	139,031	7,843	573	3,228	-	**581,276**
Net open position	**350,455**	**9,231**	**414**	**430**	**446**	**1,389**	**362,365**

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.4 Market risks (continued)

3.4.2 Foreign exchange risk (continued)

At 31 December 2018	GHS	USD	EUR	GBP	ZAR	OTHER	TOTAL
Assets							
Cash and cash equivalents	103,616	116,479	1,444	3,358	117	191	**225,205**
Non-pledged trading assets	48,158	-	-	-	-	-	**48,158**
Investment securities	244,738	-	-	-	-	-	**244,738**
Other financial assets	11,430	-	-	-	-	-	**11,430**
Loans and advances	68,317	16,316	-	-	-	-	**84,633**
Financial assets - banking book	**476,259**	**132,795**	**1,444**	**3,358**	**117**	**191**	**614,164**
Unsettled forward purchases	40,970	3,381					**44,351**
Total financial assets	**517,229**	**136,176**	**1,444**	**3,358**	**117**	**191**	**658,515**
Liabilities							
Deposits from other banks	1,289				-	-	**1,289**
Deposits from customers	86,327	91,998	1,300	3,201	-	-	**182,826**
Other financial liabilities	13,760	423	-	-	11,345	-	**25,528**
Financial liabilities - banking book	**101,376**	**92,421**	**1,300**	**3,201**	**11,345**	**-**	**209,643**
Unsettled forward sales	3,381	40,970	-	-	-	-	**44,351**
Total financial liabilities	**104,757**	**133,391**	**1,300**	**3,201**	**11,345**	**-**	**253,994**
Net open position	**412,472**	**2,785**	**144**	**157**	**(11,228)**	**191**	**404,521**

Sensitivity analysis

A 10% strengthening of the Ghana cedi against foreign currencies at 31 December 2019 would have reduced the post-tax profit by GHS 1,069 (2018: GHS 2,927 reduction in post-tax loss).

A 10% weakening of the Ghana cedi against foreign currencies at 31 December would have increased the post-tax profit by GHS 998 (2018: GHS 2,927 increase in post-tax loss).

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

(All amounts are in thousands of Ghana Cedis)

3. Financial Risk Management (continued)

3.4 Market risks (continued)

3.4.3 Fair value of financial instruments

Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the bank's statement of financial position at their fair value:

Year	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**286,420**	**286,420**	225,205	225,205
Loans and advances	**105,670**	**104,724**	84,633	75,804
Investment securities	**491,036**	**490,022**	244,738	190,289
Other financial assets	**26,314**	**26,314**	11,430	11,430
Total	**909,440**	**907,480**	**566,006**	**502,728**
Financial liabilities				
Deposits from other banks	**1,748**	**1,748**	1,289	1,289
Deposits from customers	**487,549**	**489,590**	182,826	182,826
Lease liability	**27,026**	**27,026**	-	-
Other financial liabilities	**35,973**	**35,973**	25,528	25,528
Total	**552,296**	**554,337**	**209,643**	**209,643**

(i) Loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(All amounts are in thousands of Ghana Cedis)

3. Financial Risk Management (continued)

3.4 Market risks (continued)

3.4.3 Fair value of financial instruments (continued)

Fair value hierarchy

Investments classified as Level 2 are government securities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value. These valuation methodologies have been studied and evaluated by the bank and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, benchmark securities, bids, offers and reference data.

	2019			2018		
	Quoted market prices in an active market - Level 1	Inputs from an observable market - Level 2	Inputs from an unobservable market - Level 3	Quoted market prices in an active market - Level 1	Inputs from an observable market - Level 2	Inputs from an unobservable market - Level 3
Non-pledged trading assets	**-**	**29,576**	**-**	-	48,158	-
Loans and advances	**-**	**-**	**104,724**	-	-	75,804
Investment securities	**-**	**490,022**	**-**	-	-	190,289
Total financial assets	**-**	**519,598**	**104,724**	-	48,158	266,093
Deposits from other banks	**-**	**-**	**1,748**			1,289
Deposits from customers	**-**	**-**	**489,590**	-	-	182,826
Share-based payment liability due to retired staff	**-**	**-**	**-**	-	77	-
Total financial liabilities	**-**	**-**	**491,338**	**-**	**77**	**184,115**

3.5 Capital management

3.5.1 Regulatory capital

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

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

(All amounts are in thousands of Ghana Cedis)

3. Financial Risk Management (continued)

3.5 Capital management (continued)

3.5.1 Regulatory capital (continued)

- 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.

There have been no material changes in the bank's management of capital during the period.

3.5.2 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 13% is to be maintained.

	2019	2018
Tier 1 capital		
Ordinary issued share	**505,850**	505,850
Disclosed reserves	**(75,862)**	(79,068)
Shareholders' funds	**429,988**	426,782
Less:		
Intangible assets as per Bank of Ghana guideline	**5,344**	2,841
Deferred Tax	**2,764**	3,233
Total qualifying tier 1 capital	**421,880**	420,708
Tier 2 capital		
Undisclosed reserves	**2,673**	-
Other capital instruments		
Total qualifying tier 2 capital	**2,673**	-
Total regulatory capital	**424,553**	420,708
On balance credit risk	**212,019**	183,432
Off balance credit risk	**86,314**	73,203
Operational risk	**75,235**	44,621
Market risk	**50,621**	18,370
Risk-weighted assets	**424,189**	319,626
Total regulatory capital expressed as a percentage of total risk-weighted assets	**100%**	132%

4. Critical accounting estimates, assumptions and judgements

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the bank.

4.1 Financial instruments

Impairment of financial assets	
In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.	
General	
Collective impairment assessments of groups of financial assets	Within data-rich portfolios, impairment parameters are estimated using statistical analysis performed on homogeneous groups of accounts. Accounts are grouped at a portfolio level at a minimum, but more granular groupings are applied where specific sub-segments of the portfolio are expected to behave differently and where sufficient data is available for more granular modelling to be performed. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD, and EAD) based on the predictive characteristics identified through the regression process. When impairments are calculated, each exposure is assigned unique impairment parameters (a PD, LGD and EAD) based on that exposure's individual characteristics. These account-level impairment parameters are then used to calculate account-level expected credit losses.
Impairment assessment of collateralised financial assets	The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the bank elects to foreclose or not.
Advances	
The bank continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the bank's impairment policy. The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure.	

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Advances (continued)

In determining the amount of the impairment, the bank considers the following:

- the Probability of Default (PD) which is a measure of the expectation of how likely the customer is to default;
- the Exposure at Default (EAD) which is the expected amount outstanding at the point of default; and
- the Loss Given Default (LGD) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.

These parameters are estimated using statistical models that predict future cash flows on the basis of historical behaviour for similar exposures over equivalent measurement periods. Adjustments to statistical estimates are made to allow for current conditions that were not present in the historical data referenced, and to allow for the impact of forward-looking macro-economic forecasts.

Forward-looking information

Forward-looking macro-economic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. Quantitative techniques applied estimate the impact of forecasted macro-economic factors on expected credit losses using regression techniques.

Macro-economic factors are forecast by a forum of in-house economists who are independent from the bank's credit and modelling functions.

Economic variables are forecast for different scenarios (downside, upside and core) and a probability is assigned to each scenario. The scenarios and associated probabilities are then approved at ALCCO before being provided to the credit modelling teams for incorporation into quantitative models.

The forecast horizon incorporated into models is 3 years, since the accuracy of macro-economic forecasts beyond this point is not considered sufficient for their inclusion in impairment estimates. For portfolios with remaining lifetimes of longer than 3 years, mean reversion is assumed beyond this point.

For material portfolios where expected credit losses are influenced by economic cycles, the estimated impact of multiple macro-economic scenarios and their probabilities is considered. ECL is calculated for the core (best-estimate) scenario, an upside scenario and a downside scenario. The probability-weighted average of the ECL figures calculated under each of these scenarios is the final ECL figure for the portfolio. Calculation of a probability-weighted ECL estimate across multiple macro-economic scenarios ensures appropriate treatment of non-linear macro-economic impacts.

The stage classification of an account for disclosure purposes is determined by calculating the probability-weighted forward-looking reporting date PD for that exposure and using this PD to determine whether an account has
experienced a significant increase in credit risk and should therefore be moved into Stage 2.
Accounts that have not experienced a significant increase in credit risk will remain in Stage 1.

For portfolios that are not material and portfolios where it can be proven that credit losses are not influenced by macro-economic factors, expected credit losses are calculated and stage allocation determined only for the core scenario.

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Forward-looking information (continued)
Where credit experts have determined that the three macro-economic scenarios catered for through the quantitative modelling process are not adequately reflective of potential macro-economic event risk, expert judgement-based adjustments are made to staging and/or ECL estimates to better reflect potential portfolio -specific impacts. In addition to forward-looking macro-economic information, other types of forward-looking information, such as specific event risk are taken into account in ECL estimates when required through the application of out-of-model adjustments.

Judgement or estimate	Retail	Corporate
Measurement of the 12-month and life-time ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.	Parameters are determined based on the application of statistical models that produce estimates on the basis of counterparty-specific financial information and transaction characteristics including the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of Corporate credit experts who can motivate adjustments to modelled parameters.

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

<table>
<tr><th>Judgement or estimate (continued)</th><th>Retail (continued)</th><th>Corporate (continued)</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and life-time ECL (continued)</td><td>LGDs are determined by estimating expected future cash flows, including costs and proceeds from sale of collateral, based on historically observed outcomes.

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</td><td></td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider account age, historical behaviour, transaction characteristics and correlations between parameters.
Term structures have been developed over the entire remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, with the exception of instruments with an undrawn commitment such as credit cards, where no limit is placed on the length of the remaining lifetime.
Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset’s original effective interest rate or a reasonable approximation thereof.</td></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</td><td colspan="2">The PDs used to perform the test for a significant increase in credit risk are calculated by applying the PD model in force as at the reporting date. This model is retro-applied using data as at the origination date to determine origination date PDs.

Origination date PDs are measured at initial recognition of an instrument, unless there has been a subsequent risk-based re-pricing opportunity. Where the models used to determine PDs cannot discriminate good credit risks from bad credit risks effectively at initial recognition due to a lack of behavioural information, proxy origination dates of up to 6 months post initial recognition are applied. Where proxy origination dates are applied, early qualitative indicators of significant increase in credit risk, such as fraudulent account activity or partial arrears, are applied to trigger movement into Stage 2.

Reporting date PDs are calculated on a forward-looking basis, with PDs adjusted where appropriate to incorporate the impacts of multiple forward-looking macro-economic scenarios.</td></tr>
<tr><td>Determination of whether a financial asset is a credit-impaired financial asset</td><td colspan="2">The definition of default applied to determine whether an exposure must be classified into Stage 3 has been fully aligned with the regulatory definition of default. Accounts are therefore considered to be credit impaired if they are 90 days or more past due (for revolving products with minimum monthly instalments), 90 days in excess (for revolving products with no minimum monthly instalments) or 3 instalments or more in arrears (for amortising products).

In addition, exposures are classified in Stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the bank to action such as the realisation of security.</td></tr>
</table>

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Judgement or estimate (continued)	Retail (continued)	Corporate (continued)
Determination of whether a financial asset is a credit-impaired financial asset (continued)	Distressed restructures of accounts in Stage 2 are also considered to be default events. For a retail account to cure from Stage 3 back to either Stage 2 or Stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis, and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. For Corporate exposures, cures are assessed on a case by case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is considered to be a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD term structures.	

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

4.2 Fair value measurement of financial instruments

The bank measures financial instruments at fair value. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(All amounts are in thousands of Ghana Cedis)

4 Critical accounting estimates, assumptions and judgements (continued)

4.3 Deferred income tax assets

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

4.4 Income tax

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

5. Interest income

	2019	2018
Cash and cash equivalents	**160**	63
Investment securities	**74,784**	23,945
Loans and advances to customers	**21,563**	10,112
	96,507	34,120

All the interest income is on amortised cost instruments.

6. Interest expense

	2019	2018
Current accounts	**3,767**	6,530
Savings accounts	**109**	20
Term deposits accounts	**18,615**	5,847
Interest expense on leases*	**4,198**	-
	26,689	12,397

All the interest expense is on amortised cost instruments.
*The company has elected not to restate comparative information as permitted by IFRS 16.
Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.

7. Fees and commission income

	2019	2018
Retail banking customers	**4,715**	1,615
Fees from banking activities	**931**	693
Other	**4,910**	3,365
Gross fees and commission income	**10,556**	5,673
Fees and commission expense	**(4,586)**	(1,960)
Net fees and commission income	**5,970**	3,713

(All amounts are in thousands of Ghana Cedis)

8. Net trading income

	2019	2018
Foreign exchange	**15,973**	18,080
Trading income	**6,536**	4,978
	22,509	23,058

9. Other operating income

	2019	2018
Exchange (loss)/ gain on revaluation	**(6,750)**	236
Other	**18**	(144)
	(6,732)	92

10. Net impairment loss on financial assets

	2019	2018
Increase in loss allowance on loans (see below)	**8,664**	4,539
Release of provision on government securities	**(1,361)**	-
Recoveries of bad debts written-off	**(187)**	-
Write off account excesses	**-**	31
Impairment of financial assets recognised during the period	**7,116**	4,570

Reconciliation of the loss allowance on total financial assets measured at amortised cost.

	Total	Stage 1	Stage 2	Stage 3
Amount as at 31 December 2018	**9,428**	**4,015**	**182**	**5,231**
Transfers to stage 1	-	(356)	356	-
Transfers to stage 2	-	120	(120)	-
Transfers to stage 3	-	(5)	39	(34)
Bad debts written off	**(14,013)**	**-**	**-**	**(14,013)**
Increase/(decrease) in impairment	**8,664**	**(805)**	**647**	**8,822**
- Changes in models and risk parameters	-	-	-	-
- New business and changes in exposure	8,547	-	381	8,166
- Provision created/(released) due to transfers	117	(805)	266	656
Interest in suspense	650	-	-	650
Amount as at 31 December 2019	**4,729**	**2,969**	**1,104**	**656**

(All amounts are in thousands of Ghana Cedis)

Reconciliation of the loss allowance on total financial assets measured at amortised cost (continued).

	Total	Stage 1	Stage 2	Stage 3
Amount as at 31 December 2017 (IAS 39)	**303**	**272**	**31**	**-**
IFRS 9 adjustments	2,241	1,415	826	-
Restated amount as at 31 December 2017	**2,544**	**1,687**	**857**	**-**
Transfers to stage 1	-	113	(113)	-
Transfers to stage 2	-	(53)	53	-
Transfers to stage 3	-	(13)	(3)	16
Increase/(decrease) in impairment	**4,539**	**2,281**	**(612)**	**2,870**
- Changes in models and risk parameters	(90)	884	(59)	(915)
- New business and changes in exposure	4,168	1,411	36	2,721
- Provision created/(released) due to transfers	461	(14)	(589)	1,064
Interest in suspense	2,345	-	-	2,345
Amount as at 31 December 2018	**9,428**	**4,015**	**182**	**5,231**

Reconciliation of the gross carrying amount of advances measured at amortised costs

	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 January 2019	**92,700**	**71,923**	**9,276**	**11,501**
Amounts written off	**(14,013)**	**-**	**-**	**(14,013)**
Transfers to stage 1	-	1,657	(1,657)	
Transfers to stage 2	-	(626)	626	-
Transfers to stage 3	-	(264)	295	(31)
New business and other changes in exposures	31,712	19,716	8,797	3,199
As at 31 December 2019	**110,399**	**92,406**	**17,337**	**656**

(All amounts are in thousands of Ghana Cedis)

Reconciliation of the gross carrying amount of advances measured at amortised costs (continued)

	Total	Stage 1	Stage 2	Stage 3
Amount as at 31 December 2017 (IAS 39)	28,821	-	-	-
Amount as at 31 December 2017 (IFRS 9)	**28,821**	**25,707**	**3,114**	**-**
Transfers to stage 1	-	-	-	
Transfers to stage 2	-	(10,951)	10,951	-
Transfers to stage 3	-	(7,429)	(3,114)	10,543
New business and other changes in exposures	63,879	64,596	(1,675)	958
Amount as at 31 December 2018	**92,700**	**71,923**	**9,276**	**11,501**

11. Personnel expenses

	2019	2018
Wages and salaries	**38,023**	34,461
Employer's pension contributions	**1,085**	923
Directors' emoluments – non executive	**360**	159
Cash-settled share-based payments	**2,065**	2,496
Other staff related costs	**8,747**	10,065
	50,280	48,104

The average number of persons employed by the bank during the year ended 31 December 2019 was 167 (2018: 163).

(All amounts are in thousands of Ghana Cedis)

12. Operating lease expense*

	2019	2018
Short-term lease	**1,750**	-
Variable lease	**38**	-
Rentals on vehicles	**-**	1,074
Rentals on office premises	**10**	8,015
	1,798	9,089

*The company has elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.

13. Other operating expenses

	2019	2018
Administrative expenses	**14,507**	16,102
Software licensing	**748**	884
Auditor's remuneration	**576**	442
	15,831	17,428

14. Income tax expense

	2019	2018
Deferred income tax charge/ (credit) (Note 22)	**559**	(2,584)

Current income tax

The chargeable income of the bank for the year ended subject to income tax is nil (2018: Nil).

The tax on the bank's loss income tax differs from the theoretical amount that would arise using statutory income tax rate as follows:

	2019	2018
Profit/Loss before income tax	**3,518**	(36,891)
Tax calculated at tax rate (25%)	**880**	(9,223)
Effect of:		
Expenditure permanently disallowed	**40**	24
Current losses for which no deferred tax was recognised	**(361)**	6,615
Income tax expense/(credit)	**559**	(2,584)

(All amounts are in thousands of Ghana Cedis)

15. National fiscal stabilisation levy (NFSL)

Year of Assessment	At 1 Jan	Paid	Charge for the year	At 31 Dec
Up to 2018	-	-	-	-
2019	-	266	266	-
	-	**266**	**266**	**-**

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

16. Cash and cash equivalents

	2019	2018
Cash on hand	**20,553**	14,498
Due from other banks	**89,783**	102,498
Restricted balances with Bank of Ghana	**97,016**	29,674
Unrestricted balances with Bank of Ghana	**79,068**	78,535
Total cash and cash equivalents	**286,420**	225,205

17. Loans and advances

Analysis by type of customer	2019	2018
Individuals	**41,740**	26,344
Corporate	**68**	66,356
Gross loans and advances	**110,399**	92,700
Impairment allowance	**(4,729)**	(8,067)
Net loans and advances	**105,670**	84,633

(All amounts are in thousands of Ghana Cedis)

18. Non- pledged trading assets

	2019	2018
Government bonds	**29,154**	48,158
Treasury bills	**422**	-
	29,576	48,158

Non- pledged trading assets are classified as held for trading and carried at fair value. The non-pledged trading assets are available on demand.

19. Investment securities

	2019	2018
Treasury bills	**412,718**	187,436
Government bonds	**78,318**	58,663
	491,036	246,099
Less expected credit losses	**-**	(1,361)
	491,036	244,738
Maturing as follows:		
- within 3 months	**408,663**	201,344
- between 1 to 5 years	**72,435**	34,808
- over five years	**9,938**	9,947
	491,036	246,099

Investment securities are classified as amortised cost.

(All amounts are in thousands of Ghana Cedis)

20. Property, equipment and right-of-use assets

	Property and equipment						Right-of-use-assets			
	Leasehold Improvement	Computer Equipment	Furniture And Fittings	Office Equipment	Motor Vehicle	Capital Work-In Progress	Land and Buildings	Vehicles	Total Right-of- Use Assets	Total
Cost or valuation										
31 December 2018	**20,524**	**6,560**	**2,169**	**3,529**	**4**	**1,765**	**-**	**-**	**-**	**34,551**
Effect of adoption of IFRS 16 as at 1 January 2019 (Note 2.17)	-	-	-	-	-	-	28,473	1,697	30,170	30,170[1]
Additions	147	503	261	361	-	160	-	-	-	1,432
At 31 December 2019	**20,671**	**7,063**	**2,430**	**3,890**	**4**	**1,925**	**28,473**	**1,697**	**30,170**	**66,153**
Accumulated depreciation										
At 1 January	7,774	3,517	1,024	1,853	2	-	-	-	-	14,170
Charge for the year	3,364	1,384	359	725	1	-	6,367	792	7,159	12,992
At 31 December	**11,138**	**4,901**	**1,383**	**2,578**	**3**	**-**	**6,367**	**792**	**7,159**	**27,162**
Net book amount										
At 31 December	**9,533**	**2,162**	**1,047**	**1,312**	**1**	**1,925**	**22,106**	**905**	**23,011**	**38,991**

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 25) and the movements during the period:

As at 1 January 2019 – effect of adoption of IFRS 16 (Note 2.17)	28,383
Forex losses	4,484
Accretion of interest	4,198
Payments	(10,039)
As at 31 December 2019	**27,026**
Current	6,002
Non-current	21,024

[1] The ROUA as at 1 January 2019 was higher than the lease liability of GHS 28,383 by GHS 1,787. This resulted from prepayments outstanding as at 1 January 2019.

(All amounts are in thousands of Ghana Cedis)

20. Property, equipment and right-of-use assets (continued)

	Leasehold Improvement	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicle	Capital Work-In Progress	Total
Cost or valuation							
At 31 December 2017							
At 1 January	17,994	4,657	2,333	2,002	4	3,871	30,861
Reclassifications	-	396	(936)	540	-	-	-
Additions	2,497	202	753	238	-	-	3,690
Transfer	33	1,305	19	749	-	(2,106)	-
At 31 December 2018	20,524	6,560	2,169	3,529	4	1,765	34,551
Accumulated depreciation							
At 1 January	4,592	2,071	599	1,053	1	-	8,316
Charge for the year	3,182	1,446	425	800	1	-	5,854
At 31 December	7,774	3,517	1,024	1,853	2	-	14,170
Net book amount							
At 31 December	12,750	3,043	1,145	1,676	2	1,765	20,381

21. Intangible asset

Year ended 31 December 2019

	2019	2018
Cost		
At 1 January	**1,610**	1,610
Additions	**-**	-
At 31 December	**1,610**	1,610
Amortisation		
At 1 January	**1,580**	1,148
Charge for the year	**30**	432
	1,610	1,580
At 31 December		
Net book amount		
At 31 December	**-**	30

Intangible asset is in respect of software purchased by the bank.

(All amounts are in thousands of Ghana Cedis)

22. Deferred income tax

Movements in temporary differences during the year is as follows:

	2019	**2018**
At 1 January	**3,233**	(1,263)
IFRS 9 reclassification impact	**-**	1,912
Charge to profit or loss	**(559)**	2,584
At 31 December	**2,674**	3,233

Deferred income tax is calculated using the enacted income tax rate of 25% (2018:25%). Deferred income tax assets and liabilities, deferred income tax charge in the income statement and deferred income tax charge in other comprehensive income are attributable to the following items:

	At 1 January	**Recognised in profit or loss**	**IFRS 9 reclassification**	**At 31 December**
Year ended 31 December 2019				
Accelerated depreciation	(559)	128	-	(431)
Other temporary differences	(2,674)	431	-	(2,243)
Deferred tax on fair value gain	-	-	-	-
Deferred tax liability/ (asset)	(3,233)	559	-	(2,674)

	At 1 January	**Recognised in profit or loss**	**IFRS 9 Reclassification adjustment**	**At 31 December**
Year ended 31 December 2018				
Accelerated depreciation	1,014	(1,573)	-	(559)
Other temporary differences	(1,572)	(1,011)	(91)	(2,674)
Deferred tax on fair value gain	1,821	-	(1,821)	-
Deferred tax liability/ (asset)	1,263	(2,584)	(1,912)	(3,233)

(All amounts are in thousands of Ghana Cedis)

23. Other assets

	2019	2018
Prepaid expenses	5,339	2,812
Amount due from related parties (Note 30)	227	10
Other receivables	26,356	11,420
	31,922	14,242

24. Deposits from customer

By type of deposit	2019	2018
Current and call accounts	**189,869**	158,206
Savings accounts	**3,936**	978
Term deposit accounts	**293,744**	23,642
	487,549	182,826
Current	**196,032**	160,606
Non-current	**291,517**	22,220
	487,549	182,826
By type of customer		
Corporate customers	**359,325**	126,800
Individuals	**128,224**	56,026
	487,549	182,826

All deposits are carried at amortised cost.

25. Other liabilities	2019	2018
Amount due to related parties (Note 30)	**16,664**	8,064
Other payables	**20,621**	18,453
Lease liability (Note 20)*	**27,026**	-
	64,311	26,517

*The company has elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.

(All amounts are in thousands of Ghana Cedis)

26. Stated capital

The authorised shares of the bank are 505,850,200 ordinary shares of no par value out of which 505,850,200 (2018: 162,017,000) ordinary shares have been issued as follows:

	2019		2018	
	No of shares	**Proceeds**	No of shares	Proceeds
At 1 January	505,850,200	505,850	162,017,000	162,017
Issue of ordinary shares for cash consideration	-	-	343,833,200	343,833
At 31 December	505,850,200	505,850	505,850,200	505,850

There are no calls or unpaid instalments. There are no treasury shares.

27. Credit risk reserve

Credit risk reserve represents the amounts set aside in respect of the excess impairment provision determined in accordance with 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.

The movement in the bank's credit risk reserve is as follows:

	2019	2018
At 1 January	**3,189**	**280**
IFRS 9 re-measurement adjustment	-	(280)
Restated balance at 1 January	**3,189**	**-**
Movement from/(to) retained earnings	(3,189)	3,189
Balance as at 31 December	-	3,189

(All amounts are in thousands of Ghana Cedis)

27. Credit risk reserve (continued)

The table below reconciles the IFRS impairment allowances to that required by the Bank of Ghana guideline:

	2019	2018
Bank of Ghana Provisioning	1,672	8,911
IFRS Impairment	4,729	(5,722)
Excess/ Shortfall of BoG Provisioning to IFRS (Credit Risk Reserve)	-	3,189

For 2019, the IFRS provision was more than that of the provision required in line with Bank of Ghana provisioning guidelines. This explains the nil credit risk reserve position as at 31 December 2019.

28. Statutory reserve

Statutory reserve is a non-distributable reserve representing transfer of 50% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 34 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity. There was no balance in the previous year because the bank recorded a loss.

29. Contingencies and commitments

i. Claims and litigation

The bank has no significant contingent liabilities in respect of legal claims arising in the ordinary course of business as at 31 December 2019 (2018: Nil).

ii. Guarantees

The bank has provided a guarantee of GHS 55,092 as at 31 December 2019 (2018: GHS 67,441). The total guarantee exposure as at 31 December 2019 was at stage 1.

iii. Letters of credit

The bank has provided letters of credit amounting to GHS 5,387 as at 31 December 2019 (2018: GHS 592). The total letters of credit exposure as at 31 December 2019 was at stage 1.

iv. Commitments

The bank had committed undrawn facilities amounting to GHS 57,512 as at 31 December 2019 (2018: GHS 17,051). The total committed undrawn exposure as at 31 December 2019 was at stage 1.

(All amounts are in thousands of Ghana Cedis)

30. Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates and associates of the bank's parent and fellow subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over the parent company and subsidiaries of these entities	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

Key management personnel of the bank are the bank's board of directors, and the bank's prescribed officers, including entities which provide key management personnel services to the bank. Their close family members include spouse/domestic partner and children, domestic partner's children and any other dependents of the individual or their domestic partner.

The bank is controlled by FirstRand EMA Holdings Limited. FirstRand EMA Holdings is a subsidiary of FirstRand Limited, the ultimate holding company.

Transactions between First National Bank Ghana Limited, and its related parties are carried out on commercial terms and conditions. The following transactions were carried out with FirstRand Bank Limited:

Nature of transactions	**2019**	2018
Transfer of share options liability to Bank	**131**	1,141
Settlement of vested shares	**2,392**	1,468
Overnight placements	**2,957,642**	3,986,767
Derivative dealings	**481,778**	820,369
Hotel services	**28**	36
Refund of training expenses from Group	**23**	14

(All amounts are in thousands of Ghana Cedis)

30. Related party transactions (continued)

Year end balances arising from the intercompany transactions are as listed below.

	2019	2018
i. Amount due to related parties (Note 25)		
FNB Zambia	**-**	47
FirstRand Bank Limited	**16,664**	3,149
FirstRand Bank Ltd: FNB International SA	**-**	4,868
	16,664	8,064
ii. Deposits from Group		
FirstRand Bank Limited	**1,748**	1,289
iii. Amount due from related parties		
FirstRand Bank Limited		
- Other assets (Note 23)	**227**	10
- Placements	**27,670**	50,600
	27,897	50,610

The placements with FirstRand Bank Limited have been included in the cash and cash equivalents balance shown in the statement of financial position.

The table below provides details of directors' emoluments and pensions in accordance with section 132 of Companies Act, 2019 (Act 992).

	2019	2018
Emoluments of directors	**3,350**	2,564
Pensions of directors	**166**	149
	3,516	2,713

31. Subsequent events

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and as a result the ECL provisions relating to forward looking information will be impacted. The bank is, however, not able to produce a reliable estimate of this impact at this point.

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

(All amounts are in thousands of Ghana Cedis)

32. Regulatory disclosures

(i) Non – performing loans ratio

Non-performing loans balance as at 31 December 2019 was GHS 656 (2018: 11,501). The non-performing loans balance represented 0.59% (2018: 12.40%) of the total exposure.

(ii) Amount of loans written off

The bank wrote off 3 Corporate and 18 Retail accounts totaling GHS14,013 (including Interest in Suspense) loans during the year ended 31 December 2019 (2018: Nil).

(iii) Liquidity ratio

The bank's liquidity ratio at the end of the 2019 was 32.04% (2018: 11.93%).

(iv) Regulatory breaches and fines

The bank was fined GHS 24 (2018: 6) for inaccuracies in some of the prudential returns submitted to the Bank of Ghana in 2019.

(v) Year-end rates used for foreign exchange translations are as set out below.

Currency	**2019**	2018
USD	**5.5337**	4.8190
GBP	**7.3164**	6.1091
EUR	**6.2113**	5.5190
ZAR	**0.3954**	0.3339

(All amounts are in thousands of Ghana Cedis)

Value added statement

for the year ended 31 December

	2019	2018
Interest earned and other operating income	**122,840**	62,943
Direct cost of services	**(31,275)**	(14,357)
Value added by banking services	**91,565**	48,586
Impairments	**(7,116)**	(4,570)
Value Added	**84,449**	44,016
Distributed as follows:		
To Employees:		
Directors (without executives)	**(360)**	(159)
Executive directors	**(3,156)**	(2,554)
Other employees	**(46,764)**	(45,391)
To Government:		
Income tax	**(559)**	2,584
National stabilisation levy	**(266)**	-
To providers of capital		
Dividends to shareholders	**-**	-
To expansion and growth		
Depreciation	**(12,992)**	(5,854)
Amortisation	**(30)**	(432)
Operating leases	**(1,798)**	(9,089)
To other distribution		
Other operating expenses	**(15,831)**	(17,428)
Retained earnings	**2,693**	(34,307)