CONSOLIDATED BANK (GHANA) LIMITED

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Welbeck Abra-Appiah	Chairman
	Daniel Wilson Addo	Managing Director
	Hon. Ben Abdallah Banda	
	Kwamina Bentsi Enchil Duker	
	Maureeen Abla Amematekpor	
	Gloria Adjoa Owusu	
	Philip Osafo-Kwaako	

SECRETARY
Lawfields Consulting
No. 799/3, 5th Crescent
Asylum Down, Accra (off Ring Road)
PMB CT 244, Accra

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

SOLICITORS
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PMB CT 244, Accra

REGISTERED OFFICE
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Airport City, Accra
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Cantonments, Accra

REPORT OF THE DIRECTORS

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

Directors' Responsibility Statement

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

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

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

Financial results and dividend

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

	For the year ended 31 December	For the period 1 August 2018 to 31 December
	2019 ***GH¢'000***	2018 *GH¢'000*
Profit/(loss) before taxation is	**103,724**	(28,405)
From which is deducted tax (charge)/credit of	**(34,677)**	5,565
giving a profit/(loss) after taxation for the year of	**69,047**	(22,840)
less net transfer to statutory reserve fund and other reserves of	**(34,524)**	-
leaving a balance of	**34,523**	(22,840)
to which is added a balance brought forward on retained earnings of	**(22,840)**	-
leaving a balance on retained earnings of	**11,683**	(22,840)

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of *GH¢*34,523,737 (2018: Nil) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to *GH¢*34,523,737 (2018: Nil) at the year end.

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

Nature of Business

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

REPORT OF THE DIRECTORS (continued)

Shareholder

The Bank is fully owned by the Ministry of Finance.

Purchase and Assumption Agreement

The Bank of Ghana revoked the licenses of Heritage and Premium Bank on 4 January 2019. Consolidated Bank (Ghana) Limited assumed certain assets and liabilities of the erstwhile banks under a purchase and assumption agreement.

The excess of liabilities assumed over assets of GH¢ 1.4 billion was funded by bond certificates issued by the Government of Ghana. Further information on the assets and liabilities assumed at 4 January 2019 are disclosed in the supplementary information.

Corporate Social Responsibilities

The Bank spent a total of GH¢585,278 on corporate social responsibilities during the year. (2018: GH¢4,501,000). These are mainly in the form of sponsorships in the areas of agriculture, education, health, and security.

Audit fee payable

The audit fee for the 2019 audit is GH¢ 576,424 of which 130,824 is payable as at the date of this report.

Capacity of directors

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

Directors

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

Auditor

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

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on 24 March 2020 and were signed on their behalf by:

....	....
Welbeck Abra-Appiah (Chairman)	**Daniel Wilson Addo (Managing Director)**

CORPORATE GOVERNANCE REPORT

Commitment to Corporate Governance

The Bank operates in accordance with the principles and practices of corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

The key guiding principles of the Bank's governance practices are:

i. Good corporate governance enhances shareholder value;

ii. The respective roles of shareholders, Boards of Directors and management in the governance architecture should be clearly defined; and

iii. The Board of directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Bank, or who are not affiliated with organisations with significant financial dealings with the Bank.

These principles have been articulated in a number of corporate documents, including the Bank's regulations, corporate governance charter, rules of procedures for Boards, code of conduct for directors and rules of business ethics for staff.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, leading and controlling the institution and monitoring activities of the executive management.

As of 31 December 2019, the Board of Directors of the Bank consisted of one Executive Director and six (6) non-executive directors. The board members have wide experience and in-depth knowledge in management, industry, financial and capital markets which enables them to make informed decisions and valuable contributions to the Bank's progress. The Board met eleven times during the year.

The Board has delegated various aspects of its work to its Audit, Risk, Cyber & Information Security, Finance and General Purpose, Credit and Governance and Remuneration Committees in order to strengthen its corporate governance and bring it in line with international best practice with the following membership and functions:

Audit Committee

Hon. Ben Abdallah Banda	Chairperson
Gloria Adjoa Owusu	Member
Philip Osafo-Kwaako	Member

The Audit Committee is made up of non-executive directors and performs the following functions among others:

- Oversee the quality, adequacy and effectiveness of Internal Controls and compliance to legal and regulatory matters;
- Review with the Internal Auditor and Management the scope, plan and processes of audits to ensure completeness of coverage and effective use of resources, and monitor progress against the plan;
- Review and discuss Internal Audit Reports and findings with particular attention to "High Risk" issues, management responses, and the progress of related corrective action plans;
- Review compliance with Bank's policies;
- Recommend the appointment, compensation and oversight of the Bank's external Auditor; and
- Review the external auditors report.

CORPORATE GOVERNANCE REPORT (continued)

Board Governance and Remuneration Committee

Kwamina Bentsi Enchil Duker	Chairperson
Hon. Ben Abdallah Banda	Member
Maureen Abla Amematekpor	Member
Philip Osafo-Kwaako	Member

The Board Governance and Remuneration Committee's main responsibility includes proposing and making recommendations on human resource issues and matters relating to terms and appointment of senior management and staff of the Bank.

The Board has adopted standard evaluation tools to help assess annually the performance of the Board, its committees and individual members.

Board Risk, Cyber & Information Security Committee

Kwamina Bentsi Enchil Duker	Chairman
Hon. Ben Abdallah Banda	Member
Daniel Addo	Member

The Board Risk, Cyber & Information Security Committee is mandated to:

- Oversee the establishment of policies, standards and guidelines for risk management; and the Bank's compliance with all statutory, legal, regulatory and internal policy requirements;
- Review the Bank's risk appetite framework, including applicable thresholds, and recommend approval to the Board; and review quarterly the bank's risk appetite usage a gainst the established thresholds;
- Provide long term strategic guidance on technology;
- Oversee major information technology (IT) related strategies, projects and technology architecture decisions;
- Monitor whether the Bank's IT programs effectively support its business objectives and strategies;
- Determine the Bank's cyber and information security risk management strategy;
- Review and recommend to the full board for approval the Bank's policies of cyber and information security, survivability, backup and recovery from cyber incidents and attacks and disaster events; and
- Review the annual and other work plans for cyber and information security, business continuity and disaster recovery and recommend to the full board for approval.
- Review the internal capital adequacy assessment and internal liquidity adequacy assessment of the Bank;
- Review the external risk information disclosures including annual report and accounts and quarterly disclosures of the Bank; and
- Provide oversight and critique of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the board.

CORPORATE GOVERNANCE REPORT (continued)

Board Finance and General Purpose Committee

Philip Osafo-Kwaako	Chairman
Maureen Abla Amematekpor	Member
Gloria Adjoa Owusu	Member
Daniel Addo	Member

The Board Finance and General Purpose Committee is mandated to:

- Assist the board in providing strategic direction for the bank and see to the implementation of the Bank's strategy.
- Review the financial, operational and business performance of the bank and make recommendations to the board on ways to improve the performance of the Bank.
- Review CBG's capital structure and annual capital plan, including its capital adequacy and capital planning process, stress-testing and related activities, capital raising, capital distributions, as well as recommend to the full Board approval of our annual capital plan submission and capital management policy;
- Review the annual budget and make recommendation for full Board approval;
- Provide advice and make recommendations to management and the board, as appropriate, with respect to issues raised in or by the reports and presentations made to the committee.

Board Credit Committee

Gloria Adjoa Owusu	Chairperson
Philip Osafo-Kwaako	Member
Daniel Addo	Member

The Board Credit Committee is mandated to:

- Review and recommend the credit risk section of the risk framework and the narrative and risk appetite metrics and limits supporting the credit risk section of the Bank's risk appetite statement to the Board Risk, Cyber and Information Security Committee (BRCISC) for approval;
- Review with senior management the Bank's significant policies, processes and metrics for identification of, management of and planning for credit risk. Periodically review management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards;
- Oversee management's administration of the Bank's credit portfolio, including management's responses to trends in credit risk, credit concentration and asset quality, and review reports from senior management (and appropriate management committees and Credit Review) regarding compliance with applicable credit risk related policies, procedures and tolerances.

CORPORATE GOVERNANCE REPORT (continued)

Profile of Directors

Director	Qualification	Position	Other board membership and management positions
Welbeck Abra-Appiah	BA (Economics)	Chairman	Abra Limited
Daniel Wilson Addo	Chartered Accountant	Managing Director	Hollard Insurance Ghana Limited
			Hollard Ghana Holdings Limited
			Mobus Properties (Ghana) Limited
Hon. Ben Abdallah Banda	Lawyer	Board Member	Banda Heritage Council
Kwamina Bentsi Enchil Duker	MBA	Board Member	Dwennimen Group Company Limited
			Learning Skills Company Limited
			Raba Rides Limited
Maureen Abla Amematekpor	MBA (Strategic Management)	Board Member	Avos Oil Company Limited
			Bradley Thomas Limited
Gloria Adjoa Owusu	MBA (Finance) and BA (Law & Economics)	Board Member	Fleet Street Limited
			Haute Living Limited
			Thunder Technologies Limited
Philip Osafo – Kwaako	PhD (Economics and Public Policy)	Board Member	Akosombo Industrial Company Limited
			PRS Energy Limited
			Philippi Manufacturing and Trading Company Limited
			Veritas Allied Industries Limited

CORPORATE GOVERNANCE REPORT (continued)

Schedule of attendance at Board Committee meetings

Members	Board of Directors			
	Role	**Date appointed**	**Number of Meetings**	**Attendance**
Welbeck Abra-Appiah	Chairman	21 November 2018	11	11
Gloria Adjoa Owusu	Member	21 November 2018	11	9
Kwamina Bentsi Enchil Duker	Member	21 November 2018	11	11
Maureen Abla Amematekpor	Member	21 November 2018	11	6
Philip Osafo-Kwaako	Member	21 November 2018	11	11
Hon. Ben Abdallah Banda	Member	21 November 2018	11	10
Daniel Wilson Addo	Member	1 August 2018	11	11

Members	Board Governance & Remuneration Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Kwamina Bentsi Enchil Duker	Chairman	25 January 2019	3	3
Maureen Abla Amematekpor	Member	25 January 2019	3	2
Philip Osafo-Kwaako	Member	25 January 2019	3	1
Hon. Ben Abdallah Banda	Member	25 January 2019	3	3

Members	Board Risk, Cyber & Information Security Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Kwamina Bentsi Enchil Duker	Chairman	25 January 2019	7	7
Hon. Ben Abdallah Banda	Member	25 January 2019	7	4
Daniel Addo	Member	25 January 2019	7	7

Members	Audit Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Hon. Ben Abdallah Banda	Chairperson	25 January 2019	5	3
Gloria Adjoa Owusu	Member	25 January 2019	5	5
Philip Osafo-Kwaako	Member	25 January 2019	5	4

CORPORATE GOVERNANCE REPORT (continued)

Schedule of attendance at Board Committee meetings (continued)

Members	Credit Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Gloria Adjoa Owusu	Chairperson	25 January 2019	7	7
Philip Osafo-Kwaako	Member	25 January 2019	7	7
Daniel Addo	Member	25 January 2019	7	6

Members	Finance and General Purpose Committee			
	Role	**Date Appointed**	**Number of Meetings**	**Attendance**
Philip Osafo-Kwaako	Chairman	25 January 2019	5	5
Maureen Abla Amematekpor	Member	25 January 2019	5	4
Gloria Adjoa Owusu	Member	25 January 2019	5	5
Daniel Addo	Member	25 January 2019	5	5

Code of Conduct

As part of the Bank's corporate governance practice, management has communicated the principles of the Bank's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviours and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors and the broader community.

Anti-Money Laundering

The Bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act 2008, Act 749 (as amended). These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CONSOLIDATED 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 Consolidated 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 Consolidated 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 then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment allowance on loans and advances, and off balance sheet exposure
At 31 December 2019, the Bank's impairment on loans and advances and off balance sheet exposure were as follows:
<table>
<tr><th>Financial assets measured at amortised cost</th><th>Amounts outstanding</th><th>Impairment</th></tr>
<tr><td></td><td>GH¢'000</td><td>GH¢'000</td></tr>
<tr><td>Loans and advances to customers</td><td>232,837</td><td>4,959</td></tr>
<tr><td>Off balance sheet exposures</td><td>144,633</td><td>596</td></tr>
</table>
The impairment of loans and advances and off balance sheet exposures were determined on an expected credit loss (ECL) basis under IFRS 9. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation.
These judgements and estimates were used in designing models which have been built and implemented to measure expected credit losses. The key areas of judgement were as follows:

The determination of default, qualitative and quantitative criteria for determining significant increase in credit risk (SICR);
Segmentation of the Bank's portfolio to reflect similar behavior and characteristics;
The selection and determination of forward looking economic scenarios and the probability weightings applied to each scenario;
The completeness, accuracy and integrity of data used in the ECL calculations; and
The determination of Probability of default (PD), Loss Given Default (LGD) and Exposure at default (EAD).

Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment of financial assets, we determined that this was a matter of most significance in our audit.
The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.8, 3.2,4,11 and 17 to the financial statements.
</td><td>
We obtained an understanding of controls over financial assets particularly on loans and advances.
We reviewed the controls over loans origination, monitoring and provisioning process and assessed their operating effectiveness.
We assessed the definition of default on SICR. We applied a risk based targeted testing approach in selecting a sample of credit facilities for detailed reviews in order to identify quantitative and qualitative factors resulting in SICR or default per management's definition.
Developed an understanding of the characteristics that led to the portfolio segmentation and tested the underlying information
We assessed the reasonableness of the range of possible forward looking economic scenarios and weights adopted by management. We considered external economic data and forecasts and whether management's forecasts appropriately reflected the possible economic consequences.
We assessed the completeness and accuracy of data used in the ECL model and reperformed selected model calculations to confirm the inputs used were consistent with the approved methodologies.
We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD by reviewing on a sample basis the valuation of the collateral held and expected future recoveries.
We checked that the projected EAD over the remaining lifetime of financial assets were in compliance with the requirements of IFRS 9.
We checked the appropriateness of IFRS 9 ECL disclosures.
</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report, Value Added Statement and Statement of Affairs but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- 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;

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

- 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

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

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

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

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

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

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

PricewaterhouseCoopers

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

pwc

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

	Note	**For the year ended 31 December 2019**	For the period 1 August 2018 to 31 December 2018
Interest income	5	**1,021,462**	460,760
Interest expense	6	**(544,867)**	(338,793)
Net interest income		**476,595**	121,967
Fee and commission income	7	**34,367**	10,403
Fee and commission expense	8	**(3,177)**	(1,254)
Net fees and commission income		**31,190**	9,149
Net trading income	9	**52,094**	7,096
Other income	10	**9,538**	-
Operating income		**569,417**	138,212
Impairment losses on financial assets	11	**(4,896)**	(13,478)
Personnel expenses	12	**(209,864)**	(57,504)
Depreciation and amortisation	20	**(62,811)**	(13,634)
Other expenses	13	**(188,122)**	(82,001)
Profit/(Loss) before income tax		**103,724**	(28,405)
Income tax (charge)/credit	14	**(29,491)**	5,565
National fiscal stabilisation levy	14	**(5,186)**	-
Profit/(loss) for the year		**69,047**	(22,840)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income	16	**(3,286)**	-
Deferred income tax relating to other comprehensive income item	21	**822**	-
		(2,464)	-
Total comprehensive income/ (loss)		**66,583**	(22,840)

The notes on pages 21 to 79 are an integral part of these financial statements.

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

		At 31 December	
	Note	**2019**	2018
Assets			
Cash and cash equivalents	15	**370,060**	1,121,869
Investment securities	16	**5,981,135**	6,232,573
Loans and advances to customers	17	**227,878**	3,546
Intangible assets	18	**14,778**	-
Right-of-use asset	19	**109,139**	-
Property and equipment	20	**104,394**	123,623
Deferred income tax assets	21	**6,266**	5,565
Other assets	22	**129,340**	1,557
Total assets		**6,942,990**	7,488,733
Liabilities			
Deposits from customers	23	**5,096,350**	5,512,313
Due to other banks	24	**698,284**	1,175,808
Lease liabilities	19	**108,571**	-
Other liabilities	25	**540,026**	373,452
Current income tax liability	14	**6,016**	-
Total liabilities		**6,449,247**	7,061,573
Equity			
Stated capital	26	**450,000**	450,000
Retained earnings		**11,683**	(22,840)
Fair value reserve	26	**(2,464)**	-
Statutory reserve		**34,524**	-
Total equity		**493,743**	427,160
Total equity and liabilities		**6,942,990**	7,488,733

The notes on pages 21 to 79 are an integral part of these financial statements.

The financial statements of the Bank on page 17 to 79 were approved by the Board of Directors on 24 March 2020 and signed on their behalf by:

....

Welbeck Abra-Appiah (Chairman) **Daniel Wilson Addo (Managing Director)**

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

	Note	Stated Capital	Retained earnings	Statutory reserve	Fair value reserve	Total
Balance at 1 January 2019		450,000	(22,840)	-	-	427,160
Profit for the year		-	69,047	-	-	69,047
Fair value adjustment on investment securities		-	-	-	(2,464)	(2,464)
Total comprehensive income for the year		-	69,047	-	(2,464)	66,583
Regulatory and other reserve transfers						
Transfer to statutory reserve		-	(34,524)	34,524	-	-
Net transfer to reserves		-	(34,524)	34,524	-	-
Balance at 31 December 2019		450,000	11,683	34,524	(2,464)	493,743
Balance at 1 August 2018		-	-	-	-	-
Loss for the period		-	(22,840)	-	-	(22,840)
Other comprehensive income		-	-	-	-	-
Transaction with owners:						
Issue of share capital	26	450,000	-	-	-	450,000
Balance at 31 December 2018		450,000	(22,840)	-	-	427,160

The notes on pages 21 to 79 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana cedis)

	Note	Year ended 31 December 2019	Period ended 31 December 2018
Profit/(Loss) before income tax		**103,724**	(28,405)
Adjustments for:			
Depreciation and amortisation	20	**62,811**	13,634
Impairment loss on investment securities	11	**507**	1,252
Finance cost on lease liability	19	**7,787**	-
Unrealised exchange loss on lease liability	19	**2,575**	-
Gain on asset disposal	20	**(8,024)**	-
Interest income on investment securities	16	**(984,522)**	(453,540)
Changes in:			
Loans and advances to customers	17	**(224,332)**	(3,546)
Other assets	22	**(128,453)**	(1,557)
Deposits from customers	23	**(415,963)**	(1,307,774)
Mandatory cash reserve	15	**551,231**	(551,231)
Due to other banks	24	**(477,524)**	(428,021)
Other liabilities	25	**166,371**	272,849
Cash flow used in operations		**(1,343,812)**	(2,486,339)
Tax paid	14	**(28,337)**	-
Net cash flow used in operating activities		**(1,372,149)**	(2,486,339)
Cash flow from investing activities			
Acquisition of property and equipment	20	**(30,357)**	(546)
Proceeds from disposal of property and equipment	20	**23,911**	-
Acquisition of intangible assets	18	**(16,605)**	-
Purchases of investment securities maturing over 91 days		**(3,875,756)**	(11,118,835)
Proceeds from redemption/sale of investment securities maturing over 91 days		**4,153,485**	14,463,856
Net cash flow generated from investing activities		**254,678**	3,344,475
Cash flow from financing activities			
Proceeds from issue of share capital	26	**-**	450,000
Payment of principal portion of lease liabilities	19	**(37,545)**	-
Net cash flow generated from financing activities		**(37,545)**	450,000
Net increase in cash and cash equivalents		**(1,155,016)**	1,308,136
Balance at the beginning of the year/period		**1,554,242**	246,106
Cash and cash equivalents at 31 December	15	**399,226**	1,554,242

The notes on page 21 to 79 are an integral part of these financial statements.

NOTES

1. GENERAL INFORMATION

Consolidated Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The registered office is Ist Floor, Manet Towers 3, P.O.Box PMB CT 363,Cantoments, Accra. The Bank commenced universal banking operations in August 2018 and operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements were authorised for issue by the Board of Directors on 24 March 2020.

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy.

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

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

(i) IFRS 16 Leases

The Bank adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The Bank has used the simplified retrospective approach hence there is no impact on the income statement as at the transition date. The new accounting policies are disclosed in Note 2.6.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5% for United States Dollar denominated lease liabilities and 16% for Ghana Cedi lease liabilities. No leases were previously classified as finance lease by the Bank.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Bank (continued)

(i) IFRS 16 Leases (continued)

Practical expedients applied

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

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

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

Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 31 December 2018	153,225
Discounted using the lessee's incremental borrowing rate	135,754
Add: additional finance lease liabilities recognised on 1 January 2019	-
Total lease liability recognised as at 1 January 2019	135,754
Of which are:	
Current lease liabilities	30,315
Non-current lease liabilities	105,439

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Bank (continued)

(i) IFRS 16 Leases (continued)

Measurement of right-of-use assets

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

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by *GH¢ 136,424*
- prepayments – decrease by *GH¢ 670*
- lease liabilities – increase by *GH¢135,754*

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

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

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

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

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

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

(iii) Amendments to IAS 19

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Bank (continued)

(iv) IFRIC 23 – Uncertainty over Income Tax Treatments

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

(b) New standards and interpretations not yet adopted by the Bank

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

(i) Amendment to IFRS 3 - Business combination

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

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

(ii) Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors),* the revised definition of 'material' is quoted below:
"*An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity".*

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the closing inter-bank mid rates at the reporting date. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit and loss, with finance cost. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' 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 a financial liability and allocating 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. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

2.4 Fee and commission income and expense

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, credit card and servicing fees.
Fees and commissions are recognised on an accrual basis when the related services are performed and the performance obligations associated with the contracts are delivered. The Bank reviews its contracts within different revenue streams to identify, separate and measure the components within the scope of IFRS 15. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised on a straight line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

2.5 Net trading income

Net trading income comprises gains less losses resulting from foreign exchange differences.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Leases

The Bank has changed its accounting policy for leases where the Bank is the lessee. The new policy is described below and the impact of the change in Notes 2.1.1 and 19.

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

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

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

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

The Bank's leasing activities are similar to those described above. Rental contracts are typically made for fixed periods of 5 years but may have extension options as described below.

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

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

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Leases (continued)

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

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

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

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

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

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

2.7 Income tax

Current income tax

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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income or directly to equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Income tax (continued)

Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;

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

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

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities

2.8.1 Financial assets

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Initial recognition and measurement

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

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

i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

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

The above classifications are done using:

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

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

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

(ii) Impairment

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

(ii) Impairment (continued)

- 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 3.2.1 for further details on the impairment process of financial assets.

(iii) Modification of loans

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

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

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

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

(iv) De-recognition other than on a modification

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

Financial guarantee contracts and loan commitments

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

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

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

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

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

2.8.2 Financial liabilities

i) Classification

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

ii) Measurement

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

iii) Derecognition

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets and liabilities (continued)

2.8.3 Fair value measurement

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

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

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

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

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

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

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

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

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

2.8.4 Repurchase and reverse repurchase agreements

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8.5 Offsetting financial instruments

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

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

2.8.6 Collateral

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

2.8.7 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

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

2.8.8 Loans and advances

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

Loans and advances to customers include:

- those classified as hold to collect; and
- finance lease receivables.

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

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8.9 Investments

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

2.9 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the property and equipment. Right of use assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives are as follows:

Leasehold land and buildings	Over the lease period
Leasehold improvements	5 years
Furniture, fittings and equipment	5 years
Computers	4 years
Motor vehicles	5 years

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets

Computer software

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

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

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

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

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

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 Deposits and borrowings

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Defined contribution plans

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

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

(iii) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 10%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

2.14 Stated capital and reserves

(i) Stated capital

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

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

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

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

The Bank's activities expose the business to risks. These risks are managed in a targeted manner. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The risks arising from financial instruments to which the Bank is exposed are:

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

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

3.1.1 Risk management framework

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

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

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

3.2 Credit risk

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

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

Settlement risk

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

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.1 Credit risk management

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

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

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

Credit concentration risk

Credit concentration risk is the risk of loss to the Bank arising from excessive concentration of exposure to a single counterparty, industry sector, product or geographic area. Large exposure limits have been established under the Bank's credit policy in order to avoid excessive losses from any single counter-party who is unable to fulfil its payment obligations. These risks are monitored on an ongoing basis and subject to annual or more frequent reviews when considered necessary.

Credit limit control and mitigation

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.

Some other specific control and mitigation measures are outlined below:

(a) 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.1 Credit risk management (continued)

Credit limit control and mitigation (continued)

(b) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Collateral and other credit enhancements

The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

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

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

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

(d) Impairment and provisioning policies

A provision for expected credit losses is established for all financial assets, except for financial assets classified or designated as FVPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans and advances to customers, non-trading debt securities and other financial assets. These are carried at amortised cost and presented net of the provision for expected credit losses on the statement of financial position.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. The provision for expected credit losses for off-balance sheet products subject to impairment assessment is separately calculated and recognised as provisions in other liabilities.

The Bank measures the provision for expected credit losses at each reporting date according to a three-stage expected credit loss impairment model (outlined in note 3.2.1) which is based on changes in credit risk of financial assets since initial recognition.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.1 Credit risk management (continued)

(e) Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

3.2.2 Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

Qualitative criteria

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

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

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

Backstop

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

Low Credit Risk Exemption

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2019.

Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

3.2.2 Expected credit loss measurement (continued)

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Economic Variable Assumptions

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

Scenario	Weight %	GDP Growth %	USD/GHC	Inflation %	MPR %
Base Case	50	6.8	5.54	8.0	16.0
Upside	15	7.5	6.08	8.8	17.6
Downside	35	6.1	4.98	7.2	14.4

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

- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
- USD/GHC - The Bank of Ghana average USD rate on the date of assessment and for the last three quarters is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
- Inflation – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates has an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.
- MPR – The Monetary Policy Rate (MPR) is used as a tool to target inflation and interest rates. It is an indicator of the likely trend of rates which is a key driver of economic activity.

3.2.3 Maximum exposure to credit risk before collateral held

Maximum exposure to credit risk	**2019**	2018
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	**28,408**	612,144
Balances with banks	**28,823**	452,115
Investment securities	**5,981,135**	6,232,573
Due from other banks	**241,585**	-
Loans and advances to customers	**227,878**	3,546
Other assets (excluding prepayments)	**116,683**	725
Credit risk exposures relating to off balance sheet items are as follows:		
Letters of credit	**38,404**	11,274
Letters of guarantee	**70,841**	4,774
Undrawn commitments	**35,388**	-
At year end	**6,769,145**	**7,317,151**

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

As shown above for the Bank, 88% of the total maximum exposure is derived from investment securities and loans and advances represent less than 4%.

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

The Bank's credit exposures were categorised by the Bank of Ghana prudential guidelines as follows:

	Note	2019	2018
Maximum exposure to credit risk			
Carrying amount			
Grade 1–3: Low–fair risk – Current		**232,837**	3,546
Grade 4–5: Low–watch list		**-**	-
Grade 6: Substandard		**-**	-
Grade 7: Doubtful		**-**	-
Grade 8: Loss		**-**	-
Total gross amount	17	**232,837**	3,546
Allowance for impairment (individual and collective)	17	**(4,959)**	-
Net carrying amount		**227,878**	3,546
Off balance sheet - Maximum exposure			
Letters of credit - Grade 1–3: Low – fair risk		**38,404**	11,274
Letters of guarantee - Grade 1–3: Low – fair risk		**70,841**	4,774
Undrawn commitments - Grade 1–3: Low – fair risk		**35,388**	-
Total gross amount		**144,633**	16,048
Allowance for impairment		**(596)**	-
Net carrying amount		**144,037**	16,048
Total exposure		**371,915**	19,594
Net carrying amount		**-**	-
Stage 1			
Grade 1–3: Low – fair risk		**232,837**	3,546
Stage 2			
Grade 4-5: Watch list		**-**	-
Stage 3			
Grade 6 -8		**-**	-

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

Stage 1

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

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

This category is made up as follows:

	2019	2018
Term loans	**164,231**	3,464
Overdraft	**41,216**	82
Staff loans	**27,390**	-
	232,837	3,546

There were no loans and advances, which are past due but not impaired or individually impaired.

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

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

	At 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Bank balances	57,231	-	-	**57,231**
Due from other banks	241,585	-	-	**241,585**
Investment securities	5,981,135	-	-	**5,981,135**
Loans and advances to customers	232,837	-	-	**232,837**
Other assets (less prepayments)	116,683	-	11,060	**127,743**
Gross carrying amount	**6,629,471**	**-**	**11,060**	**6,640,531**
Loss allowance	(6,718)	-	(11,060)	**(17,778)**
Carrying amount	**6,622,753**	-	-	**6,622,753**

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

3. FINANCIAL RISK MANAGEMENT (continued)

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

	At 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Bank balances	1,064,259	-	-	1,064,259
Investment securities	6,233,825	-	-	6,233,825
Loans and advances to customers	3,546	-	-	3,546
Other assets (less prepayments)	725	-	12,226	12,951
Gross carrying amount	7,302,355	-	12,226	7,314,581
Loss allowance	(1,252)		(12,226)	(13,478)
Carrying amount	7,301,103	-	-	7,301,103

The impairment on financial assets are disclosed in note 11. All other financial assets of the Bank with credit risk exposures are neither past due nor impaired.

3.2.4 Concentration of credit risk

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

	Loans and advances to customers	
	2019	2018
Carrying amount		
Concentration by product:		
Overdrafts	**41,216**	82
Term loans	**164,231**	3,464
Staff loans	**27,390**	-
Gross loans and advances	**232,837**	3,546
Less: Impairment	**(4,959)**	-
Net loans and advances	**227,878**	3,546

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.4 Concentration of credit risk (continued)

Concentration by industry:	2019	2018
Agriculture, Forestry & Fishing	**559**	
Mining & Quarrying	**-**	22
Manufacturing	**20**	-
Electricity, Gas & Water, Construction	**118,568**	-
Commerce & Finance	**51,781**	1,036
Transport, Storage & Communication	**173**	-
Services	**61,736**	2,488
Gross loans and advances	**232,837**	3,546
Less: allowance for impairment	**(4,959)**	-
Net loans and advances	**227,878**	3,546

3.2.5 Key ratios on loans and advances

i. Loan loss provision ratios is Nil (2018: Nil)

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

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is 77% (2018: 100%).

3.3 Market risk

The Bank takes on exposure to market risk which is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Global Markets and monitored by both Global Markets and Risk Management departments separately.

3.3.1 Management of market risk

The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk. The Bank's Chief Risk Officer is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

The Bank identifies market risk through daily monitoring of levels and profit and loss balances of trading and non-trading positions. The Risk Management department monitors daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non-trading positions as well as income streams on non-trading portfolios on a daily basis. They also track the liquidity indicators to ensure that the Bank meets its financial obligations at all times.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3.2. Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)
- changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Asset and Liability Management ("ALM") process, managed through the Assets and Liability Committee (ALCO), is used to manage interest rate risks associated with the non-trading book. The Assets and Liability Committee (ALCO) closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The Bank may make judgemental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

The table below summarises the re-pricing profiles of financial instruments and other assets and liabilities as at 31 December 2019. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

At 31 December 2019

Assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Cash and cash equivalents	-	-	-	-	128,475	**128,475**
Due from other banks	241,585	-	-	-	-	**241,585**
Investment securities	35,571	121,201	52,811	5,771,552	-	**5,981,135**
Loans and advances to customers	1,267	1,510	23,888	201,213	-	**227,878**
Financial assets	**278,423**	**122,711**	**76,699**	**5,972,765**	**128,475**	**6,579,073**
Liabilities						
Deposits from customers	3,057,708	640,606	945,299	452,737	-	**5,096,350**
Due to other banks		-		698,284	-	**698,284**
Other liabilities	-	-	-	-	540,026	**540,026**
Financial liabilities	**3,057,708**	**640,606**	**945,299**	**1,151,021**	**540,026**	**6,334,660**
Total interest re-pricing gap	**(2,779,285)**	**(517,895)**	**(868,600)**	**4,821,744**	**(390,244)**	**265,720**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.2. Interest rate risk (continued)

At 31 December 2018

Assets	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
Cash and cash equivalents	1,064,259	-	-	-	57,610	1,121,869
Investment securities	1,010,985	182,142	160,241	4,879,205	-	6,232,573
Loans and advances to customers	51	101	1,088	2,306	-	3,546
Financial assets	2,075,295	182,243	161,329	4,881,511	57,610	7,357,988
Liabilities						
Deposits from customers	1,197,842	537,431	852,261	2,924,779	-	5,512,313
Due to other banks	53,427	40,273	1,082,108	-	-	1,175,808
Other liabilities	-	-	-	-	373,452	373,452
Financial liabilities	1,251,269	577,704	1,934,369	2,924,779	373,452	7,061,573
Total interest re-pricing gap	824,026	(395,461)	(1,773,040)	1,956,732	(315,842)	296,415

Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest re-pricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**(2,779,285)**	(26,651)	(53,301)	(79,952)
1-3 months	**(517,895)**	(3,305)	(6,609)	(4,328)
3-12 months	**(868,600)**	(5,473)	(10,947)	(16,420)
over 1 year	**4,821,744**	24,307	36,460	14,806
Total		**(24,298)**	**(48,596)**	**(72,895)**
Net interest income	**476,595**			
Impact on net interest income for 2019		**(5.09)%**	**(10.2)%**	**(15.29)%**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.2. Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

	Total interest re-pricing gap	Possible interest rate movements +100bps	+200bps	+300bps
Up to 1 month	824,026	7,776	15,552	23,328
1-3 months	(395,461)	(3,305)	(6,609)	(9,914)
3-12 months	(1,773,040)	(11,173)	(22,345)	(33,518)
over 1 year	1,956,732	4,935	9,870	14,806
Total		(1,766)	(3,532)	(5,298)
Net interest income	121,967			
Impact on net interest income for 2018		(1.4)%	(2.8)%	(4.2)%

3.3.3 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Bank has adopted the revised Bank of Ghana requirement that banks maintain a total open position which is equal to 10% of their net own funds. Within this limit, banks are also required to maintain single currency open positions equal to 5% of net own funds.

The table below summarises the Bank's exposure by currency exchange rates on its financial position and cash flows

At 31 December 2019	**EUR**	**GBP**	**USD**	**GHS**	**Total**
Assets					
Cash and cash equivalents	1,689	2,091	14,385	110,310	**128,475**
Due from other banks	-	-	19,535	222,050	**241,585**
Investment securities	-	-	-	5,981,135	**5,981,135**
Loans and advances to customers	968	-	21,140	205,770	**227,878**
Other assets	-	-	1,524	127,816	**129,340**
Total assets	**2,657**	**2,091**	**56,584**	**6,647,081**	**6,708,413**
Liabilities					
Deposits from customers	1,774	2,026	44,838	5,047,712	**5,096,350**
Due to other banks	-	-	-	698,284	**698,284**
Other liabilities	46	44	339	539,597	**540,026**
Total liabilities	**1,820**	**2,070**	**45,177**	**6,285,593**	**6,334,660**
Net on balance sheet position	**837**	**21**	**11,407**	**361,488**	**373,753**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.3 Foreign exchange risk (continued)

At 31 December 2018	EUR	GBP	USD	GHS	Total
Assets					
Cash and cash equivalents	8,427	12,018	69,554	1,031,870	1,121,869
Investment securities	-	-	-	6,232,573	6,232,573
Loans and advances to customers	-	-	-	3,546	3,546
Other assets	-	-	-	1,557	1,557
Total assets	8,427	12,018	69,554	7,269,546	7,359,545
Liabilities					
Deposits from customers	4,762	2,239	56,020	5,449,292	5,512,313
Due to other banks	-	-	40,373	1,135,435	1,175808
Other liabilities	-	-	-	373,452	373,452
Total liabilities	4,762	2,239	96,393	6,958,179	7,061,573
Net on balance sheet position	3,665	9,779	(26,839)	311,366	297,972

Foreign currency sensitivity analysis

The Bank's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 10% decrease/increase in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

Cedi weakens/strengthens by 10%	**2019**	2018
US Dollar	**298**	2,013
Euro	**1,130**	733
Pound Sterling	**16**	275

Year end exchange rates applied in the above analysis are GH¢ 5.5537 to the US dollar (2018, 4.8200), GH¢ 6.2114 to the Euro (2018, 5.5131), and GH¢ 7.3614 to the Pound Sterling (2018, 6.1711) (Source: Bank of Ghana interbank rate)

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk

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

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

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

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money market to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements and;
- managing the concentration and profile of debt maturities.

Finally, the Bank is statutorily required to maintain a reserve of 10% of the local currency equivalent of foreign currency customer deposits held as well as 10% of local currency customer deposits in one account with the Bank of Ghana. These balances are used to support all inter-bank transactions.

The Bank prepares and uses liability mismatch reports to manage funding needs. The liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralised with a treasury bill or bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

In addition to the above, the Bank observes a defined volatile liability dependency ratio which is measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. (Volatile funds are short term wholesale funds e.g. call accounts.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

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

At 31 December 2019

	Up to 1 month	1 - 3 months	3-12 months	Over 1 year	Total
Liabilities					
Deposits from customers	3,138,613	654,940	1,006,101	558,314	5,357,968
Due to other banks	-	-	-	1,081,306	1,081,306
Other liabilities	-	-	-	540,026	540,026
Total liabilities (contractual maturity date)	**3,138,613**	**654,940**	**1,006,101**	**2,179,646**	**6,979,300**
Assets					
Cash and cash equivalents	128,475	-	-	-	128,475
Due from other banks	241,585	-	-	-	241,585
Investment securities	35,571	121,216	52,811	5,771,537	5,981,135
Loans and advances to customers	1,267	1,510	23,888	201,213	227,878
Other assets (less prepayments)	-	-	116,683	-	116,683
Total assets held for managing liquidity risk (contractual maturity date)	**406,898**	**122,726**	**193,382**	**5,972,750**	**6,695,756**

At 31 December 2018

	Up to 1 month	1 - 3 months	3-12 months	Over 1 year	Total
Liabilities					
Deposits from customers	1,287,680	577,738	916,181	3,144,137	5,925,736
Due to other banks	57,434	43,293	1,163,265	-	1,263,992
Other liabilities	373,452	-	-	-	373,452
Total liabilities (contractual maturity date)	1,718,566	621,031	2,079,446	3,144,137	7,563,180
Assets					
Cash and cash equivalents	651,663	-	-	-	651,663
Due from other banks	470,206	-	-	-	470,206
Investment securities	1,010,985	182,142	160,241	4,879,205	6,232,573
Loans and advances to customers	51	101	1,088	2,306	3,546
Other assets (less prepayments)	725	-	-	-	725
Total assets held for managing liquidity risk (contractual maturity date)	2,133,630	182,243	161,329	4,881,511	7,358,713

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

3.4.1 Exposure to liquidity risk

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

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

	2019	2018
At period end	**33%**	128%
Average for the year	**66%**	64%
Maximum for the year	**136%**	128%
Minimum for the year	**24%**	20%

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

3.3.5 Statutory Liquidity Breaches and non-compliance with other prudential requirements

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Country analysis

The assets and liabilities of the Bank held inside and outside Ghana are analysed below:

		2019			2018	
	Ghana	**Outside**	**Total**	Ghana	Outside	Total
Assets						
Cash and cash equivalents	**99,652**	**28,823**	**128,475**	696,205	425,664	1,121,869
Due from other banks	**194,528**	**47,057**	**241,585**	-	-	-
Investment securities	**5,981,135**	**-**	**5,981,135**	6,232,573	-	6,232,573
Loans and advances to customers	**227,878**	**-**	**227,878**	3,546,284	-	3,546,284
Intangible asset	**14,778**	**-**	**14,778**	-	-	-
Right of use asset	**109,139**	**-**	**109,139**	-	-	-
Property and equipment	**104,394**	**-**	**104,394**	123,622,877	-	123,622,877
Deferred income tax assets	**6,266**	**-**	**6,266**	5,564,855	-	5,564,855
Other assets	**124,305**	**5,035**	**129,340**	1,557,475	-	1,557,475
Total assets	**6,862,075**	**80,915**	**6,942,990**	7,063,070	425,664	7,488,734
Liabilities						
Deposits from customers	**5,096,350**	**-**	**5,096,350**	5,512,313	-	5,512,313
Borrowings	**698,284**	**-**	**698,284**	1,175,808	-	1,175,808
Lease Liability	**108,571**	**-**	**108,571**	-	-	-
Tax	**6,016**		**6,016**	-	-	-
Other liabilities	**540,026**	**-**	**540,026**	373,452	-	373,452
Total liabilities	**6,449,247**	**-**	**6,449,247**	7,061,573	-	7,061,573

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments

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

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

(a) Valuation models

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

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

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

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

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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

(b) Financial instruments not measured at fair value

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

(c) Financial instruments not measured at fair value (continued)

At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets					
Cash and cash equivalents	-	28,823	99,652	128,475	128,475
Due from other banks	-	241,585	-	241,585	241,585
Investment securities	-	3,492,026	-	3,492,026	5,405,844
Loans and advances to customers	-	227,878	-	227,878	227,878
Other assets	-	-	129,340	129,340	129,340
	-	**3,990,312**	**228,992**	**4,219,304**	**6,133,122**
Liabilities					
Deposits from customers	-	5,096,350	-	5,096,350	5,096,350
Due to other banks	-	698,284	-	698,284	698,284
Other liabilities	-	-	540,026	540,026	540,026
	-	**5,794,634**	**540,026**	**6,334,660**	**6,334,660**

At 31 December 2018	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and cash equivalents	-	-	651,663	651,663	651,663
Due from other banks	-	470,206	-	470,206	470,206
Investment securities	-	6,152,785	-	6,152,785	6,152,785
Loans and advances to customers	-	3,546	-	3,546	3,546
Other assets	-	-	1,557	1,557	1,557
	-	6,626,537	653,220	7,279,757	7,359,545

At 31 December 2018	Level 1	Level 2	Level 3	Fair value	Carrying amount
Liabilities					
Deposits from customers	-	5,443,409	-	5,443,409	5,443,409
Due to other banks	-	1,161,110	-	1,161,110	1,161,110
Other liabilities	-	-	373,452	373,452	373,452
		6,604,519	373,452	6,977,971	7,061,573

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

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

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

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

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

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

3.7 Capital management

Regulatory capital

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital adequacy ratio

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

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

	Note	**2019**	2018
Common Equity Tier 1 (CET1) Capital			
Ordinary share capital	28(a)	**450,000**	450,000
CET 1 Reserves			
Statutory reserve	28 (b)	**34,524**	-
Retained earnings	28 (b)	**11,683**	(22,840)
Total CET1 Reserves		**46,207**	(22,840)
CET1 Capital before Deductions/Adjustments		**496,207**	427,160
Less: Regulatory Adjustment to CET1 Capital			
Intangibles		**(38,081)**	(7,122)
CET1 Capital after Deductions		**458,126**	420,038
Additional Tier1 (AT1) Capital		**-**	-
Tier 1 Capital		**458,126**	420,038
Tier 2 Regulatory Capital		**(2,464)**	-
Total Regulatory Capital (Tier1 + Tier2)		**455,662**	420,038
Risk Profile			
Credit Risk			
On-Balance Sheet RWA		**637,839**	348,842
Off-Balance Sheet RWA		**42,336**	-
On & Off Balance Sheet Trading Book RWA		**-**	-
Credit Risk Reserve (CRR)		**-**	-
Total Credit Risk Equivalent Weighted Assets		**680,175**	348,842

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Capital management (continued)

Capital adequacy ratio (continued)

	Note	**2019**	2018
Operational Risk			
Total Operational Risk Capital Charge		**109,238**	88,193
Total Operational Risk Equivalent Weighted Assets		**1,092,382**	881,928
Market Risk			
Interest Rates		**-**	-
Foreign Exchange		**833**	59
Total Market Risk Charge		**833**	59
Total Market Risk Equivalent Weighted Assets		**10,415**	733
Total for Credit Risk, Operational Risk and Market Risk			
Total RWA		**1,782,972**	1,231,503
Risk-based Capital Ratios			
Common Equity Tier 1/RWA		**25.69%**	34.11%
Tier 1/RWA		**25.69%**	34.11%
Tier 2/RWA		**(0.14%)**	-
Capital Adequacy Ratio (CAR)		**25.56%**	34.11%
Minimum Capital Requirement			
Minimum Capital Requirement		**10%**	10%
Prudential Minimum (with Capital Conservation Buffer)		**13%**	13%
Surplus Minimum Capital			
Surplus/Deficit to Minimum Capital		**15.56%**	24.11%
Surplus/Deficit to Prudential Minimum Capital		**12.56%**	21.11%

As at 31 December 2019, the Bank's capital adequacy ratio based on the old directive was 43.24%. Comparative ratio of 25.82% disclosed above was computed using the guidelines per the new Capital Requirements Directive.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Capital management (continued)

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

	2019	2018
Tier 1 Leverage Ratio		
Off-Balance Sheet Exposures	**144,633**	811,979
On-Balance Sheet Exposures	**6,904,909**	-
Total Exposures	**7,011,461**	7,488,736
Leverage Ratio	**6.53%**	5.61%

Capital allocation

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

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

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

3.7 Fair values of financial instruments

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

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

NOTES (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Measurement of the expected credit loss allowance

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

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

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

Refer to Note 2.8 and 3.2 for further details on these estimates and judgements.

(b) Fair value of financial instruments

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 2.8 for further details on these estimates and judgements.

(c) Income taxes

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

Deferred 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.

NOTES (continued)

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

(d) Hold to collect financial assets

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

(e) Lease term

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

The following factors are normally the most relevant:

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

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

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

	For the year ended 31 December 2019	For the period 1 August 2018 to 31 December 2018
5. Interest income		
Loans and advances to customers	**7,742**	148
Placement with other banks	**29,198**	7,072
Investments securities	**984,522**	453,540
	1,021,462	460,760
6. Interest expense		
Demand deposits	**69,195**	16,913
Savings deposits	**17,024**	4,749
Time and other deposits	**319,158**	206,818
Interbank borrowings	**131,703**	110,313
Finance cost - lease liability	**7,787**	-
	544,867	338,793
7. Fee and commission income		
Trade fees	**4,565**	488
Alternate channel fees	**10,748**	2,877
Loan related fees	**1,278**	-
Remittance fees	**2,570**	385
Miscellaneous	**-**	1,064
Banking charges	**15,206**	5,589
	34,367	10,403
8. Fee and commission expense		
Alternate channel expenses	**1,760**	726
Transfer charges	**862**	336
Bank charges	**555**	192
	3,177	1,254
9. Net trading income		
Foreign exchange gain	**46,662**	4,344
Net revaluation gain	**5,432**	2,752
	52,094	7,096

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

	For the year ended 31 December 2019	For the period 1 August 2018 to 31 December 2018
10. Other Income		
Gain on asset disposal – Note 20 (b)	**8,024**	-
Other miscellaneous income	**1,514**	-
	9,538	-
11. Impairment losses on financial assets		
Impairment charge on loans and advances	**4,959**	-
Impairment charge on investment securities	**507**	1,252
Impairment charge on off balance sheet items	**596**	-
Release of impairment charge on other assets	**(1,166)**	12,226
	4,896	13,478
12. Personnel expenses		
Wages, salaries and allowances	**157,813**	39,330
Social security obligations	**12,982**	4,501
Provident fund contribution	**9,906**	1,781
Staff loan fair valuation expense	**282**	-
Other staff cost	**28,881**	11,892
	209,864	57,504
13. Other expenses		
Occupancy costs	**25,089**	26,580
Information Technology expenses	**38,974**	15,630
Directors' emoluments	**1,052**	78
Auditor's remuneration	**666**	494
General and administrative expenses	**122,341**	39,219
	188,122	82,001
14. Income tax expense		
Current income tax charge – (Note 14 (a))	**29,370**	-
Deferred income tax charge/(credit) (Note 21)	**121**	(5,565)
	29,491	(5,565)

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

14. Income tax expense (continued)

(a) Income tax

31 December 2019	**Balance at 1/1/2019**	**Charge for the year**	**Payments during the year**	**Balance at 31/12/2019**
Income tax				
2018	**-**	**-**	**-**	**-**
2019	**-**	**29,370**	**(23,354)**	**6,016**
	-	**29,370**	**(23,354)**	**6,016**
National fiscal stabilisation levy				
2018	-	-	-	-
2019	-	5,186	(4,983)	(203)
	-	5,186	(4,983)	(203)

(b) Tax reconciliation

Tax on the Bank's profit before income tax differs from the theoretical amounts as follows:

	2019	2018
Profit/(loss) before income tax	**103,724**	(28,405)
Brought forward loss	**(5,556)**	-
	98,168	(28,405)
Income tax at the statutory income rate of 25%	**24,542**	(7,101)
Non-deductible expenses	**4,949**	1,536
Income tax charge/(credit)	**29,491**	(5,565)

15. Cash and cash equivalents

Cash on hand	**71,244**	57,610
Balances with Bank of Ghana	**28,408**	612,144
Balances with other local Banks	**241,585**	26,451
Balances with foreign Banks	**28,823**	425,664
	370,060	1,121,869

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

15. Cash and cash equivalents (continued)

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

	2019	2018
Cash on hand	**71,244**	57,610
Balances with Bank of Ghana	**28,408**	612,144
Balances with Banks and other financial institutions	**270,408**	452,115
Treasury bills maturing within 90 days	**29,166**	983,604
Less mandatory cash reserve	**-**	(551,231)
	399,226	1,554,242

In accordance with section 36 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank is required to hold a cash reserve equivalent to 10% of total deposits. However Consolidated Bank Ghana Limited has been granted a dispensation until 31 December 2020. .

16. Investment securities

	2019	2018
***(a)* Hold to collect**		
Treasury bills	**82,770**	1,147,404
Government of Ghana bonds	**5,324,833**	5,086,421
Gross	**5,407,603**	6,233,825
Impairment loss on investment securities	**(1,759)**	(1,252)
At 31 December (net)	**5,405,844**	6,232,573
***(b)* Hold to collect and sell**		
Treasury bills	**6,221**	-
Government of Ghana bonds	**572,356**	-
Gross	**578,577**	-
Fair value loss on hold to collect and sell investment securities	**(3,286)**	-
At 31 December (net)	**575,291**	-
	5,981,135	6,232,573

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

16. Investment securities (continued)

Movement schedule for investment securities

	2019	2018
Balance at 1 January	**6,232,573**	8,141,702
Maturing within 91 days at 1 January		-
Purchases of investments maturing over 91 days	**3,904,922**	12,102,439
Interest earned during the year/period	**984,522**	453,540
Proceeds from sales/redemption	**(5,137,089)**	(14,463,856)
Impairment	**(507)**	(1,252)
Fair value loss	**(3,286)**	-
At 31 December	**5,981,135**	6,232,573
Investment maturing over 91 days	**5,951,969**	5,248,969
Investments maturing within 91 days at 31 December	**29,166**	983,604
At 31 December	**5,981,135**	6,232,573

Analysis of investment securities by tenor

	2019		2018	
	Hold to collect	**Hold to collect and sell**	Hold to collect	Hold to collect and sell
Maturing within 91 days of acquisition	**29,166**	**-**	983,604	-
Maturing after 91 days but within 182 days of acquisition	**17,934**	**6,221**	162,781	-
Maturing after 182 days of acquisition	**35,670**	**-**	116,134	-
Maturing after 1 year of acquisition	**5,324,833**	**572,356**	4,971,306	-
Gross total	**5,407,603**	**578,577**	6,233,825	-
Impairment loss on investment securities	**(1,759)**	**-**	(1,252)	-
Fair value loss on hold to collect and sell investment securities	**-**	**(3,286)**	-	-
At 31 December	**5,405,844**	**575,291**	6,232,573	-

Included in the Government of Ghana bonds is an amount of GH¢ 4.4 billion in respect of bonds issued by the Government of Ghana to finance the funding gap arising from the purchase and assumption arrangement. A bond with a value of GH¢ 1.49 billion received in 2019 relates to the funding gap upon assumption of certain assets and liabilities of erstwhile Premium Bank and Heritage Bank.

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

17. Loans and advances to customers

	2019	2018
Loans and advances to customers at amortised cost	**232,837**	3,546
Less allowance for impairment	**(4,959)**	-
Loans and advances to customers at amortised cost	**227,878**	3,546
Current	**26,665**	1,240
Non-current	**201,213**	2,306
	227,878	3,546

(a) Loans and advances to customers at amortised cost

2019	**Gross amount 2019**	**Impairment allowance 2019**	**Carrying amount 2019**
Individual customers	49,616	(3,084)	**49,616**
Corporate customers	183,221	(1,875)	**178,262**
	232,837	(4,959)	**227,878**

2018	Gross amount 2018	Impairment allowance 2018	Carrying amount 2018
Individual customers	-	-	-
Corporate customers	3,546	-	3,546
	3,546	-	3,546

(b) Allowances for impairment

	2019	2018
Balance at the beginning of the reporting year	**-**	-
Charge for the year	**4,959**	-
Total allowances for impairment	**4,959**	-

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

	2019	2018
18. Intangible assets		
Cost		
At 1 January	-	-
Additions	16,605	-
At 31 December	16,605	-
Accumulated amortisation		
At 1 January	-	-
Amortisation	1,827	-
At 31 December	1,827	-
Carrying amount at 31 December	14,778	-

19. Leases

Amounts recognised in the statement of financial position

	2019	1 January 2019
Right of use assets		
Buildings	109,139	136,424
Lease Liabilities		
Current	24,242	30,315
Non-current	84,329	105,439
	108,571	135,754
Amounts recognised in profit or loss		
Depreciation charge of right-of-use of assets - Buildings	27,285	-
Interest expense on lease liabilities	7,787	-
Expense relating to short term and low value leases (included in administrative expenses)	2,178	-
Revaluation loss on lease liability	2,575	-

There were no additions to the right-of-use assets and lease liabilities. The total cash outflow for leases in 2019 was GH¢37,299,711. An amount of GH¢ 16,976,350 was charged to profit or loss as operating lease rentals on office premises in 2018.

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

20. Property and equipment

	Land and building	Leasehold improvement	Furniture and equipment	Computers	Motor vehicles	Capital Work in Progress	Total
Cost/valuation							
Balance at 1 January 2019	75,115	139	35,949	15,879	10,175	-	**137,257**
Additions during the year	8,153	400	6,830	2,374	1,768	10,832	**30,357**
Disposals during the year	(11,331)	-	(7,773)	(1,044)	(3,763)	-	**(23,911)**
Balance at 31 December 2019	**71,937**	**539**	**35,006**	**17,209**	**8,180**	**10,832**	**143,703**
Accumulated depreciation							
Balance at 1 August 2019	1,195	6	5,751	4,081	2,601	-	**13,634**
Charge for the year	3,396	75	13,884	10,167	6,177	-	**33,699**
Disposals during the year	(754)	-	(3,768)	(810)	(2,692)	-	**(8,024)**
Balance at 31 December 2019	3,837	81	15,867	13,438	6,086	-	**39,309**
Net book value							
At 31 December 2019	68,100	458	19,139	3,771	2,094	10,832	**104,394**

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

20. Property and equipment (continued)

	Land and building	Leasehold improvement	Furniture and equipment	Computers	Motor vehicles	Capital Work in Progress	Total
Cost/valuation							
Assets taken over at 1 August 2018	75,115	-	35,674	15,747	10,175	-	136,711
Additions during the period	-	139	275	132	-	-	546
Balance at 31 December 2018	75,115	139	35,949	15,879	10,175	-	137,257
Accumulated depreciation							
Balance at 1 August 2018	-	-	-	-	-		-
Charge for the period	1,195	6	5,751	4,081	2,601	-	13,634
Balance at 31 December 2018	1,195	6	5,751	4,081	2,601	-	13,634
Net book value At 31 December 2018	73,920	133	30,198	11,798	7,574	-	123,623

There was no indication of impairment of property and equipment held by the Bank at 31 December 2019. None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date.

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

20. Property and equipment (continued)

(a) Depreciation and amortisation expense

	2019	2018
Right-of-use assets (Note 19)	**27,285**	-
Property, plant and equipment (Note 20)	**33,699**	13,634
Intangible assets (Note 18)	**1,827**	-
	62,811	13,634

(b) Profit on disposal

Cost	**23,911**	-
Accumulated depreciation	**(8,024)**	-
Carrying amount	**15,887**	-
Proceeds from disposal	**23,911**	-
Profit on disposal	**8,024**	-

21. Deferred income tax

Deferred tax assets and liabilities are attributable to the following:

	Assets	**Liabilities**	**At 31 December 2019**
Property and equipment	3,758	-	3,758
Impairment provisions	1,828	-	1,828
Leases	-	(142)	(142)
Fair value loss on investment securities	822	-	822
Net deferred income tax assets/(liabilities)	**6,408**	**(142)**	**6,266**

	Assets	Liabilities	At 31 December 2018
Property and equipment	-	(774)	(774)
Impairment provisions	3,369	-	3,369
Tax losses carried forward	2,970	-	2,970
Net deferred income tax assets/(liabilities)	6,339	(774)	5,565

Movements in deferred income tax balances

	Balance at 1 January 2019	**Recognised in profit or loss**	**Recognised in comprehensive income**	**At 31 December 2019**
Property and equipment	(774)	4,532	-	**3,758**
Impairment provisions	3,369	(1,541)	-	**1,828**
Leases	-	(142)	-	**(142)**
Tax losses carried forward	2,970	(2,970)	-	-
Fair value loss on investment securities	-	-	822	**822**
	5,565	**(121)**	**822**	**6,266**

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

21. Deferred income tax (continued)

Recognised deferred income tax

Recognition of deferred income tax assets of GH¢ 6,265,530 is based on management's profit forecasts for three years, which indicate that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

22. Other assets

	2019	2018
Prepayments	**12,657**	832
Receivables	**104,379**	-
Stock	**3,342**	-
Others	**20,022**	12,951
Gross	**140,400**	13,783
Impairment on other assets	**(11,060)**	(12,226)
	129,340	1,557

23. Customer deposits

	2019	2018
Demand deposits	**1,676,227**	1,541,481
Savings deposits	**869,398**	391,748
Term deposits	**2,550,725**	3,579,084
	5,096,350	5,512,313
Analysis by type of depositors		
Financial institutions (regulated)	**1,139,284**	448,226
Individual and other private enterprises	**2,545,941**	4,106,346
Public enterprises	**1,411,125**	957,741
	5,096,350	5,512,313
largest depositors to total deposit ratio	22%	34%
Current	**2,545,625**	2,587,534
Non-current	**2,550,725**	2,924,779
	5,096,350	5,512,313

24. Due to other banks

	2019	2018
Interbank borrowings	**698,284**	1,175,808

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

25. Other liabilities

	2019	2018
Accruals	**80,312**	185,125
Other payables	**438,378**	188,327
Others	**21,336**	-
	540,026	373,452
Current	**298,749**	281,170
Non-current	**241,277**	92,282
	540,026	373,452

26. Capital and reserves

(a) Stated capital

	2019		2018	
	No. of shares	**Proceeds**	No. of shares	Proceeds
Authorised				
Ordinary shares of no par value	**100,000,000**		100,000,000	
Issued and fully paid up capital:				
Ordinary shares of no par value	**100,000,000**	**450,000**	100,000,000	450,000

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid at 31 December 2019. There were no shares held in treasury at the year end. (2018: Nil)

(b) Retained earnings

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

(c) Statutory reserve

This reserve represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2018 (Act 930) and guidelines from the Central Bank.

(d) Fair value reserve

Fair value reserve represents unrealised gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income.

27. Dividends

The Directors do not recommend the payment of a dividend for the period ended 31 December 2019.

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

28. Contingencies and commitments

(a) Claims and litigation

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

(b) Contingent liabilities and commitments

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

Nature of instruments

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

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

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

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

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

	2019	2018
Letters of credit	**38,404**	11,274
Letters of guarantee	**70,841**	4,774
Undrawn commitments	**35,388**	-
	144,633	16,048

(c) Commitments for capital expenditure

At 31 December 2019, the Bank had no commitments for capital expenditure.

29. Regulatory disclosures

(i) Non-performing loans ratio

Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was nil as at 31 December 2019.

(ii) Amount of loans written-off

No loans were written off as uncollectible during the period.

(iii) Breaches in statutory liquidity

The Bank complied with all requirements with respect to statutory liquidity.

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

29. Regulatory disclosures (continued)

(iv) Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 December 2019 was 25.56% (2018: 34.11%).

(v) Liquid Ratio

The Bank's liquid ratio at 31 December 2019 was 40.63% (2018: 128%).

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

Directors' emoluments

Remuneration paid to non-executive directors in the form of fees, allowances and related expenses are disclosed in Note 13.

Key management compensation

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Consolidated Bank Ghana Limited.

	2019	2018
Salaries and short-term employee benefits	**13,648**	1,064
Social security fund contribution	**962**	57
Provident fund contribution	**716**	40
	15,326	1,161

31. Subsequent events

It is envisaged that the COVID-19 pandemic will most likely have an impact on the economy and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. 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.

VALUE ADDED STATEMENT

(All amounts are in thousands of Ghana cedis)

	2019	2018
Interest earned and other operating income	**1,117,461**	478,259
Direct cost of services and other costs	**(735,114)**	(421,970)
Value added by banking services	**382,347**	56,289
Non-banking income	**-**	-
Impairments	**(4,896)**	(13,478)
Value added	**377,451**	42,811
Distributed as follows:		
To employees		
Directors	**(1,052)**	(78)
Other employees	**(209,864)**	(57,504)
Total	**(210,916)**	(57,582)
To Government		
Income tax	**(34,677)**	-
To providers of capital		
Dividends to shareholders	**-**	-
To expansion and growth		
Depreciation and amortisation	**(62,811)**	(13,634)
Retained earnings /(deficit)brought forward	**(22,840)**	
Transfer to statutory Reserve	**(34,524)**	
Retained earnings/(deficit)	**11,683**	(22,840)

STATEMENT OF AFFAIRS

(All amounts are in thousands of Ghana cedis)

Purchase and assumption agreement

The Bank of Ghana revoked the licenses of Heritage Bank and Premium Bank on 4 January 2019. Consolidated Bank (Ghana) Limited assumed certain assets and liabilities of the erstwhile Banks under a purchase and assumption agreement.

The excess of liabilities assumed over assets was funded by bond certificates issued by the Government of Ghana with a principal value of GH¢1,490,000,000 at an interest rate of 16% with effective and maturity date of 3 January 2034.