FIRST ATLANTIC BANK LIMITED

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

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CORPORATE INFORMATION

Board of directors	Mr. Amarquaye Armar	Chairman, appointed 8 April 2020
	Mr. Odun Odunfa	MD/CEO
	Mrs. Karen Akiwumi Tanoh	Member
	Mr. Oye Balogun	Member
	Mr. Papa Madiaw Ndiaye	Member
	Dr. Adewale Olawoyin SAN	Member
	Mrs. Patience Asante	Member
	Mr. Daniel Marfo	Member
	Mr. George Yaw Amoah	Member, appointed 8 April 2020
	Dr. Augustina Amakye	Member, appointed 8 April 2020

Registered office

Atlantic Place
No. 1 Seventh Avenue
Ridge West
Accra, Ghana

Secretary

Mark Ofori-Kwafo
Atlantic Place
No. 1 Seventh Avenue
Ridge West
Accra, Ghana

Independent auditor

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

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of First Atlantic Bank Limited (the “Bank”) for the year ended 31 December 2020.

Statement of directors’ responsibilities

The directors are responsible for the preparation of the financial statements that give a true and fair view of First Atlantic Bank Limited’s financial position at 31 December 2020, and of the profit or loss and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

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

Principal activities

The Bank’s principal activities comprise corporate, investment and retail banking under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). There was no change in the nature of the Bank’s business during the year.

Financial results

The results of the Bank are set out in the statement of profit or loss and other comprehensive income on page 15.

Dividend

The directors do not recommend dividend for the year ended 31 December 2020.

Directors’ training

In line with Bank of Ghana’s Corporate Governance Directive, there are structures in place to ensure continuous capacity building of the Board members. This includes an annual certification course facilitated by the National Banking College on a range of relevant topics to boost the competence of board members on their duties and on prudential banking practices.

Interest in other body corporates

The Bank has non-controlling interests in First Atlantic Brokers Limited and First Atlantic Asset Management Limited.

Corporate social responsibilities

The Bank spent GH¢ 2,761,821 on corporate social responsibilities during the year.

REPORT OF THE DIRECTORS (continued)

Auditor's remuneration

The auditor's remuneration for the audit of the financial statements of the Bank for the year ended 31 December 2020 is disclosed in note 15 to the financial statements.

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).

Amarquaye Armar
Board Chairman

Odun Odunfa
MD/CEO

19 March 2021

CORPORATE GOVERNANCE FRAMEWORK

First Atlantic Bank Limited is committed to adopting a robust corporate governance framework and applying the highest standards of business integrity and professionalism to safeguard the long-term interests of our stakeholders. To achieve this, the Bank has adopted global best practices in compliance with regulations and codes of corporate governance to establish accountability and transparency as well as preserve the integrity of the Board and Management. The Board not only pays attention to ethical conducts, value enrichment and the implementation of best practices, but also makes significant effort to understand and manage stakeholders' expectations.

First Atlantic Bank Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the financial statements, the Bank adopts standard accounting practices and ensures sound internal controls to facilitate the reliability of the financial statements.

Board of Directors

The Board is responsible for setting the Bank's strategic direction and oversight of executive management. The Board presents a balanced and understandable assessment of the Bank's progress and prospects.

The Board consists of a Non-Executive Chairman and six (6) Non-Executive Directors and three (3) Executive Directors. The Non-Executive Directors are independent of Management and free from any constraints, which could materially interfere with the exercise of their independent judgement. They have the requisite experience and knowledge of the industry, markets, financial and other business sectors to make valuable contributions to the Bank's progress.

The Board has six (6) committees namely, Governance and General Purpose, Loans and Investments, Audit, Risk Management, Property and Infrastructure Development, and Cyber and Information Security. The details of the Committees are set out below.

Governance and General Purpose Committee

The purpose of the Committee is to provide appropriate advice and recommendations on matters relating to governance, human resource and other general matters. The Committee is made up of four (4) non-executive members and it meets at least once a quarter.

The duties and responsibilities of the committee include orientation and education of new directors; development of policies to facilitate continuous education and development of directors; periodic assessment of the skills of directors; approval of special welfare schemes and proposals; and consideration of disciplinary matters involving top management staff and directors.

The Committee also has oversight responsibility of all legal matters and the authority and discretion to review any legal matter, issue, or document.

Loans and Investments Committee

The Loans and Investments Committee is made up of five (5) members of whom four (4) are non-executive directors. The Committee meets at least once a quarter.

The Committee assists the Board in fulfilling its oversight responsibility relating to loans and investments by providing appropriate advice and recommendations on relevant matters.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Loans and Investments Committee (continued)

The duties and responsibilities of the Committee include recommending the membership of the Bank's Management Credit Committee; recommending credit policies and procedures to govern the authority delegated to the Management Credit Committee; and recommending loans, investments and other risk assets to the Board for approval.

Audit Committee

The Audit Committee is made up of four (4) non-executive directors. The Committee meets at least once a quarter.

The purpose of the Committee is to establish and operate adequate control systems and sound accounting policies, safeguard the Bank's assets and prepare accurate financial reports and statements that comply with applicable legal and regulatory requirements, and accounting standards.

The duties of the Audit Committee include recommending the selection, appointment, retention, compensation and oversight of the work of the Bank's external auditor; reviewing of quarterly, half-yearly and annual financial reports and considering the budget and strategic business plan of the Bank.

Risk Management Committee

The Risk Management Committee is made up of four (4) members of whom three (3) are non-executive directors. The Committee meets at least once a quarter.

The purpose of the Committee is to oversee the Bank's overall risk management framework and to evaluate the adequacy of the Bank's risk management systems, the action plans in place to manage these risks and to monitor progress towards the achievement of these actions.

The duties and responsibilities of the Committee also include oversight of Enterprise Risk Management, Compliance and Internal controls.

Property and Infrastructure Development Committee

The Property and Infrastructure Committee is made up of four (4) members of whom three (3) are non-executive directors. The Committee meets at least once a quarter.

The Committee has authority to consider all matters relating to the acquisition, disposal, construction and or refurbishment of landed properties for or by the Bank. It also reviews the Bank's IT strategy and major technology related expenditures.

Cyber and Information Security Committee

The Cyber and Information Security Committee is made up of four (4) members of whom three (3) are non-executive directors. The Committee meets at least once a quarter.

The purpose of the Board Cyber and Information Security Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to the Bank's cybersecurity programs and risks.

The duties and responsibilities of the Committee also include developing and implementing institutional policies on cyber and information security, outsourcing, survivability, backup and recovery from cyber incidents, attacks and disaster events.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Profile of board of directors

	Name	Qualification	Other directorship	Position
	Non-executive			
1.	Mr. Amarquaye Armar	• Masters in Chemical Engineering (Massachusetts Institute of Technology -USA) • First Class honors Degree in Chemical Engineering & Fuel Technology (University of Sheffield – UK)	• TRANSCO CLSG Limited. • ANAVENTURES Limited.	Independent Director – Chairman
2.	Mrs Karen Akiwumi Tanoh	• Chartered Accountant (ICAEW) • Member of the Institute of Directors (IoD) UK	• Beneficial Life Togo/Cameroon • Prudential Life • Stratcom Africa • Fleur Afrique	Non - Executive Director
3.	Mr Oye Balogun	• Barrister & Solicitor of the Supreme Court of Nigeria	• Kedari Capital Limited • Kedari Nominees Limited • J B Maye PDC Limited • Chrisore Micro Finance Bank	Non - Executive Director
4.	Dr Adewale Olawoyin SAN	• LL.B, University of Ife • LL.M, London School of Economics & Political Science • Ph.D, University of Bristol	• RT Briscoe (Nig.) Plc • Page International Financial Services Limited • Gabarik Farms Limited • Lagos Chamber of Commerce International Arbitration Centre • GabArik Global	Non - Executive Director
5.	Dr Augustina Amakye	• Ph.D in Communication Studies from the Regent University, USA. • Master's Degree in Linguistics from Syracuse University, USA.	None	Non - Executive Director

CORPORATE GOVERNANCE FRAMEWORK (continued)

Profile of board of directors

	Name	Qualification	Other directorship	Position
	Non-executive			
6.	Mr. George Yaw Amoah	• Master's Degree in Public Administration from the University of Pennsylvania, USA • Bachelor of Arts Degree in Political Science from the Pace University New York, USA.	None	Non - Executive Director
7.	Mr Papa Madiaw Ndiaye	• BA Economics, Harvard University • International Studies- MA,The Joseph Lauder Institute, University of Pennsylvania • International Finance- MBA, The Wharton School University of Pennsylvania	• FSDH Merchant Bank Limited • RMG Concept • FSDH Securities Limited • Nigerian German Chemicals Plc • Tecnicil Industria	Non - Executive Director

CORPORATE GOVERNANCE FRAMEWORK (continued)

Profile of board of directors (continued)

	Name	Qualification	Other directorship	Position
	Executive			
1.	Mr. Odun Odunfa	• BSc Mathematics, Obafemi Awolowo University, Nigeria • MBA, University of Lagos, Nigeria	None	Managing Director
2.	Mrs. Patience Asante	• BSc (Hons) Business Administration (Banking and Finance) • Master of Business Administration (Finance) from the University of Ghana	None	Executive Director - Risk and controls
3.	Mr. Daniel Marfo	• BSc (Hons) Mining Engineering (First Class Honours) , University of Science & Technology Kumasi • LLB (First Class) Mouncrest University College, Accra • MBA (Finance) Lancashire Business School, England	• First Atlantic Assets Management Limited	Executive Director - Business

Code of business ethics

Management has communicated the principles in the Bank's Code of Conduct to its employees in the discharge of their duties.

The Code sets the professionalism and integrity required for the Bank's operations which covers compliance with the laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Conflict of interest

There were no matters of conflict of interest or potential material conflicts of interest in the reporting period.

Report on board evaluation

In accordance with Section 47 and 48 of the Corporate Governance Directive, the independent external evaluation of the Board for the year is ongoing. The scope of the engagement included roles and responsibilities, competencies, structure and composition, processes and relationships, and other key governance issues.

Shares of the Bank held by Directors and other related parties

The details of shareholders' information is outlined in Appendix I.

Board Meetings Attendance

Board members	The Board	Audit	Risk	Loans and investment	Governance	Property and Infrastructure Development
Mr. Amarquaye Armar	5/5	-	-	-	-	-
Mr. Odun Odunfa	5/5	-	-	2/2	-	-
Mrs. Karen Akiwumi Tanoh	5/5	3/3	2/2	2/2	-	-
Mr. Oye Balogun	5/5	-	-	2/2	2/2	2/2
Mr. Papa Madiaw Ndiaye	5/5	3/3	-	2/2	2/2	-
Dr. Adewale Olawoyin SAN	5/5	3/3	-	-	2/2	2/2
Mrs. Patience Asante	5/5	-	-	-	-	2/2
Mr. Daniel Marfo	5/5	-	2/2	-	-	-
Mr. George Yaw Amoah	5/5	-	2/2	2/2	-	-
Dr. Augustina Amakye	5/5	3/3	2/2	-	2/2	2/2

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of First Atlantic Bank Limited for the year ended 31 December 2020.

The financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other 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 to customers

The Bank recognised impairment on its financial assets, using the expected credit loss methodology, in line with the requirements of IFRS 9. The most significant is in respect of loans and advances. The expected credit loss provision is as follows;

Financial asset	Gross amount GH¢	Expected credit loss GH¢
Loans and advances to customers	640,299,820	30,885,802

The Expected Credit Loss (ECL) requires significant judgment in applying the methodology used in determining the following estimates:

- Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank.
- Definition of default and credit impaired assets.
- Probability of Default (PD): the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon.
- Loss given default (LGD): percentage exposure at risk that is not expected to be recovered in an event of default.
- Exposure at default (EAD): amount expected to be owed the bank at the time of default.
- Forward-looking economic information and scenarios used in the model.

The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.8.1, 3.1, 4.2, 12 and 20 to the financial statements.

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We obtained an understanding of controls over the origination, monitoring and impairment process.

We assessed the criteria applied by management in determining significant increase in credit risk and assessed a sample of loans for SICR.

We tested the appropriateness of the definition of default.

We assessed the reasonableness of assumptions applied in determining the PD and LGD.

We checked that the projected EAD over the remaining lifetime of loans and advances to customers were reasonable.

We assessed the reasonableness of forward looking information used in the impairment calculations by challenging the multiple economic scenarios used and the weighting applied.

We tested the appropriateness of disclosures set out in the financial statements.

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Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

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/2021/028)
Chartered Accountants
Accra, Ghana
26 March 2021

pwc

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts are expressed in Ghana cedis)

	Note	Year ended 31 December **2020**	2019
Interest income	7	**280,888,833**	229,494,244
Interest expense	8	**(83,245,339)**	(64,552,701)
Net interest income		**197,643,494**	164,941,543
Fee and commission income	9	**57,441,028**	61,132,586
Fee and commission expense	9	**(12,482,087)**	(12,423,787)
Net fee and commission income		**44,958,941**	48,708,799
Net trading income	10	**67,547,166**	35,684,097
Other operating income	11	**(5,485,261)**	3,555,147
Operating income		**304,664,340**	252,889,586
Net impairment losses	12	**(32,492,723)**	(79,022,083)
Personnel expenses	13	**(74,680,645)**	(66,016,083)
Depreciation and amortisation	14	**(20,776,874)**	(20,888,242)
Other expenses	15	**(70,844,750)**	(80,799,797)
Finance cost on lease liability	26	**(3,177,409)**	(4,099,483)
Operating profit		**102,691,939**	2,063,898
Gain from associated companies	21	**94,651**	40,235
Profit before income tax		**102,786,590**	2,104,133
National Fiscal Stabilisation Levy	28	**(5,139,330)**	(105,207)
Income tax expense	16	**(11,833,990)**	(542,773)
Profit for the year		**85,813,270**	1,456,153
Other comprehensive income, net of tax Items that may be reclassified subsequently to statement of profit or loss Net gain/(loss) on debt instruments measured at FVOCI, net of tax	39	**-**	(9,502,376)
Total comprehensive income for the year		**85,813,270**	(8,046,223)
Earnings per share – (Ghana pesewas)	40	**26.63**	0.47

The notes on pages 20 to 83 are an integral part of the financial statements

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

	Note	At 31 December 2020	2019
Assets			
Cash and balances with banks	17	**771,158,318**	703,021,463
Non-pledged trading assets	18	**435,576,886**	202,969,963
Pledged assets	19a	**15,594,256**	-
Investment securities	19b	**857,231,875**	851,716,044
Loans and advances to customers	20	**609,414,018**	454,657,563
Investment in associates	21	**449,146**	354,495
Current income tax assets	27	**12,382,913**	14,574,824
Other assets	22	**462,524,883**	358,530,306
Intangible assets	23	**5,074,378**	4,944,356
Property and equipment	24	**169,865,601**	151,403,584
Right-of-use assets	25	**23,874,777**	30,839,008
Total assets		**3,363,147,051**	2,773,011,606
Liabilities			
Deposits from banks	31	**42,369,411**	51,389,004
Deposits from customers	30	**2,649,300,224**	2,044,685,509
Deferred income tax liabilities	29	**10,250,205**	14,720,785
Borrowings	32	**-**	110,756,555
Lease liabilities	26	**20,125,113**	21,611,745
Other liabilities	33	**42,314,919**	24,198,749
Total liabilities		**2,764,359,872**	2,267,362,347
Shareholders' funds			
Stated capital	34	**404,570,053**	404,570,053
Retained earnings – (deficit)	35	**(12,456,329)**	(64,420,024)
Revaluation reserve	36	**56,427,226**	50,765,205
Statutory reserve fund	37	**94,947,359**	52,040,724
Credit risk reserve	38	**55,298,870**	64,355,930
Other reserves	39	**-**	(1,662,629)
Total shareholders' funds		**598,787,179**	505,649,259
Total liabilities and shareholders' funds		**3,363,147,051**	2,773,011,606

The notes on pages 20 to 83 are integral part of these financial statements.

The financial statements on pages 15 to 83 were approved by the board of directors on 19 March 2021 and signed on its behalf by:

Amarquaye Armar
Board Chairman

Odun Odunfa
MD/CEO

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

Year ended 31 December 2020	Stated capital	Statutory reserve	Credit risk reserve	Revaluation reserve	Retained earnings (deficit)	Other reserves	Total
At 1 January 2020	404,570,053	52,040,724	64,355,930	50,765,205	(64,420,024)	(1,662,629)	505,649,259
Profit for the year	-	-	-	-	85,813,270	-	85,813,270
Other comprehensive income							
Net gain on debt instruments measured at FVOCI, net of tax	-	-	-	-	-	1,662,629	1,662,629
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**85,813,270**	**1,662,629**	**87,475,899**
Transactions with shareholders							
Revaluation gain on property net of tax	-	-	-	5,662,021	-	-	5,662,021
Transfer to statutory risk reserve	-	42,906,635	-	-	(42,906,635)	-	-
Transfer from credit risk reserve	-	-	(9,057,060)	-	9,057,060	-	-
	-	**42,906,635**	**(9,057,060)**	**5,662,021**	**(33,849,575)**	**-**	**5,662,021**
At 31 December 2020	**404,570,053**	**94,947,359**	**55,298,870**	**56,427,226**	**(12,456,329)**	**-**	**598,787,179**

The notes on pages 20 to 83 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts are expressed in Ghana cedis)

Year ended 31 December 2019	Stated capital	Statutory reserve	Credit risk reserve	Revaluation reserve	Retained earnings (deficit)	Other reserves	Total
At 1 January 2019	233,506,207	51,312,647	-	50,765,205	(792,170)	7,839,747	342,631,636
Profit for the year	-	-	-	-	1,456,153	-	1,456,153
Other comprehensive income							
Net loss on debt instruments measured at FVOCI, net of tax	-	-	-	-	-	(9,502,376)	(9,502,376)
Total comprehensive income for the year	-	-	-	-	1,456,153	(9,502,376)	(8,046,223)
Transactions with shareholders							
Proceeds from shares issued	106,470,075	-	-	-	-	-	106,470,075
Issue of ordinary shares as consideration for business combination	64,593,771	-	-	-	-	-	64,593,771
Transfer to statutory risk reserve	-	728,077	-	-	(728,077)	-	-
Transfer to credit risk reserve	-	-	64,355,930	-	(64,355,930)	-	-
	171,063,846	728,077	64,355,930	-	(65,084,007)	-	171,063,846
At 31 December 2019	404,570,053	52,040,724	64,355,930	50,765,205	(64,420,024)	(1,662,629)	505,649,259

The notes on pages 20 to 83 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash generated from/ (used in) operating activities	41	**237,834,523**	(23,985,252)
Tax paid	27/28	**(18,800,000)**	(22,738,480)
Net cashflow generated from/ (used in) operating activities		**219,034,523**	(46,723,732)
Cashflows from investing activities			
Purchase of property and equipment	24	**(24,701,667)**	(28,909,227)
Purchase of intangible assets	23	**(2,522,445)**	(948,594)
Proceeds from asset disposal	24	**758,818**	223,164
Cash from business combination		**-**	73,133,069
Net cashflows (used in)/ generated from investing activities		**(26,465,294)**	43,498,412
Cashflow from financing activities			
Payments on lease liabilities	26	**(3,216,769)**	(7,831,668)
Net cashflows from financing activities		**(3,216,769)**	(7,831,668)
Net increase/(decrease) in cash and cash equivalents		**189,352,460**	(11,056,988)
Cash and cash equivalents at 1 January		**663,460,129**	674,517,117
Cash and cash equivalents at 31 December	17	**852,812,589**	663,460,129

The notes on pages 20 to 83 are an integral part of these financial statements.

NOTES

1. Reporting entity

First Atlantic Bank Limited (the "Bank") is a limited liability company incorporated and domiciled in Ghana licensed to carry out universal banking activities. The address of the Bank's registered office is Atlantic Place, No. 1 Seventh Avenue, Ridge West, Accra, Ghana.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- Buildings measured at fair value;
- Financial assets at fair value through profit or loss are measured at fair value; and
- Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

2.1.3 Use of estimates and judgement

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. 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 3.

2.1.4 Going concern

These financial statements have been prepared on the basis that the Bank will continue to operate as a going concern.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.5 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Bank

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2020. The nature and the impact of each new standards and amendments are described below.

(i) Definition of Material – Amendments of IAS 1 and IAS 8

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

In particular, the amendments clarify:

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

The amendments did not have any material impact on the results or financial position of the Bank for the year ended 31 December 2020.

(ii) Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments did not have any impact on the results or financial position of the Bank for the year ended 31 December 2020.

(iii) Amendments to IAS 39, IFRS 9 and IFRS 7(Interest Rate Benchmark Reform)

This amendment seek to address uncertainties related to the market-wide reform of interbank offered rates (IBOR reform).The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. They are effective for annual periods beginning on or after 1 January 2020.

The impact on the financial statements is not expected to be significant.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.5 Changes in accounting policies and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Bank (continued)

(iv) Revised Conceptual Framework for Financial Reporting

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

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

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

The impact on the financial statements is not expected to be significant.

(b) New standards and interpretations not yet adopted

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020. The Bank has not applied any of the new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on relevant new standards and amendments are provided below.

(i) Covid-19-related Rent Concessions – Amendments to IFRS16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective for annual reporting periods beginning on or after 1 June 2020.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.5 Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

(ii) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.
They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

This standard is not expected to have significant impact on the financial statements. The Bank has opted not to early adopt.

(iii) Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for reporting periods beginning on or after 1 January 2022.

(iv) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

This amendment seeks to address inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. The amendments will be applied retrospectively. The amendment is not expected to have a significant impact on the annual financial statements. This is effective date of this standard is deferred indefinitely and early adoption is permitted.

This standard is not expected to have significant impact on the financial statements. The Bank has opted not to early adopt.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.5 Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

(v) Annual Improvements to IFRS Standards 2018 – 2020

The following improvements were finalised in May 2020:

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments and clarifications are effective for reporting periods beginning on or after 1 January 2022.

Definition of Material: Amendments to IAS 1 and IAS 8

2.2 Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net trading income.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

Transaction and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

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. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.4 Fee and commission income

Fee and commission income, including transactional fees, account servicing fee, and placement fees are recognised as the related services are performed.

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.

2.5 Fee and commission expense

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

2.6 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realised and unrealised fair value changes and foreign exchange differences, and fair value gains and losses on financial assets measured fair value through profit and loss.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 Dividend income

Dividend income is recognised when the Bank's right to receive payment is established.

2.8 Financial assets and liabilities

2.8.1 Financial assets

Classification and subsequent measurement

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

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

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:

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

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 'net trading 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)

Classification and subsequent measurement (continued)

Debt instruments (continued)

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.

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

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

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

Equity instruments

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

Classification and subsequent measurement (continued)

Equity instruments (continued)

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

Impairment of financial assets

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

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

Note 4.2.1 provides more details of how the expected credit loss allowance is measured.

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.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.
- Change in the currency the loan is denominated in.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.1 Financial assets (continued)

Modification of loans (continued)

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 derecognition.

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

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass through” transfers that result in derecognition if the Bank:

i. Has no obligation to make payments unless it collects equivalent amounts from the assets;
ii. Is prohibited from selling or pledging the assets; and
iii. Has an obligation to remit any cash it collects from the assets without material delay

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain transactions in which the Bank retains a substantial residual interest.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.2 Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost except for financial guarantee contracts and loan commitments. The ‘amortised cost’ of a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Derecognition

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

2.8.3 Financial guarantees 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.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.4 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on stock exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve of government securities, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

Valuation models such as present value techniques are used primarily to value unlisted debt securities and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.5 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.

2.8.6 Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term.

In addition, the Bank may choose to reclassify financial assets out of the fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI) categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to 'hold to collect' categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed, and if necessary, separately accounted for.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

2.8.7 Offsetting financial instruments

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

2.8.8 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.

2.9 Cash and cash equivalents

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

2.10 Investment in associates

Associates are all entities over which the Bank has significant influence but not control or joint control. This is generally the case where the Bank holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Bank's share of the post-acquisition profits or losses of the investee in profit or loss, and the Bank's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Bank's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Bank.

The carrying amount of equity-accounted investments is tested for impairment.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases

Rental contracts are typically made for fixed periods of up to five years but may have extension options as described below.
Lease terms are negotiated on an individual basis and contain a 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.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

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

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

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

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

To determine the incremental borrowing rate, the Bank:

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

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

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 of equipment and vehicles and all leases of low-value assets 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 lessor.

2.12 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

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

Deferred income tax

Deferred income tax is 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.12 Income tax (continued)

Deferred income tax (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.13 Intangible assets

Intangible assets comprise computer software licenses. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful life. At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

2.14 Property and equipment

Leasehold land and buildings are shown at fair value based on periodic, but at least 3 - 5 years, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Freehold land is not depreciated. Leasehold land is amortised over the term of the lease and is included as part of property and equipment. Depreciation on other assets is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and building	Over lease period
Leasehold improvement	Over the lease period
Fixtures, fittings and equipment	5 years
Computers	3 years
Motor vehicles	5 years

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.14 Property and equipment (continued)

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

When revalued assets are sold, the amounts included in the capital surplus account are transferred to retained earnings.

2.15 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 exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and risks.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.16 Borrowings

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

2.17 Provisions and contingent liabilities

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.17 Provisions and contingent liabilities (continued)

Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

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

Contingent liabilities

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

2.18 Employee benefits

Short-term obligations

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The liabilities are presented as current employee benefit obligations in the statement of financial position.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

Post-employment obligations

The Bank operates defined contribution retirement benefit schemes, which is a three-tier pension scheme, for its employees. The Bank's contributions to tier one and tier two schemes are mandatory and are determined by law. The Bank and its employees also make contributions towards employees' pension under a voluntary third tier pension scheme which is privately managed.

Payment to the above defined contribution plans and state-managed retirement benefit plans are charged as an expense as the employees render service. The Bank has no further payment obligations once the contributions have been paid.

Termination benefits

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

2.19 Stated capital and dividend

Ordinary shares

Ordinary shares are classified as 'stated capital' in equity.

Dividend on ordinary shares

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

2.20 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders by the number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Bank's basic and diluted EPS are essentially the same.

2.21 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Bank. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.21 Business combinations (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. Critical accounting estimates, judgements and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies. The Bank makes estimates and assumptions that affect reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are based on best estimates undertaken in accordance with applicable standards. Estimates and judgements are evaluated on a continuous basis, based on experience and other factors, including expectations regarding future events.

3.1 Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance (ECL) for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of 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; and
- establishing groups of similar financial assets for purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 4.2.

3.2 Determining fair values 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 transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Inputs to these mathematical models is taken from observable markets where possible. However, where this is not feasible, a degree of judgement is required in establishing fair values.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

3. Critical accounting estimates, judgements and assumptions (continued)

3.3 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.

3.4 Leases

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 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.

The following factors are normally the most relevant:

• If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).

•If any leasehold improvements are expected to have a significant remaining value, the Bank 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.

4. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies, evaluates and manages financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as market risk, operational risk, credit risk and use of non-derivative financial instruments.

The most important types of risk are credit risk, liquidity risk, and market risk, comprising currency risk, interest rate and other price risk. These are principal risks of the Bank. This note presents information about the Bank exposure to these risks, including the objectives, policies and processes for measuring and managing the risks as well as their impact on earnings and capital.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.1 Risk management framework

The Bank's risk management framework is based on the overall structure of the Bank which ensures that the Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established committees which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

4.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments such as committed facilities. Credit risk management and control is centralised in the Loans and Investment Committee, whose membership comprises both executive and non-executive members. The Committee reports regularly to the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

4.2.1 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Loans and Investment Committee. A separate Credit Department, reporting to the Credit Committee, is responsible for oversight of the credit risk, including:

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

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1 Management of credit risk (continued)

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Regular reports are provided to Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.

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. All write-off decisions are sanctioned by the Board of Directors with a subsequent approval in writing by Bank of Ghana before it is effected.

4.2.1.2 Expected credit loss measurement

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

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

The key judgement and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

(i) Significant increase in credit risk (SICR)

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

Quantitative criteria

The remaining Lifetime PD at the reporting date has increased, compared to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1 Management of credit risk (continued)

4.2.1.2 Expected credit loss measurement (continued)

(i) Significant increase in credit risk (SICR) (continued)

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; and
- Previous arrears within the last 12 months.
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflows/liquidity problems such as delay in servicing of trade credits/loans.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for Retail financial instruments held by the Bank. In relation to Corporate and Treasury financial instruments where Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

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.

(ii) Credit-impaired financial assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired.

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

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1 Management of credit risk (continued)

4.2.1.2 Expected credit loss measurement (continued)

(ii) Credit-impaired financial assets (continued)

Qualitative criteria

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

- The borrower is in long-term forbearance;
- The borrower is insolvent;
- The borrower is deceased;
- 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 Bank relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

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.

The criteria 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.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1 Management of credit risk (continued)

4.2.1.2 Expected credit loss measurement (continued)

(iii) Measuring ECL- Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure.

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.

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 Lifetime PD is developed by applying a maturity profile to the current 12-month 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.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1 Management of credit risk (continued)

4.2.1.2 Expected credit loss measurement (continued)

(iii) Measuring ECL- Explanation of inputs, assumptions and estimation techniques

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 – are monitored and reviewed on a quarterly basis.

(iv) Forward-looking information

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

The Bank considers GDP growth rates, inflation rates, interest rates and policy rates as the economic variables relevant for the determination of ECL estimates. The Bank also considers multiple scenarios in applying the economic variable assumptions.

- GDP growth rate – 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.
- Inflation and interest rates – 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.
- Policy rate – The Monetary Policy Rate 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.

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2020 and 2019 are set out below:

In 2020, weighting of any upside, downside and base case economic scenarios have been updated to reflect the adverse impact of COVID-19 on the economy, ascribing more weight to the downside scenario. Economic variable forecasts have also been updated in response to COVID-19; with key indicators being adjusted to reflect the impact of COVID-19 on the economy.

31 December 2020

Scenario	Weight	GDP Growth	Inflation	Policy rate	Bank's lending rate
Base Case	**50%**	**0.9%**	**10.6%**	**14.5%**	**23.9%**
Upside	**10 %**	**1.5%**	**6.2%**	**13.1%**	**17.2%**
Downside	**40 %**	**0.5%**	**15.0%**	**15.9%**	**30.6%**

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.1.2 Expected credit loss measurement (continued)

Economic Variable Assumptions (continued)

31 December 2019

Scenario	Weight	GDP Growth	Inflation	Policy rate	Bank's lending rate
Base Case	50%	6.7%	7.9%	16.0%	23.5%
Upside	20%	7.0%	5.9%	14.4%	16.9%
Downside	30%	6.4%	9.9%	17.6%	30.1%

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

(i) GDP growth rate, given the significant impact on companies' performance and collateral valuations
(ii) Inflation rate, given its impact on companies' likelihood of default.

Set out below are the changes to ECL as at 31 December 2020 and 31 December 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumption.

At 31 December 2020

		GDP Growth		
		+5% GHS	**No change GHS**	**-5% GHS**
Inflation rate	**+5%**	**30,969,193**	**31,074,205**	**31,179,217**
	No change	**30,780,790**	**30,885,802**	**30,990,814**
	-5%	**30,592,386**	**30,697,389**	**30,802,410**

At 31 December 2019

		GDP Growth		
		+5% GHS	No change GHS	-5% GHS
Inflation rate	+5%	62,275,878	62,487,046	62,698,213
	No change	61,897,018	62,108,186	62,319,354
	-5%	61,518,158	61,729,326	61,940,493

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Maximum exposure to credit risk

The following tables show the analyses of the credit risk exposure of financial instruments. The Bank's maximum exposure to credit risk is represented by the net carrying amounts of the financial assets with the exception of financial and other guarantees issued by the Bank for which the maximum exposure to credit risk is represented by the maximum amount the Bank would have to pay if the guarantees are called on.

	2020	2019
On-balance sheet financial assets subject to impairment		
Balances with banks	**701,505,346**	638,579,689
Non-pledged trading assets	**435,576,886**	202,969,963
Pledged trading assets	**15,594,256**	-
Investment securities	**857,231,875**	851,716,044
Loans and advances to customers	**609,414,018**	454,657,563
Other assets (excluding prepayments)	**460,254,008**	354,192,482
	3,079,576,389	2,502,115,741
Off-balance sheet financial assets subject to impairment		
Letters of credit	**93,958,611**	66,390,690
Guarantees and indemnities	**309,549,879**	170,500,324
	403,508,490	236,891,014

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Maximum exposure to credit risk (continued)

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

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

The tables below show the credit quality by class of financial assets subject to impairment and the allowance for impairment losses held by the Bank against those assets.

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
At 31 December 2020				
Balances with banks	701,505,346	-	63,336,609	**764,841,955**
Non-pledged trading assets	435,576,886	-	-	**435,576,886**
Pledged trading assets	15,594,256	-	-	**15,594,256**
Investment securities	858,558,245	-	-	**858,558,245**
Loans and advances to customers	546,656,872	3,447,066	90,195,882	**640,299,820**
Other assets (excluding prepayments)	460,254,008	-	-	**460,254,008**
Gross carrying amount	3,018,145,613	3,447,066	153,532,491	**3,175,125,170**
Allowance for impairment	(10,356,550)	(346,919)	(84,845,312)	**(95,548,781)**
Carrying amount	3,007,789,063	3,100,147	68,687,179	**3,079,576,389**
At 31 December 2019				
Balances with banks	595,185,462	58,631,927	-	653,817,389
Non-pledged trading assets	202,969,963	-	-	202,969,963
Investment securities	853,030,978	-	-	853,030,978
Loans and advances to customers	373,496,547	6,492,383	136,776,819	516,765,749
Other assets (excluding prepayments)	352,128,332	-	4,199,364	356,327,696
Gross carrying amount	2,376,811,282	65,124,310	140,976,183	2,582,911,775
Allowance for impairment	(2,711,993)	(21,299,442)	(61,642,867)	(85,654,302)
Carrying amount	2,374,099,289	43,824,868	79,333,316	2,497,257,473

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.3 Collaterals and other credit enhancements

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

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

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

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

	2020	2019
Against individually impaired:		
Property	**266,976,814**	12,081,181
Against collectively impaired:		
Property	**752,473,460**	520,678,782
Cash	**150,169,170**	126,537,326
Total	**1,169,619,444**	659,297,289

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.4 Loans and advances to customers with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The table below shows analysis of loans with renegotiated terms.

	2020	2019
Non-impaired after restructuring		
Gross loans and advances	**1,570,121**	4,090,055
Allowance for impairment	**(265,395)**	-
	1,304,726	4,090,055
Continuing to be impaired after restructuring		
Gross loans and advances	**12,845,892**	30,378,961
Allowance for impairment	**(6,111,117)**	(2,405,591)
	6,734,775	27,973,370

4.2.5 Repossessed assets

There are no repossessed assets during the year (2019: Nil).

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

4.3.1 Management of liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Bank of Ghana requires that the Bank maintains a cash mandatory reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.1 Management of liquidity risk (continued)

Liquidity management within the Bank has several strands. The first is 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 as they are borrowed by customers. The Bank maintains an active presence in the Ghanaian money markets to facilitate that. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intra-day liquidity in real time is recognised by the Bank as a mission critical process: any failure to meet specific intra-day commitments would be a public event and may have an immediate impact on the Bank's reputation.

An important source of structural liquidity is provided by our core private deposits, mainly term deposits, current accounts and call deposits. Although current accounts and call deposits are repayable on demand, the Bank's broad base of customers - numerically and by depositor type - helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Bank's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Bank's reputation, the strength of earnings and the Bank's financial position.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.2 Exposure to liquidity risk

The table below presents the cash flows payable 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.

	Up to 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2020				
Deposits from banks	42,385,088	-	-	**42,385,088**
Deposits from customers	1,674,598,531	1,000,623,726	-	**2,675,222,257**
Other liabilities	42,314,919	-	-	**42,314,919**
Lease liabilities	1,807,116	7,359,155	28,075,293	**37,241,564**
Total liabilities	1,761,105,654	1,007,982,881	28,075,293	**2,797,163,828**
Cash and bank balances	771,158,318	-	-	**771,158,318**
Non-pledged trading assets	435,576,886	-	-	**435,576,886**
Pledged trading assets	15,594,256	-	-	**15,594,256**
Investment securities	142,920,978	602,543,487	111,767,410	**857,231,875**
Loans and advances to customers	241,277,278	9,067,728	359,069,012	**609,414,018**
Other assets (excluding prepayments)	171,561,784	43,783,366	244,908,858	**460,254,008**
Total assets	1,778,089,500	655,394,581	715,745,280	**3,149,229,361**
Liquidity surplus/(deficit)	**16,983,846**	**(352,588,300)**	**687,669,987**	**352,065,533**

The bank's liquidity ratio as at 31 December 2020 is 77% (2019: 80%).

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.2 Exposure to liquidity risk (continued)

	Up to 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2019				
Deposits from banks	51,527,630	19,489,331	-	71,016,961
Deposits from customers	1,895,354,220	162,718,404	-	2,058,072,624
Borrowings	110,756,555	-	-	110,756,555
Other liabilities	24,198,749	-	-	24,198,749
Lease liabilities	238,922	2,875,494	39,473,583	42,587,999
Total liabilities	2,082,076,076	185,083,229	39,473,583	2,306,632,888
		-		
Cash and bank balances	703,021,463	-		703,021,463
Non-pledged trading assets	1,082,765	73,603,341	128,283,857	202,969,963
Investment securities	299,810,852	188,525,181	363,380,011	851,716,044
Loans and advances to customers	186,202,889	40,714,118	227,740,556	454,657,563
Other assets (excluding prepayments)	352,128,332	-	-	352,128,332
Total assets	1,542,246,301	302,842,640	719,404,424	2,564,493,365
Liquidity surplus/(deficit)	(539,829,775)	117,759,411	679,930,841	257,860,477

4.4 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4.4.1 Management of market risk

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

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the Bank's exposure to changes in interest rates and liquidity.

Interest rates on advances to customers and other risk assets are pegged to the Bank's base lending rate. The Assets and Liability Committee (ALCO) closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2 Interest rate risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the Bank's Treasury.

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

	Non-interest bearing	Up to 12 months	Over 1 year	Total
At 31 December 2020				
Cash and bank balances	506,379,324	264,778,994	-	**771,158,318**
Non-pledged trading assets	-	435,576,886	-	**435,576,886**
Pledged trading assets	-	15,594,256	-	**15,594,256**
Investment securities	-	751,021,024	106,210,851	**857,231,875**
Loans and advances to customers	-	231,057,787	378,356,231	**609,414,018**
Other assets (excluding prepayments)	460,254,008	-	-	**460,254,008**
	966,633,332	1,698,028,947	484,567,082	**3,149,229,361**
Deposits from banks	-	42,369,411	-	**42,369,411**
Deposits from customers	1,674,598,531	974,701,693	-	**2,649,300,224**
Other liabilities	42,314,919	-	-	**42,314,919**
Borrowings	-	-	-	**-**
Lease liabilities	112,903	1,358,825	18,653,385	**20,125,113**
	1,717,026,353	1,018,429,929	18,653,385	**2,754,109,667**
Total interest repricing gap	**(750,393,021)**	**679,599,018**	**465,913,697**	**395,119,694**

.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2 Interest rate risk (continued)

	Non-interest bearing	Up to 12 months	Over 1 year	Total
At 31 December 2019				
Cash and bank balances	485,200,481	217,820,982	-	703,021,463
Non-pledged trading assets	-	74,686,106	128,283,857	202,969,963
Investment securities	-	488,336,033	363,380,011	851,716,044
Loans and advances to customers	-	226,917,007	227,740,556	454,657,563
Other assets (excluding prepayments)	352,128,332	-	-	352,128,332
	837,328,813	1,007,760,128	719,404,424	2,564,493,365
Deposits from banks	-	51,389,004	-	51,389,004
Deposits from customers	1,237,299,214	807,386,295	-	2,044,685,509
Other liabilities	24,198,749	-	-	24,198,749
Borrowings	-	110,756,555	-	110,756,555
Lease liabilities	-	3,114,416	18,497,329	21,611,745
	1,261,497,963	972,646,270	18,497,329	2,252,641,562
Total interest repricing gap	(424,169,150)	35,113,858	700,907,095	311,851,803

An increase of 1% (100 basis points) in market interest rates from the rate applicable at 31 December 2020 would result in an increase in profit for the year by GH¢ 3,951,197 (2019: GH¢7,576,327) and vice-versa.

4.4.3 Currency risk

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.3 Currency risk (continued)

	USD	GBP	Euro	Total
At 31 December 2020				
Financial assets				
Cash and cash equivalents	468,405,217	28,253,746	59,504,528	**556,163,491**
Investment securities	115,920,219			**115,920,219**
Loans and advances to customers	118,786,763	-	-	**118,786,763**
Total	703,112,199	28,253,746	59,504,361	**790,870,473**
Financial liabilities				
Deposits from customers	566,794,659	28,271,791	59,048,044	**654,114,494**
Borrowings	-	-	-	**-**
Other liabilities	14,758,331	-	-	**14,758,331**
Total	581,552,990	28,271,791	59,048,044	**668,872,825**
Net on balance sheet position	**121,559,209**	**(18,045)**	**456,484**	**121,997,648**
At 31 December 2019				
Financial assets				
Cash and cash equivalents	528,110,342	12,376,298	30,164,993	570,651,633
Loans and advances to customers	91,226,105	-	-	91,226,105
Other assets	4,314,814	-	-	4,314,814
Total	623,651,261	12,376,298	30,164,993	666,192,552
Financial liabilities				
Deposits from banks	11,093,226	-	-	11,093,226
Deposits from customers	506,198,749	11,451,666	29,971,235	547,621,650
Borrowings	110,756,555	-	-	110,756,555
Other liabilities	704,252	41,221	-	745,473
Total	628,752,782	11,492,887	29,971,235	670,216,904
Net on balance sheet position	(5,101,521)	883,411	193,758	(4,024,352)

Appreciation of 1% (100 basis points) in foreign currency rates against the Ghana Cedi from the rate applicable at 31 December 2020 would result in an increase in profit for the year by GH¢ 1,219,976 (2019: decrease of GH¢ 40,244) and vice-versa.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

4. Financial risk management (continued)

4.5 Geographical concentration of financial assets and liabilities

The table below analyses the geographical location of financial instruments.

	2020		2019	
	In Ghana	Outside Ghana	In Ghana	Outside Ghana
Financial assets				
Cash and bank balances	599,073,606	172,084,712	363,853,246	339,168,217
Non-pledged trading assets	435,576,886	-	202,969,963	-
Non-pledged trading assets	15,594,256	-	-	-
Investment securities	857,231,875	-	851,716,044	-
Loans and advances to customers	609,414,018	-	454,657,563	-
Other assets (excluding prepayments)	460,254,008	-	352,128,332	-
Total	2,977,144,649	172,084,712	2,225,325,148	339,168,217
Financial liabilities				
Deposits from banks	42,369,411	-	51,389,004	-
Deposits from customers	2,649,300,224	-	2,044,685,509	-
Lease liabilities	20,125,113	-	21,611,745	-
Other liabilities	42,314,919	-	24,198,749	-
Total	2,754,109,667	-	2,141,885,007	-

5. Fair value 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 measured at fair value, 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 judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of 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.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

5. Fair value of financial instruments (continued)

Valuation models (continued)

- 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 premiums 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. 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.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in fair value hierarchy, into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
At 31 December 2020				
Non-pledged trading assets	**435,576,886**	**-**	**-**	**435,576,886**
Pledged trading assets	**15,594,256**	**-**	**-**	**15,594,256**
Total	**451,171,142**	**-**	**-**	**451,171,142**
At 31 December 2019				
Non-pledged trading assets	202,969,963	-	-	202,969,963
Investment securities	315,966,318	-	-	315,966,318
Total	518,936,281	-	-	518,936,281

NOTES (continued)
(All amounts are expressed in Ghana cedis)

5. Fair value of financial instruments (continued)

Financial instruments not measured at fair value

	2020		2019	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Financial assets				
Cash and bank balances	**771,158,318**	**771,158,318**	703,021,463	703,021,463
Investment securities	**862,788,434**	**857,231,875**	851,716,044	851,716,044
Loans and advances to customers	**605,143,377**	**609,414,018**	449,395,217	454,657,563
Other assets (excluding prepayments)	**460,254,008**	**460,254,008**	358,530,306	358,530,306
Total	**2,699,344,137**	**2,698,058,219**	2,362,663,030	2,367,925,376
Financial liabilities				
Deposits from banks	**42,369,411**	**42,369,411**	51,389,004	51,389,004
Deposits from customers	**2,649,300,224**	**2,649,300,224**	2,044,685,509	2,044,685,509
Other liabilities	**42,314,919**	**42,314,919**	24,198,749	24,198,749
Total	**2,733,984,554**	**2,733,984,554**	2,120,273,262	2,120,273,262

NOTES (continued)
(All amounts are expressed in Ghana cedis)

6. Capital management

Regulatory capital

The Bank's objectives when managing capital include:

- Complying with capital requirements set by the Bank of Ghana;
- Safeguarding the Bank's ability to continue as a going concern to enable it to continue providing returns for shareholders and benefits for other stakeholders; and
- Maintaining a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on guidelines developed by Bank of Ghana for supervisory purposes. Bank of Ghana requires each bank to:

(a) hold a minimum capital of GH¢400 million; and

(b) maintain a ratio of total regulatory capital to risk-weighted assets above a required minimum of 13%.

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

- Common Equity Tier 1 capital: includes ordinary (common) shares issued by the bank that meet the criteria for classification as ordinary shares for regulatory purposes, retained earnings, statutory reserves and disclosed reserves after deducting specified assets such as intangibles and certain classes of investments.
- Common Equity Tier 2 capital: includes qualifying subordinated loan capital, property revaluation reserves and unrealised gains arising on the fair valuation of instruments held as hold to collect and sell.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

6. Capital management (continued)

Regulatory capital

The Bank of Ghana Capital Requirements Directive (CRD or 'the Directive') issued under Section 92(1) of the Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) ('the BSDI Act') prescribes a risk-based capital adequacy requirement. The table below summarise the composition of regulatory capital adequacy ratio of the Bank.

	2020	2019
Tier 1 Capital		
Paid up capital (ordinary shares)	**404,570,053**	404,570,053
Statutory reserves	**94,947,359**	52,040,724
Retained earnings	**(12,456,329)**	(64,420,024)
Common Equity Tier 1 capital before adjustments	**487,061,083**	392,190,753
Regulatory adjustments to Tier 1 capital	**(33,046,827)**	(15,786,584)
Total qualifying tier 1 capital	**454,014,256**	376,404,169
Tier 2 Capital		
Property revaluation reserves	**28,213,613**	25,382,603
Other reserves	**-**	(1,662,629)
Total qualifying tier 2 capital	**28,213,613**	23,719,974
Total regulatory capital	**482,227,869**	400,124,143
Risk profile		
Total credit risk-weighted asset	**1,425,436,622**	1,210,755,288
Total operational risk-weighted asset	**340,990,544**	291,992,936
Total market risk-weighted asset	**19,943,282**	15,245,511
Total risk-weighted assets	**1,786,370,448**	1,517,993,735
Capital adequacy ratio	**27.0%**	26.36%

NOTES (continued)
(All amounts are expressed in Ghana cedis)

7. Interest income

	2020	2019
Cash and cash equivalents	**10,239,286**	10,471,021
Loans and advances to customers	**102,091,123**	105,121,665
Investment securities	**168,558,424**	113,901,558
	280,888,833	229,494,244

8. Interest expense

	2020	2019
Deposits from banks	**19,218,563**	8,347,276
Deposits from customers	**64,026,776**	56,122,870
Borrowings	**-**	82,555
	83,245,339	64,552,701

9. Net fee and commission income

	2020	2019
Fee and commission income		
Retail banking customer fees	**35,613,508**	39,755,643
Corporate banking customer fees	**21,827,520**	21,376,943
Total fee and commission income	**57,441,028**	61,132,586
Fee and commission expense	**(12,482,087)**	(12,423,787)
Net fee and commission income	**44,958,941**	48,708,799

10. Net trading income

	2020	2019
Net foreign exchange gains	**39,258,076**	34,209,465
Fixed income trading	**22,732,531**	-
Net fair value gain on financial assets at fair value through profit or loss	**5,556,559**	1,474,632
	67,547,166	35,684,097

11. Other operating income

	2020	2019
Gain on disposal of property and equipment (note 24)	**678,847**	25,299
Revaluation gain on financial assets	**-**	3,395,101
Modification loss on restructured loans	**(5,322,559)**	-
Sundry (expense)/income	**(841,549)**	134,747
	(5,485,261)	3,555,147

NOTES (continued)
(All amounts are expressed in Ghana cedis)

12. Net impairment losses

	2020	2019
Loans and advances to customers (note 20)	**(14,794,536)**	40,508,345
Debt securities	**11,436**	748,370
Placements with financial institutions	**48,837,291**	13,911,896
Contingent liabilities	**108,589**	29,781
Investment in equity securities	**-**	18,749,972
Other financial assets	**-**	4,937,746
Goodwill	**-**	942,746
Recoveries on amounts written off as uncollectible	**(1,670,057)**	(806,773)
	32,492,723	79,022,083

13. Personnel expenses

	2020	2019
Wages and salaries	**35,229,714**	27,474,918
Pension contributions	**6,455,081**	4,780,278
Other staff benefits	**32,995,850**	33,760,887
	74,680,645	66,016,083

The number of persons employed by the Bank at the end of the year was 485 (2019: 486).

14. Depreciation and amortisation

	2020	2019
Intangible assets (note 23)	**2,392,423**	3,086,145
Property and equipment (note 24)	**13,709,041**	12,994,337
Right-of-use-assets (note 25)	**4,675,410**	4,807,760
	20,776,874	20,888,242

15. Other expenses

	2020	2019
Advertising and marketing	**7,081,683**	7,618,392
Training	**265,035**	526,740
Auditor's remuneration	**350,786**	360,786
Fines and penalties	**57,828**	155,700
Corporate social responsibility	**2,761,821**	1,263,029
Merger related expenses	**-**	10,586,354
General and administrative expenses	**60,327,597**	60,288,796
	70,844,750	80,799,797

NOTES (continued)
(All amounts are expressed in Ghana cedis)

16. Income tax expense

	2020	2019
Current income tax (note 27)	**18,191,911**	4,738,480
Deferred income tax (note 29)	**(6,357,921)**	(4,195,707)
	11,833,990	542,773

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

	2020	2019
Profit before income tax	**102,786,590**	2,104,133
Tax using the enacted tax rate (25%)	**25,696,648**	526,033
Previous year's tax charge	**1,644,980**	4,738,480
Expenses not deductible for tax purposes	**1,473,950**	438,310
Income not subject to tax	**(16,981,588)**	(4,153,097)
Deferred tax on tax losses not recognised	**-**	(1,006,953)
	11,833,990	542,773

17. Cash and balances with banks

	2020	2019
Cash on hand	**69,652,972**	64,441,774
Balances with banks	**206,563,620**	216,290,155
Restricted balances with Bank of Ghana	**293,499,341**	204,468,551
Placement with other banks	**264,778,994**	232,320,301
Impairment on placements	**(63,336,609)**	(14,499,318)
	771,158,318	703,021,463

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

	2020	2019
Cash on hand	**69,652,972**	64,441,774
Balances with banks	**206,563,620**	216,290,155
Placement with other banks	**264,778,994**	232,320,301
Treasury bills maturing within 90 days of purchase	**311,817,003**	150,407,899
	852,812,589	663,460,129

Restricted balances are mandatory deposits held with the central bank in accordance with the Bank of Ghana guidelines and are not available for use in the Bank's day-to-day operations.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

	2020	2019
18. Non-pledged trading assets		
Government bonds	**435,576,886**	201,698,182
Treasury bills	**-**	1,271,781
	435,576,886	202,969,963

Non-pledged trading assets are measured at fair value through profit or loss.

19.a. Pledged Assets

	2020	2019
Pledged assets	**15,594,256**	-

19.b. Investment securities

	2020	2019
Hold to collect	**858,558,245**	537,064,660
Impairment provision on ESLA bonds	**(1,326,370)**	(1,314,934)
	857,231,875	535,749,726
Hold to collect and sell	**-**	315,966,318
	857,231,875	851,716,044

20. Loans and advances to customers

	2020	2019
Analysis by type of facility		
Overdrafts	**169,775,121**	168,967,771
Term loans	**470,524,699**	347,797,978
Gross loans and advances	**640,299,820**	516,765,749
Allowance for impairment	**(30,885,802)**	(62,108,186)
Net loans and advances to customers	**609,414,018**	454,657,563
Analysis by type of customer		
Individuals	**29,957,186**	31,937,030
Private enterprise	**592,921,106**	471,123,356
Staff	**17,421,528**	13,705,363
Gross loans and advances	**640,299,820**	516,765,749
Allowance for impairment	**(30,885,802)**	(62,108,186)
	609,414,018	454,657,563

NOTES (continued)
(All amounts are expressed in Ghana cedis)

20. Loans and advances to customers (continued)

The movement in impairment allowance on loans and advances is as follows:

	2020	2019
At 1 January	**62,108,186**	32,978,076
Bad debt recovered	**-**	-
Write-offs	**(16,427,848)**	(11,378,235)
Charge for the year	**(14,794,536)**	40,508,345
At 31 December 2020	**30,885,802**	62,108,186

Analysis of loans and advances by industry

	2020	2019
Agriculture, forestry and fishing	**71,168,763**	25,395,106
Manufacturing	**102,727,957**	82,967,906
Construction	**47,391,811**	11,962,141
Electricity, oil and gas	**277,206,221**	229,461,935
Commerce and finance	**46,956,039**	89,547,395
Transport and communication	**25,494,021**	22,156,293
Services	**65,285,760**	51,910,479
Miscellaneous	**4,069,248**	3,364,494
	640,299,820	516,7665,749
Impairment loss	**(30,885,802)**	(62,108,186)

The non-performing loans at 31 December 2020 amounts to GH¢ 90,195,882 (2019: GH¢136,776,819).

The non-performing loans contributed 14% (2019: 26%) of the gross loans and advances to customers.

Allowances for impairment on financial assets and off-balance sheet exposures

31 December 2020

	Loans and advances	**Cash and cash equivalents**	**Investment securities**	**Off balance sheet items**	**Total**
At 1 January	62,108,186	14,499,318	1,314,934	29,781	**77,952,219**
Impairment charge/(release)	(14,794,536)	48,837,291	11,436	108,589	**34,162,780**
Amounts written-off as uncollectible	(16,427,848)	-	-	-	**(16,427,848)**
At 31 December	**30,885,802**	**63,336,609**	**1,326,370**	**138,370**	**95,687,151**

NOTES (continued)
(All amounts are expressed in Ghana cedis)

20. Loans and advances to customers (continued)

Allowances for impairment on financial assets and off-balance sheet exposures (continued)

31 December 2019

	Loans and advances	Cash and cash equivalents	Investment securities	Off balance sheet items	Total
At 1 January	32,978,076	587,422	566,564	-	34,132,062
Impairment charge	40,508,345	13,911,896	748,370	29,781	55,198,392
Amounts written-off as uncollectible	(11,378,235)	-	-	-	(11,378,235)
At 31 December	62,108,186	14,499,318	1,314,934	29,781	77,952,219

21. Investment in associates

Name of associate	Interest in equity shares	Nature of business	Country of incorporation	2020	2019
First Atlantic Brokers Limited	34.60%	Stock brokerage	Ghana	-	-
First Atlantic Asset Management Limited	33.90%	Fund Managers	Ghana	449,146	354,495
				449,146	354,495

First Atlantic Asset Management Limited

	2020	2019
At 1 January	**354,495**	314,260
Share of profit from associate	**94,651**	40,235
At 31 December	**449,146**	354,495

22. Other assets

	2020	2019
Prepayments	**2,270,875**	4,337,824
Electronic money receivable	**440,322,900**	331,488,666
National Fiscal Stabilisation Levy receivable	**490,378**	2,829,708
Sundry debtors	**19,440,730**	19,874,108
	462,524,883	358,530,306

NOTES (continued)
(All amounts are expressed in Ghana cedis)

23. Intangible assets

	2020	2019
Computer software		
At 1 January	**15,412,820**	14,120,737
Assumed on business combination	**-**	343,489
Additions	**2,522,445**	948,594
At 31 December	**17,935,265**	15,412,820
Amortisation		
At 1 January	**10,468,464**	7,382,319
Charge for the year	**2,392,423**	3,086,145
At 31 December	**12,860,887**	10,468,464
Net book amount	**5,074,378**	4,944,356

NOTES (continued)
(All amounts are expressed in Ghana cedis)

24. Property and equipment

Year ended 31 December 2020	Motor Vehicles	Furniture, fittings and equipment	Computers	Leasehold land and buildings	Capital work-in-progress	Total
Cost						
At 1 January 2020	17,552,130	29,783,514	18,589,032	120,285,141	21,054,152	**207,263,969**
Additions	4,517,457	2,502,026	3,094,589	5,749,036	8,838,559	**24,701,667**
Revaluation	-	-	-	7,549,362	-	**7,549,362**
Disposals	(2,559,473)	(113,753)	(3,114)	-	-	**(2,676,340)**
Transferred to Leasehold Land & Buildings	-	-	-	20,867,713	(20,867,713)	**-**
At 31 December 2020	19,510,114	32,171,787	21,680,507	154,451,252	9,024,998	**236,838,658**
Accumulated depreciation						
At 1 January 2020	11,051,671	19,517,999	12,801,835	12,488,880	-	**55,860,385**
Charge for the year	2,944,671	3,557,189	2,580,894	4,626,287		**13,709,041**
Disposals	(2,482,839)	(110,416)	(3,114)	-	-	**(2,596,369)**
At 31 December 2020	11,513,503	22,964,772	15,379,615	17,115,167	-	**66,973,057**
Net book amount	7,996,611	9,207,015	6,300,892	137,336,085	9,024,998	**169,865,601**

NOTES (continued)
(All amounts are expressed in Ghana cedis)

24. Property and equipment (continued)

Year ended 31 December 2019	Motor Vehicles	Furniture, fittings and equipment	Computers	Leasehold land and buildings	Capital work-in-progress	Total
Cost						
At 1 January 2019	15,721,697	25,198,789	13,784,548	121,590,004	-	176,295,038
Additions	2,358,895	1,388,673	4,107,507	-	21,054,152	28,909,227
Assumed on business combination	353,563	3,260,860	696,977	471,287	-	4,782,687
Disposals	(882,025)	(64,808)	-	-	-	(946,833)
Transferred to right-of-use assets	-	-	-	(1,776,150)	-	(1,776,150)
At 31 December 2019	17,552,130	29,783,514	18,589,032	120,285,141	21,054,152	207,263,969
Accumulated depreciation						
At 1 January 2019	8,800,946	15,133,201	11,045,960	8,775,521	-	43,755,628
Charge for the year	2,964,736	4,419,755	1,755,875	3,853,971	-	12,994,337
Disposals	(714,011)	(34,957)	-	-	-	(748,968)
Transferred to right-of-use assets	-	-	-	(140,612)	-	(140,612)
At 31 December 2019	11,051,671	19,517,999	12,801,835	12,488,880	-	55,860,385
Net book amount	6,500,459	10,265,515	5,787,197	107,796,261	21,054,152	151,403,584

NOTES (continued)
(All amounts are expressed in Ghana cedis)

24. Property and equipment (continued)

Disposal of property and equipment

	2020	2019
Cost	**2,676,340**	946,833
Accumulated depreciation	**(2,596,369)**	(748,968)
Net book value	**79,971**	197,865
Sales proceeds	**(758,818)**	(223,164)
Gain on disposal	**(678,847)**	(25,299)

25. Right-of-use-assets

	2020	2019
Buildings	**23,874,777**	30,839,008

The movement in right-of-use-assets is as follows:

	2020	2019
Cost		
At 1 January	**35,646,768**	31,700,285
Additions	**947,407**	3,946,483
Derecognition	**(3,661,595)**	-
At 31 December	**32,932,580**	35,646,768
Accumulated depreciation		
At 1 January	**4,807,760**	-
Charge for the year	**4,675,410**	4,807,760
Derecognition	**(425,367)**	-
At 31 December	**9,057,803**	4,807,760
Net book amount	**23,874,777**	30,839,008

26. Lease liabilities

	2020	2019
Current	**8,670,503**	3,958,718
Non-current	**11,454,610**	17,653,027
	20,125,113	21,611,745

The movement in lease liabilities is as follows:

	2020	2019
At 1 January	**21,611,745**	21,397,447
Additions	**947,407**	3,946,483
Derecognition	**(2,394,679)**	-
Interest expense	**3,177,409**	4,099,483
Payments	**(3,216,769)**	(7,831,668)
At 31 December	**20,125,113**	21,611,745

NOTES (continued)
(All amounts are expressed in Ghana cedis)

27. Current income tax

Year ended 31 December 2020	**At 1 January**	**Charge for the year**	**Payments**	**At 31 December**
Year of assessment				
Up to 2019	**(14,574,824)**	**-**	**-**	**(14,574,824)**
2020	**-**	**18,191,911**	**(16,000,000)**	**2,191,911**
	(14,574,824)	**18,191,911**	**(16,000,000)**	**(12,382,913)**
Year ended 31 December 2019				
Year of assessment				
Up to 2018	425,176	-	-	425,176
2019	-	4,738,480	(19,738,480)	(15,000,000)
	425,176	4,738,480	(19,738,480)	(14,574,824)

28. National fiscal stabilisation levy

Year ended 31 December 2020	**At 1 January**	**Charge for the year**	**Payments**	**At 31 December**
Year of assessment				
Up to 2019	**(2,829,708)**			**(2,829,708)**
2020	**-**	**5,139,330**	**(2,800,000)**	**2,339,330**
	(2,829,708)	**5,139,330**	**(2,800,000)**	**(490,378)**
Year ended 31 December 2019				
Year of assessment				
Up to 2018	65,085	-	-	65,085
2019	-	105,207	(3,000,000)	(2,894,793)
	65,085	105,207	(3,000,000)	(2,829,708)

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

NOTES (continued)
(All amounts are expressed in Ghana cedis)

29. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2019: 25%).

	2020	2019
At 1 January	**14,720,785**	22,083,951
Credited to profit and loss	**(6,357,921)**	(4,195,707)
(Credited)/charged to other comprehensive income	**1,887,341**	(3,167,459)
At 31 December	**10,250,205**	14,720,785

Deferred income tax liability comprises the net impact of the following;

	2020	2019
Deferred income tax assets		
Impairment provision	**(25,252,428)**	(5,595,698)
Right-of-use-asset and lease liabilities	**(1,179,895)**	(909,342)
Tax losses	**-**	(1,006,953)
Fair valuation of bonds – FVOCI	**-**	(3,167,459)
Other financial instruments	**-**	(5,437,695)
	(26,432,323)	(16,117,147)
Deferred income tax liabilities		
Accelerated depreciation	**20,714,746**	18,146,631
Property revaluation surplus	**14,578,642**	12,691,301
Fair valuation of bonds – FVTPL	**1,389,140**	-
	36,682,528	30,837,932
Net deferred income tax liabilities	**10,250,205**	14,720,785

30. Deposits from customers

	2020	2019
Current accounts	**1,745,433,890**	1,208,080,184
Savings accounts	**352,831,483**	186,603,476
Call deposits	**176,800,715**	116,736,566
Time deposits	**374,234,136**	533,265,283
	2,649,300,224	2,044,685,509
Analysis by type of depositors		
Financial institutions	**148,474,547**	226,754,988
Individual and other private enterprise	**2,345,392,344**	1,520,241,112
Public enterprises	**155,433,333**	297,689,409
	2,649,300,224	2,044,685,509

All deposits from customers are current.

The twenty largest depositors constitute 42% (2019: 43%) of the total amount due to customers.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

	2020	2019
31. Deposits from banks		
Money market deposits	**42,369,411**	40,309,068
Deposits from financial institutions	**-**	11,079,936
	42,369,411	51,389,004

32. Borrowings

	2020	2019
Trade line of credit	**-**	110,756,555

The Bank did not have any outstanding borrowings at the end of the reporting period.

33. Other liabilities

	2020	2019
Accruals and provisions	**3,822,754**	2,969,508
Managed funds	**792,684**	792,684
Other payables	**37,699,481**	20,436,557
	42,314,919	24,198,749

34. Stated capital

The authorised shares of the Bank is 500 million ordinary shares of no par value (2019: 500 million ordinary shares) of which the following have been issued;

	2020		**2019**	
	No. of shares	**Proceeds**	No. of shares	Proceeds
At 1 January	**318,330,371**	**339,976,282**	261,780,824	233,506,207
Issued for cash during the year	**-**	**-**	56,549,547	106,470,075
Issued for consideration other than cash	**38,918,034**	**64,593,771**	38,918,034	64,593,771
At 31 December	**357,248,405**	**404,570,053**	357,248,405	404,570,053

The Bank has forfeited 38,918,034 ordinary shares of no par value issued to two shareholders.

Fifteen million, eight hundred and forty-three thousand, five hundred and twenty-two of the forfeited shares were re-issued in a rights issue to its existing shareholders for a cash consideration of GH¢ 31,528,608. The proceeds from the rights issue were used to write down the value of assets contributed as share capital by the shareholders whose shares were forfeited.

There is no unpaid liability on shares issued. There are 23,074,512 shares in treasury.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

35. Retained earnings

Retained earnings represents the accumulated profits over the years after appropriations. The movement in retained earnings account is shown as part of statement of changes in equity on page 17 and 18.

36. Revaluation reserves

Revaluation reserves are gains from the valuation of property owned by the Bank. These are not distributable but subject to regulatory approval, transfer can be made to stated capital in accordance with the Companies Act, 2019 (Act 992).

37. Statutory reserve fund

Statutory reserve represents the cumulative amount set aside from annual profit after tax as required by Section 34 of the Banks and Special Deposit Taking Institutions Act, 2016 (Act 930).

38. Credit risk reserve

Regulatory credit risk reserve represents the cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment allowance provision. The Bank of Ghana requires a transfer from retained earnings to regulatory credit risk reserve when the expected credit loss under IFRS 9 is less than the impairment allowance required by the Bank of Ghana prudential guidelines and in accordance with Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

	2020	**2019**
Bank of Ghana prudential guidelines	**86,184,672**	126,464,116
IFRS 9 expected credit loss	**(30,885,802)**	(62,108,186)
Credit risk reserve	**55,298,870**	64,355,930

39. Other reserves

Other reserves represents cumulative unrealised gains/losses on investments measured at fair value through other comprehensive income. The movement in other reserves is shown as part of statement of changes in equity.

The movement in other reserves is as follows:

	2020	**2019**
At 1 January	**(1,662,629)**	7,839,747
Net (loss)/gain on debt instruments measured at FVOCI	**-**	(12,669,835)
Realised loss on disposal of securities	**1,662,629**	-
Deferred tax credit/(charge)	**-**	3,167,459
At 31 December	**-**	(1,662,629)

NOTES (continued)
(All amounts are expressed in Ghana cedis)

40. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to shareholders	**85,813,270**	1,456,153
Weighted average number of shares	**322,291,252**	309,514,605
Basic earnings per share (Ghana pesewas)	**26.63**	0.47
Diluted earnings per share (Ghana pesewas)	**26.63**	0.47

41. Cash used in operations

	2020	2019
Profit before tax	**102,786,590**	2,104,133
Adjustments for:		
Depreciation and amortisation expense	**20,776,874**	20,888,242
Impairment of goodwill	**-**	942,746
Impairment on financial instruments	**34,162,780**	77,340,955
Gain on disposal of property and equipment	**(678,847)**	(25,299)
Interest charged on finance lease	**3,177,409**	4,099,483
Loss on derecognition of right-of-use asset	**841,549**	-
Share of (profit)/loss from associate	**(94,651)**	(40,235)
Changes in operating assets and liabilities		
Loans and advances to customers	**(139,961,919)**	(37,216,808)
Non-pledged trading assets (maturing over 91 days)	**(232,606,923)**	(78,997,052)
Pledged trading assets (maturing over 91 days)	**(15,594,256)**	-
Investment securities	**157,544,466**	(450,554,440)
Other assets	**(106,333,907)**	(195,690,325)
Restricted cash	**(89,030,790)**	(68,736,212)
Deposits from customers	**604,614,715**	662,414,379
Deposits from banks and other financial institutions	**(9,019,593)**	(73,411,657)
Borrowings	**(110,756,555)**	110,756,555
Other liabilities	**18,007,581**	2,140,283
Cash generated from/ (used in) operations	**237,834,523**	(23,985,252)

NOTES (continued)
(All amounts are expressed in Ghana cedis)

42. Contingencies and commitments

Contingencies

The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The value of these securities is not recognised in the statement of financial position.

	2020	2019
Letters of credit	**93,958,611**	66,390,690
Guarantees and indemnities	**309,549,879**	170,500,324
	403,508,490	236,891,014

Letters of credit commits the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Commitments

At the reporting date, the Bank had no capital commitments (2019: Nil) in respect of authorised and contracted projects.

Claims

There are legal proceedings against the Bank at 31 December 2020. No provision has been made in respect of these cases against the Bank (2019: Nil), and no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

43. Related party transactions

Bank's related party transactions comprise the dealings and transactions with its associates, directors and key management personnel.

The Bank's associate companies are First Atlantic Brokers Limited and First Atlantic Asset Management Limited, both incorporated in Ghana. In the normal course of business, current accounts were operated, and other transactions carried out with related parties. The balances outstanding as at year-end is as follows:

	2020	2019
Amounts due to related parties		
First Atlantic Brokers Limited - Customer deposits	**-**	7,322
First Atlantic Asset Management Limited - Customer deposits	**7,692,958**	3,682,489
Transactions with related parties		
Interest expense on deposits	**41,041**	424,852
Interest income on advances	**-**	4,335

NOTES (continued)
(All amounts are expressed in Ghana cedis)

43. Related party transactions (continued)

Transactions with directors and key management personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Bank. In the ordinary course of business, the Bank transacted business with companies where a director or any connected person is also a director or key management member of the Bank. These transactions were made on substantially the same criteria and terms, including rates and collaterals as those prevailing at the time for comparable transactions with other persons.

Advances to related parties

Advances to customers at 31 December 2020 and 31 December 2019 include loans to related parties (directors and associated companies) as follows:

	2020	2019
At 1 January	**3,598,970**	4,432,518
Loans advanced during the year	**1,067,220**	-
Loans repayment received	**(829,750)**	(833,548)
At 31 December	**3,836,440**	3,598,970
Comprising		
Advances to Directors	**3,836,440**	3,598,970
Interest income earned	**167,973**	176,881

Loans and advances to employees

	2020	2019
At 1 January	**13,705,363**	16,130,738
Loans advanced during the year	**11,696,256**	10,578,765
Loans repayment received	**(5,562,423)**	(13,004,140)
At 31 December	**19,839,196**	13,705,363
Interest income earned	**841,142**	872,924

Key management compensation

Key management comprises members of the executive management, which includes all executive directors. Compensation of key management is as follows:

	2020	2019
Salaries, allowances and benefits in kind	**5,889,469**	5,472,704
Pension contributions	**550,828**	304,131
	6,440,297	5,776,835

NOTES (continued)
(All amounts are expressed in Ghana cedis)

43. Related party transactions (continued)

Deposits from directors

	2020	2019
At 1 January	**3,741,619**	3,562,017
Net movement during the year	**(2,126,371)**	179,602
At 31 December	**1,615,248**	3,741,619
Interest expense incurred	**11,353**	17,514

Directors remuneration

Fees for service as directors	**1,590,488**	448,537
Other emoluments	**484,212**	574,193
	2,074,700	1,022,730

44. Operating segments

Segment information is presented in respect of the Bank's business segments which is based on the Bank's management and internal reporting structure.

The Bank comprises the following main business segments:

- Corporate Banking comprises loans, deposits and other transactions and balances with corporate customers.
- Retail and business banking comprises loans, deposits and other transactions and balances with retail and business banking customers.
- Global markets undertakes the Bank's funding and risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.

NOTES (continued)
(All amounts are expressed in Ghana cedis)

44. Operating segments (continued)

The Bank's segment information is summarised in the table below.

Year ended 31 December 2020	**Corporate banking**	**Retail and business banking**	**Global markets**	**Total**
Interest income	99,884,333	61,642,410	119,362,090	**280,888,833**
Interest expense	(30,849,002)	(8,614,369)	(43,781,968)	**(83,245,339)**
Net interest income	69,035,331	53,028,041	75,580,122	**197,643,494**
Net fee and commission income	24,886,528	17,089,453	2,982,960	**44,958,941**
Net trading income	18,814,418	36,104,565	12,628,183	**67,547,166**
Other operating income	(3,093,294)	(2,036,497)	(355,470)	**(5,485,261)**
Operating income	109,642,984	104,185,562	90,835,794	**304,664,340**
Profit before income tax				**102,786,590**
Income tax expense				**(11,833,990)**
NFSL				**(5,139,330)**
				85,813,270

Year ended 31 December 2019	Corporate banking	Retail and business banking	Global markets	Total
Interest income	99,510,696	52,672,070	77,311,478	229,494,244
Interest expense	(23,911,116)	(7,992,998)	(32,648,587)	(64,552,701)
Net interest income	75,599,580	44,679,072	44,662,891	164,941,543
Net fee and commission income	11,964,203	32,614,554	4,130,042	48,708,799
Net trading income	12,626,921	17,722,017	5,335,159	35,684,097
Operating income	1,257,999	1,765,615	531,533	3,555,147
Profit before income tax	101,448,703	96,781,258	54,659,625	252,889,586
Income tax expense	1,198,669	573,134	332,330	2,104,133
NFSL				(542,773)
				(105,207)
				1,456,153

NOTES (continued)
(All amounts are expressed in Ghana cedis)

45. Events after the reporting date

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing, rotational work schedules and working from home) and securing the supply of materials that are essential to our operations.
At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Appendix I

Analysis of shareholding as at 31 December 2020

Name of shareholder	Shareholding	% Holding
Kedari Nominees Limited	167,802,565	50.21%
AFIG Fund II	87,842,985	26.29%
A.A. Global Investments Limited	35,551,387	10.64%
Sir Sam Jonah	10,407,190	3.11%
Francis Kootu Edusei	9,329,048	2.79%
FABL Ownership Scheme (ESOP)	4,389,480	1.31%
Allied Investment Company Limited	4,073,365	1.22%
Mr. J. E. Amakye, Jnr.	3,673,769	1.10%
Kwaku Akosah-Bempah	2,800,517	0.84%
John K Agyemang	2,512,583	0.75%
F. M. Plastechnic Limited	1,874,026	0.56%
Buck Investments Limited	1,107,229	0.33%
Mr. Odun Odunfa	979,665	0.29%
Mr. Jude Arthur	595,323	0.18%
Kuapa Kooko Co-operative Farmers Union	502,513	0.15%
Wilkins Investments	390,422	0.12%
Estate of the late Mr. Holdbrook Arthur	341,826	0.10%
	334,173,893	**100%**

First Atlantic Bank Limited
Value added statement
For the year ended 31 December 2020

Appendix II

	2020	2019
Interest earned and other operating income	**405,877,027**	326,310,927
Direct cost of services	**(169,749,585)**	(161,875,768)
Value added by banking services	**236,127,442**	164,435,159
Non-banking income	**(5,390,610)**	3,595,382
Impairment loss on financial assets	**(32,492,723)**	(79,022,083)
Value Added	**198,244,109**	89,008,458
Distributed as follows: -		
To Employees:		
Directors (without executives)	**(2,074,700)**	(1,022,730)
Executive directors	**(5,776,835)**	(5,776,835)
Other employees	**(66,829,110)**	(59,216,518)
To Government:		
Income tax	**(16,973,320)**	(647,980)
To providers of capital:		
Dividend to shareholders	**-**	-
To expansion and growth:		
Depreciation	**(18,384,451)**	(17,802,097)
Amortisation	**(2,392,423)**	(3,086,145)
To retained earnings	**85,813,270**	1,456,153