OMNIBSIC BANK GHANA LIMITED

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Simeon Patrick Kyei	(Appointed May 2020)
	Teresa Effie Cooke	(Appointed May 2020)
	Abdulsalam Eltayef	(Appointed May 2020)
	Afua Adubea Koranteng	(Appointed May 2020)
	Miguel Fiifi R. Brandful	(Appointed May 2020)
	Mohamed Khaled Shalbek	(Appointed May 2020)
	Daniel Asiedu	(Appointed May 2020)
	Mustapha Abuhmaira	(Appointed May 2020)
	Philip Oti-Mensah	(Appointed May 2020)
	Nicholas Darko	(Resigned May 2020)
	Mensah Adeboke Affambi	(Resigned May 2020)
	Foze Salh Issah Ghaith	(Resigned December 2019)

SECRETARY

Akyaa Afreh Arhin Addo-Kufuor (Esq)
12 Angelica Street, Diamond Hill Gate 1
Regimanuel Estate
East Airport
Accra, Ghana

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

Atlantic Towers
Airport City
Accra, Ghana

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of OmniBSIC Bank Ghana Limited ("the Bank") for the year ended 31 December 2019.

Statement of directors' responsibilities

The Bank's directors are responsible for the preparation of the financial statements that give a true and fair view of OmniBSIC Bank Ghana Limited's financial position at 31 December 2019, 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.

Going concern

The financial statements of the Bank have been prepared on a going concern basis notwithstanding the operating loss of GH¢263.2 million for the year ended 31 December 2019 and the net liability position of GH¢13.4 million as at 31 December 2019. The directors are negotiating funding from the existing shareholders and Ghana Amalgamated Trust Plc (GAT), a special purpose investment vehicle established by the Ghana Government to support selected indigenous banks.

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 financial results of the Bank for the year ended 31 December 2019 are summarised below.

	GH¢'000
Loss after tax (attributable to equity holders)	(263,167)
to which is added the retained earnings deficit brought forward of	(104,105)
	(367,272)
of which is transferred to the credit risk reserve of	(187,947)
leaving a balance to be carried forward on the retained earnings of	(555,219)

REPORT OF THE DIRECTORS (continued)

Dividend

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

Directorship

The changes in directorship during the year ended 31 December 2019 is shown on page 1.

Also, the names of directors as at the date of issue of this report and approval of the financial statements are provided on page 1.

No director has any interest at any time in any contract of significance, other than a service contract with the Bank. No director had interest in the issued ordinary shares of the Bank.

Capacity of directors

The Bank ensures that only fit and proper persons are appointed to the Board after obtaining consent from the Bank of Ghana.

Directors' training

On appointment, directors are provided a formal and tailored programme of induction to familiarise them with the Bank's businesses, the risks and strategic challenges the Bank faces, as well as the economic, competitive, legal and regulatory environment in which the Bank operates.

Interest in other body corporates

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

Corporate social responsibilities

The Bank did not undertake any corporate social responsibility activities during the year.

Audit fee payable

The fees in respect of the audit of the financial statements of the Bank for the year ended 31 December 2019 is GH¢505,880.

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).

Simeon Patrick Kyei	**Philip Oti-Mensah**
Chairman	**Director**

20 October 2020

CORPORATE GOVERNANCE FRAMEWORK

Corporate governance relates to the systems, rules, processes and laws by which businesses are operated, regulated, directed and controlled with the view of achieving the long term goals of the organisation while maintaining the right balance with stakeholders' interests. The stakeholders comprise both internal and external parties.

Role of the Board of Directors

The Board of Directors is responsible for the long-term success of the Bank. They determine the strategic direction of the Bank and review operating, financial and risk performance. Responsibility for the development of policies, and strategy and operational management is delegated to an executive management committee.

The responsibilities of the Board of Directors are ~~to~~:

- Review and provision of strategic direction for the Bank including major plans of action and risk policy.
- Review and approval of annual budgets and business plans, set performance objectives, monitor implementation and corporate performance.
- Oversee major capital expenditures, acquisitions and divestiture.
- Monitor the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary.
- Ensure the integrity of the Bank's accounting and financial reporting systems.
- Ensure that appropriate systems of control and risk monitoring are in place.
- Establish various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of the Bank's business.

The Board meets quarterly but may hold extraordinary sessions as the business of the Bank demands.

Committees

The Board of Directors executes its functions through various committees which have been set up in accordance with statutory requirements. Each committee has well defined terms of reference to guide their functions. The committees consider only matters that fall within their purview to avoid decision overlaps. The committees of the Board meet each quarter but may hold extraordinary meetings to address urgent issues that may arise.

Board Audit Committee

The role of the Committee includes:

- Assist the Board in its oversight of the Bank's internal and external audit functions, and other responsibilities as may be prescribed by the Board.
- Advise the Board on the integrity of the Bank financial reporting, including supporting the Board in meeting its responsibilities regarding financial statements and the financial reporting systems and internal controls.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Board Audit Committee (continued)

- Monitor the effectiveness and objectivity of internal and external auditors.
- Provide input to the Board in its assessment of enterprise risks and determination of risk appetite as part of the overall setting of strategy.
- Assist the Board in its oversight of the risk management framework, monitoring its effectiveness through functional implementation in the 'second line of defence' and its performance to protect against and mitigate risks in the 'first line of defence'.

Board Risk Committee

The role of the Committee includes:

- Review and consider for approval, the Bank's Risk Governance Framework, at least annually.
- Review the Bank's risk appetite framework, including applicable thresholds, and recommend approval to the Board; and review the bank's risk appetite usage against the established thresholds quarterly.
- Review and approve the Bank's key risk policies on the establishment of risk limits and delegated lending limits, and review reports on the bank's adherence to such limits and significant variances thereof.
- Review and make recommendations to the Board with respect to the Board's annual approval of the Bank's Liquidity Risk Management Policy.
- Review the Bank's credit, market (including funding, liquidity and price risk components), and operational risk management frameworks, including significant policies, processes and systems that Management uses to manage risk exposures, as well as risk measurement methodologies and approaches to stress testing.
- Evaluate the adequacy of the Risk Management function, and the qualifications and background of selected senior risk officers.
- Review the independence and authority of the Risk Management function.
- Review and approve the Bank's Business Continuity Plan annually.

Board Credit Committee

The primary responsibilities of the Committee are to:

- Consider and approve specific loans above the Management Credit Committee's authority limit as determined by the Board from time to time.
- Review Management Credit Committee's authority level as and when deemed necessary and recommending new levels to the Board for consideration.
- Conduct monthly review of credits granted by the Bank to ensure compliance with the Bank's internal control systems and credit approval procedures.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Board Credit Committee (continued)

- Notify all Director-related loans to the Board.
- Monitor and notify the top debtors to the attention of the Board.
- Review the Bank's internal control procedures in relation to credit risk assets and ensuring that they are sufficient to safeguard the quality of the Bank's risk assets.
- Review the asset and liability management of the Bank.
- Ensure that the Bank complies with regulatory requirements regarding the granting of credit facilities.
- Handle such other issues referred to the Committee from time to time by the Board.

Performance, HR and Information Technology Committee

The role of the Committee includes:

- Review the annual budget and recommend for Board approval.
- Assess the financial and operational performance of the Bank.
- Assess other factors that may affect the performance of the Bank.
- Provide overview and scrutiny in any other areas of financial and operational performance referred to the committee by the Board.
- Oversee the design and operation of the compensation system of the Bank.
- Ensure that compensation is appropriate and consistent with the culture, long-term business interest and risk strategy of the Bank.
- Assess Information and Technology (IT) matters and their impact on the Bank.
- Assess human resources and training matters and their impact on the Bank.
- Recommend new members of the Board or Senior Management and to undertake assessment of Board and Senior Management.
- Annual review of the medium to long term strategies of the Bank, their implementation and outcome.
- Refer any issues of concern to other Board sub-committees.
- Undertake any other responsibilities as delegated by the Board.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Performance, HR and Information Technology Committee (continued)

Other Committees

The Bank has in place, other standing management committees in addition to the afore mentioned Committees. These include:

Executive Committee (EXCO)

The Executive Committee is chaired by the Managing Director and has as its members, Executive Directors, and the Heads of Treasury, Finance and Strategy, Risk Management, Operations, Credit, Human Resource Capital, Compliance, Legal and Recoveries, Information Technology, Strategic Business Units, and Internal Control and Due Diligence. The Committee meets weekly.

The role of the Committee includes:

- Develop and implement the strategies and policies of the Bank.
- Manage the day-to-day business and affairs of the Bank.
- Prioritise and allocate the Bank's capital, technical and human resources.
- Establish best management practices and functional standards.
- Maintain a Bank-wide system of internal control to manage all Enterprise risks.
- Maintain a Bank-wide legal compliance structure.

Asset and Liability Committee (ALCO)

The Asset and Liability Committee is chaired by the Managing Director and has as its members, Executive Directors, Heads Treasury, Finance, Risk Management, Operations, Credit, Strategic Business Units, and Internal Control and Due Diligence. The Committee meets bi-weekly.

The role of the Committee includes:

- Consider the movement of key economic indicators within the economy and the impact of such changes on the Bank's balance sheet structure and profitability.
- Liquidity management, balance sheet and performance review.
- Risk management and review of the Bank capital plan.

Management Committee

The Management Committee is chaired by the Managing Director and has as its members, Executive Director and Deputy Managing Directors for Operations and Business, and the Heads of Risk Management, Legal and Recovery, Internal Control and Due Diligence, Compliance AML/ CFT, Information and Cybersecurity, Finance, Treasury, Credit and Strategic Business Units. The Committee meets monthly.

CORPORATE GOVERNANCE FRAMEWORK (continued)

Other Committees (continued)

Management Committee (continued)

The responsibilities of the Committee are to:

- Share information, educate and keep departments and unit heads fully informed about developments within the Bank.
- Follow up on projects and business performance of departments and unit heads.
- Provide support to managers and engender interdepartmental cooperation.

Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

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

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

Independent External Evaluation of the Board

In accordance with Section 47 and 48 of the Corporate Governance Directive, the next independent external evaluation of the Board is due in 2020. The last independent external evaluation of the Board was carried out in 2018 to appraise the Board and its members for the period January 2015 to December 2017. The Board is in the process of engaging an independent assessor for the next evaluation.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

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

The financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Material uncertainty relating to going concern

We draw attention to note 2.1.1 to these financial statements, which states that the Bank incurred a net loss of GH¢263.2 million for the year ended 31 December 2019 and, as of that date, the Bank's liabilities exceeded its total assets by GH¢13.4 million. These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Bank to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment allowance on financial assets

The expected credit loss in respect of certain financial assets of the Bank at 31 December 2019 are as follows;
<table>
<tr><th>Financial assets measured at amortised cost</th><th>Gross amount</th><th>Expected Credit Loss</th></tr>
<tr><td></td><td>GH¢'000</td><td>GH¢'000</td></tr>
<tr><td>Loans and advances to customers</td><td>372,917</td><td>98,802</td></tr>
<tr><td>Non-trading assets</td><td>249,657</td><td>60,489</td></tr>
<tr><td>Other financial assets</td><td>17,574</td><td>2,832</td></tr>
</table>
We have focused on the following significant judgements and 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): estimate of 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 models.
</td><td>
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 financial assets were reasonable.

We assessed the reasonableness of forward-looking information used in the impairment calculations.

We tested the appropriateness of disclosures set out in the financial statements.
</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment of financial assets, we determined that this was a matter of most significance in our audit. Notes 2.9, 3.2 and 5 in the financial statements set out the accounting policies, critical estimates and related judgements used in the calculation of ECL.	

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;

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

iv) except as indicated in note 36, the Bank has, in all material respects, complied with the provisions of this Act.

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

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

PricewaterhouseCoopers

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

pwc

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

	Note	**2019**	2018
Interest income	6	**83,929**	115,262
Interest expense	6	**(83,917)**	(64,823)
Net interest income		**12**	50,439
Fee and commission income	7	**21,273**	6,932
Fee and commission expense	7	**(657)**	(927)
Net fee and commission income		**20,616**	6,005
Net trading income	8	**6,038**	3,392
Other income	9	**237**	-
Operating income		**26,903**	59,836
Net impairment losses	10	**(167,643)**	(31,513)
Personnel expenses	11	**(45,836)**	(24,840)
Depreciation and amortisation expense	12	**(21,272)**	(8,154)
Other operating expenses	13	**(55,319)**	(25,369)
Loss before tax		**(263,167)**	(30,040)
Income tax expense	14	**-**	(2,000)
Loss after tax		**(263,167)**	(32,040)
Other comprehensive income		**-**	-
Total comprehensive income		**(263,167)**	(32,040)
Earnings per share (pesewas) – basic	30	**(3.21)**	(10.30)
Earnings per share (pesewas) – diluted	30	**(3.04)**	(10.30)

The notes on pages 23 to 87 are an integral part of these financial statements.

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

Assets	Note	2019	2018
Cash and balances with banks	15	**197,557**	30,824
Loans and advances to customers	16	**274,115**	176,936
Non-trading assets	17	**189,168**	168,471
Other assets	18	**32,138**	12,564
Current tax assets	14	**4,783**	4,783
Non-current asset held for sale	19	**6,626**	-
Right-of-use assets	20	**98,864**	-
Intangible assets	21	**2,158**	1,933
Property and equipment	22	**65,816**	42,335
Total assets		**871,225**	437,846
Liabilities			
Deposits from banks and other financial institutions	23	**43,405**	64,157
Deposits from customers	24	**686,425**	306,987
Other liabilities	25	**59,026**	11,562
Lease liabilities	20	**95,800**	-
Total liabilities		**884,656**	382,706
Shareholders' funds			
Stated capital	26	**349,948**	155,352
Statutory reserve	27	**3,893**	3,893
Credit risk reserve	28	**187,947**	-
Retained earnings – (deficit)	29	**(555,219)**	(104,105)
Total shareholders' funds		**(13,431)**	55,140
Total liabilities and shareholders' funds		**871,225**	437,846

The notes on pages 23 to 87 are an integral part of these financial statements.

The financial statements on pages 18 to 87 were approved by the Board of Directors on 20 October 2020 and signed on its behalf by:

Simeon Patrick Kyei
Chairman

Philip Oti-Mensah
Director

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

Year ended 31 December 2019	Stated capital	Statutory reserve	Credit risk reserve	Retained earnings (deficit)	Total
At 1 January 2019	155,352	3,893	-	(104,105)	**55,140**
Loss for the year	-	-	-	(263,167)	**(263,167)**
Other comprehensive income, net of tax	-	-	-	-	**-**
Total comprehensive income	-	-	-	(263,167)	**(263,167)**
Transactions with shareholders					
Contributions of equity	194,596	-	-	-	**194,596**
	194,596	-	-	-	**194,596**
Regulatory transfers					
Transfer to credit risk reserve	-	-	187,947	(187,947)	**-**
	-	-	187,947	(187,947)	**-**
At 31 December 2019	**349,948**	**3,893**	**188,336**	**(555,219)**	**(13,431)**

The notes on page 23 to 87 are an integral part of these financial statements.

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

Year ended 31 December 2018	Stated capital	Statutory reserve	Credit risk reserve	Retained earnings (deficit)	Total
At 1 January 2018	141,621	3,893	532	(42,991)	103,055
IFRS 9 related adjustments – 1 January 2018					
Increase in impairment provisioning	-	-	-	(29,606)	(29,606)
Transfer between reserves	-	-	(532)	532	-
Restated balance as at 1 January 2018	141,621	3,893	-	(72,065)	73,449
Transactions with shareholders					
Contributions to stated capital	13,800	-	-	-	13,800
Stamp duty	(69)	-	-	-	(69)
Net contributions	13,731	-	-	-	13,731
Loss for the year	-	-	-	(32,040)	(32,040)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	(32,040)	(32,040)
Regulatory transfers	-	-	-	-	-
At 31 December 2018	155,352	3,893	-	(104,105)	55,140

The notes on page 23 to 87 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in thousands of Ghana cedis)

	Note	2019	2018
Cash used in operations		**4,170**	(55,114)
Tax paid	14	**-**	(220)
Net cash used in operating activities		**4,170**	(55,334)
Cash flows used in investing activities			
Cash acquired on acquisition		**177,493**	-
Purchase of intangible assets	21	**-**	(454)
Purchase of property and equipment	22	**(2,973)**	(4,320)
Proceeds from disposal of property and equipment	22	**259**	451
Net cash from/(used in) investing activities		**174,779**	(4,323)
Cash generated from financing activities			
Finance lease payments	20	**(12,127)**	-
Proceeds from issue of share capital	26	**-**	13,731
Net cash (used in)/from financing activities		**(12,127)**	13,731
Increase/(decrease) in cash and cash equivalents		**166,822**	(45,296)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at 1 January	15	**30,824**	76,750
Increase/(decrease) in cash and cash equivalents		**166,822**	(45,926)
Cash and cash equivalents at 31 December	15	**197,646**	30,824

The accompanying notes on pages 23 to 87 are an integral part of these financial statements.

NOTES

1. Reporting entity

OmniBSIC Bank Ghana Limited is a limited liability company incorporated and domiciled in Ghana. The registered office is Atlantic Towers, Airport City, Accra. The Bank operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, unless otherwise stated.

The disclosures on risks from financial instruments are presented in the financial risk management section in note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

2.1.1 Going concern basis of accounting

The financial statements of the Bank have been prepared on a going concern basis notwithstanding the loss after tax of GH¢263.2 million for the year ended 31 December 2019 and net liability position of GH¢13.4 million as at 31 December 2019. The directors are negotiating funding from the existing shareholders and Ghana Amalgamated Trust Plc (GAT), a special purpose investment vehicle established by the Ghana Government to support selected indigenous banks.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 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 2019. The nature and the impact of each new standards and amendments are described below.

(i) IFRS 16 – Leases

The Bank adopted IFRS 16 – Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Bank has used the simplified retrospective approach hence there is no impact on retained earnings as at the transition date. The new accounting policies are disclosed in note 2.11.

IFRS 16 affected primarily the accounting by lessees and resulted in the recognition of almost all leases on the statement of financial position. The standard removed the current distinction between operating and financing leases and required recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss is also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA changed.

Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

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

Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

(i) IFRS 16 – Leases (continued)

Practical expedients applied (continued)

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Measurement of lease liabilities

Lease liabilities are initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid. The lease liabilities measured on initial recognition is as follows:

	2019 GH¢'000
Operating lease commitments disclosed as at 31 December 2018	-
Discounted using the lessee's incremental borrowing rate	-
Add: additional finance lease liabilities recognised on 1 January 2019	92,777
Total lease liability recognised as at 1 January 2019	92,777
of which are:	
Current lease liabilities	12,126
Non-current lease liabilities	80,651
	92,777

Measurement of right of use assets

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

(i) IFRS 16 – Leases (continued)

Practical expedients applied (continued)

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by GH¢ 108,764
- prepayments – decrease by GH¢ 15,986
- lease liabilities – increase by GH¢ 92,777

(ii) IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

IFRIC 23 – Uncertainty over Income Tax Treatments did not have an impact on the financial statements as the Bank has no uncertain tax positions.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

(iii) Amendments to IAS 19 – Employee benefits (Plan Amendment, Curtailment or Settlement)

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments to IAS 19 did not have an impact on the Bank.

(iv) Amendments to IFRS 2 - Share Based Payment – Classification and measurement of share-based payment transactions

This standard clarifies classification and measurement of share-based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share-based payment for employees and cash settled share-based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share-based payment into cash-settled and equity-settled components. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions.

The amendments to IFRS 2 did not have an impact on the Bank.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(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 2019. 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) Amendments to IFRS 3 – Business Combinations

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or a merger). The IASB issued an amendment to IFRS 3 which centers on the definition of a business.

The standard provides that to be considered a business, an acquired set of activities must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The Bank is yet to assess the impact of this amendment on its financial statements.

(ii) Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. In IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material' is quoted below:

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

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

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

The Bank is yet to assess the impact of this amendment on its financial statements.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

(iii) 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. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The Bank of Ghana interbank exchange rates are used to translate foreign currency items into the functional currency.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted

2.3 Foreign currency translation

Transactions and balances (continued)

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

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

2.4 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.

2.5 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.

2.6 Fee and commission expense

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 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.

2.8 Dividend income

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

2.9 Financial assets and liabilities

2.9.1 Measurement methods

Amortised cost and effective interest rate

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

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

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

Initial recognition and measurement

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities

2.9.1 Measurement methods

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

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

(i) Financial assets

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.

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.1 Measurement methods (continued)

(i) Financial assets

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.*

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

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.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.1 Measurement methods (continued)

(i) Financial assets (continued)

Debt instruments (continued)

Other factors considered in the determination of the business model include:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Bank may decide to sell financial instruments held under the hold to collect category with the objective to collect contractual cash flows without necessarily changing its business model.

SPPI assessment: 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.1 Measurement methods (continued)

(i) Financial assets (continued)

Equity instruments

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

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

Impairment 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 its exposures 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.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.1 Measurement methods (continued)

(i) 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 de-recognition.

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

Derecognition other than on a modification

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.1 Measurement methods (continued)

(i) Financial assets (continued)

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.

(ii) Financial liabilities

Classification

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

Measurement

The 'amortised cost' of a financial liability is the amount at which the financial 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.2 Fair value measurement

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

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

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

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

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

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.3 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 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.

2.9.4 Impairment of financial assets

The Bank records an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with lease receivables loan commitments and financial guarantee contracts. No impairment loss is recognised on equity investments.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL. The Bank generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

NOTES (continued)

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

2.9.5 Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.10 Collaterals

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.

2.11 Leases

The Bank has changed its accounting policy for leases where the Bank is a lessee. The new policy is described below.

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

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

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

The Bank's leasing activities are similar to those described above. Rental contracts are typically made for fixed periods of 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.

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

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

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

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

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

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

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

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

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

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

Payments associated with short-term leases 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. Low-value assets comprise residential premises for management.

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.

Policy before 1 January 2019

Lease assets – Lessee

Leases that the Bank assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

Lease payments – Lessee

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease assets – Lessor

If the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances

2.12 Income tax

Current income tax

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

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

Deferred income tax

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.12 Income tax (continued)

Deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future

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

2.13 Cash and cash equivalents

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

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

2.14 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

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

Subsequent costs

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.14 Property and equipment (continued)

Depreciation

Land is not depreciated. Depreciation is recognised in profit or loss on a straight line basis to write off the gross value less residual amounts over their estimated useful lives. The estimated useful lives for the current and comparative periods are:

Leasehold land and buildings	30 - 50 years
Furniture, fittings and equipment	5 years
Computers and accessories	4 years
Motor vehicles	4 - 5 years

Capital work in progress

Property and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate class of property and equipment when commissioned and ready for its intended use.

Derecognition

Property and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Bank from either their use or disposal. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised directly in profit or loss.

2.15 Intangible assets

Computer software

Intangible assets comprise computer software licences. 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.

2.16 Non-current assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property and equipment are no longer amortised or depreciated.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.17 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.18 Deposits and borrowings

Deposits from customers and borrowings from other banks are the Bank's sources of debt funding. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.19 Employee benefits

Defined contribution plans

The Bank operates a defined contribution plan. The Bank and its employees contribute to a defined contribution pension scheme. The Bank pays contributions on a mandatory basis and has no further payment obligations on the contributions to be made. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

Short term benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

Short term benefits (continued)

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

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.

2.20 Provisions and contingent liabilities

Provisions

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

Where there are a number of similar obligations which are likely to result in an outflow to settle related classes 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 expenditures expected to be required to settle obligations using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the obligation. The unwinding of the discount due to the passage of time should be included as part of interest expense in profit or loss.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.21 Stated capital

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.

2.22 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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.

2.23 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.

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.

NOTES (continued)

3. Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Under this framework, the Board has established separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Management Credit Committee (MCC), Risk Management Department, and the Asset and Liability Management Committee (ALCO) which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

3.1 Credit risk management

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

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

3.1.1 Risk limit control and mitigation policies

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

NOTES (continued)

3. Financial risk management (continued)

3.1 Credit risk management (continued)

3.1.1 Risk limit control and mitigation policies (continued)

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in response to changing market and economic conditions and assessments of probability of default.

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

Collaterals

The principal collateral types for loans and advances are:

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

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

Long-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

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

Impairment and provisioning policies

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

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. The provision for expected credit losses for off-balance sheet products

NOTES (continued)

3. Financial risk management (continued)

3.1 Credit risk management (continued)

3.1.1 Risk limit control and mitigation policies (continued)

Impairment and provisioning policies (continued)

subject to impairment assessment is separately calculated and recognised as provisions in other liabilities.

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

Write-off policy

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

3.2 Expected credit loss measurement

Expected credit loss impairment model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:

(i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

(ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

(iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

Expected credit loss impairment model (continued)

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (lifetime expected credit loss), unless there has been no significant increase in credit risk since origination.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

(i) Measurement

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

(ii) Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

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

(iii) Credit-impaired financial assets

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 of more of the following criteria:

Quantitative criteria

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

Qualitative criteria

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

- The borrower is in long-term forbearance, insolvent or 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.

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

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

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

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

(iii) Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

(iv) Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(v) Explanation of inputs, assumptions and estimation techniques: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD)

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 PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. This 12M PD is used to calculate 12-month ECLs. The Lifetime PD is used to calculate lifetime ECLs for stage 2 and 3 exposures.

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

(v) Explanation of inputs, assumptions and estimation techniques: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) (continued)

- 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). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month 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). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

(v) Explanation of inputs, assumptions and estimation techniques: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) (continued)

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

(vi) Significant Increase in Credit Risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk (SICR) for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product, industry, borrower, geographical region etc.

(vii) Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit risk (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. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

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

- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
- Consumer price index (CPI) – CPI is used due to its influence on monetary policy and on interest rates. Interest rate 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.

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

(viii) Economic Variable Assumptions

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

Scenario	**Weight** %	**GDP growth** %	**Consumer Price Index** %
Base case	40%	0.9	9.30
GDP up; CPI up	10%	0.99	8.37
GDP down; CPI down	10%	(0.81)	10.23
GDP up; CPI down	10%	0.99	8.37
GDP down; CPI up	30%	(0.81)	10.23

3.2.1 Maximum exposure to credit risk before collateral held

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.

	2019 **GH¢'000**	2018 GH¢'000
On-balance sheet financial assets subject to impairment		
Balances with banks	**124,592**	22,663
Loans and advances to customers	**274,115**	176,936
Non-trading assets	**189,168**	168,471
Other financial assets	**14,742**	6,039
	602,617	**374,109**
Off-balance sheet financial assets subject to impairment		
Letters of guarantee	**42,716**	-
Guarantees	**33,179**	8,341
Loan commitments	**12,422**	7,463
	88,317	15,804

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

3.2.2 Credit quality analysed by class of financial instrument

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

- Stage 1 – At initial recognition and no significant increase in credit risk after 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	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 31 December 2019				
Balances with banks	124,592	-	-	124,592
Loans and advances to customers	54,089	6,980	274,360	335,429
Non-trading assets	94,978	-	154,679	249,657
Other financial assets	14,742	-	2,832	17,574
Gross carrying amount	288,401	6,980	469,359	764,740
Expected credit loss	(2,199)	(228)	(166,813)	(162,123)
Carrying amount	286,202	6,752	302,546	602,617
Off balance sheet exposures				
Letters of credit	42,716	-	-	42,716
Guarantees	33,179	-	-	33,179
Loan commitments	12,422	-	-	12,422
Gross carrying amount	88,317	-	-	88,317
Expected credit loss	(370)	-	-	(370)
Carrying amount	87,947	-	-	87,947

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

3.2.2 Credit quality analysed by class of financial instrument (continued)

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 31 December 2018				
Balances with banks	22,663	-	-	22,663
Loans and advances to customers	117,768	6,172	82,951	206,891
Non-trading assets	19,070	103,196	96,814	219,080
Other financial assets	6,039	-	-	6,039
Gross carrying amount	165,540	109,368	179,765	454,673
Expected credit loss	(3,113)	(10,207)	(67,244)	(80,564)
Carrying amount	162,427	99,161	112,521	374,109
Off-balance sheet exposures				
Guarantees	8,341	-	-	8,341
Loan commitments	7,463	-	-	7,463
Gross carrying amount	15,804	-	-	15,804
Expected credit loss	(24)	-	-	(24)
Carrying amount	15,780	-	-	15,780

The table below shows the analysis of the credit quality of loans and advances and allowance for impairment losses held by the Bank.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
At 31 December 2019				
Overdrafts	**19,366**	**3,952**	**61,919**	**85,237**
Term loans	**34,723**	**3,028**	**212,441**	**250,192**
Gross carrying amount	**54,089**	**6,980**	**274,360**	**335,429**
Expected credit loss	**(2,199)**	**(228)**	**(58,887)**	**(61,314)**
Carrying amount	**51,890**	**6,752**	**215,473**	**274,115**

NOTES (continued)

3. Financial risk management (continued)

3.2 Expected credit loss measurement (continued)

3.2.2 Credit quality analysed by class of financial instrument (continued)

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 31 December 2018				
Overdrafts	26,879	711	22,192	49,782
Term loans	92,253	5,461	59,395	157,109
Gross carrying amount	119,131	6,172	81,587	206,891
Expected credit loss	(3,053)	(732)	(26,169)	(29,955)
	116,078	5,440	55,418	176,936

3.2.3 Collaterals and other credit enhancements

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

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

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

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

3.2.4 Repossessed collateral

The type and carrying amount of collateral that the Bank has taken possession of in the period are measured at the lower of its carrying amount and fair value less costs to sell. The details of repossessed collateral held by the Bank as at the reporting date was as follows:

	2019	2018
	GH¢'000	GH¢'000
Commercial property	**6,626**	-

NOTES (continued)

3. Financial risk management (continued)

3.3 Liquidity risk

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

3.3.1 Management of liquidity risk

The Bank maintains a portfolio of liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank in order to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments when they fall due.

The Bank's treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Sources of liquidity are regularly reviewed by the Treasury Department to maintain a wide diversification by currency, provider, product and term.

Liquidity policies and procedures are subject to review and approval by ALCO.

NOTES (continued)

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

3.3.2 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 GH¢'000	3 to 12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2019				
Deposits from banks and other financial institutions	**43,483**	**-**	**-**	**43,483**
Customer deposits	**506,977**	**215,782**	**-**	**722,759**
Other liabilities	**58,656**	**-**	**-**	**58,656**
Lease liabilities	**-**	**4,414**	**91,503**	**95,917**
	609,116	**220,196**	**91,503**	**920,815**
Cash and balances with banks	**197,557**	**-**	**-**	**197,557**
Loans and advances to customers	**172,634**	**33,832**	**67,649**	**274,115**
Non-trading assets	**169,955**	**19,213**	**-**	**189,168**
Other financial assets	**14,742**			**14,742**
	226,992	**154,778**	**1,521**	**383,291**
Liquidity gap	**(54,228)**	**(167,151)**	**(23,854)**	**(245,233)**
At 31 December 2018				
Deposits from banks and other financial institutions	51,584	12,736	-	64,320
Customer deposits	163,979	142,042	1,521	307,542
Other liabilities	11,538	-	-	11,538
	227,101	154,778	1,521	383,400
Cash and balances with banks	30,824	-	-	30,824
Loans and advances to customers	24,459	56,240	96,237	176,936
Non-trading assets	94,733	73,738	-	168,471
Other financial assets	6,039	-	-	6,039
	156,055	129,978	96,237	382,270
Liquidity gap	(71,046)	(24,800)	94,716	(1,130)

NOTES (continued)

3. Financial risk management (continued)

3.4 Market risk

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates, exchange rates and equity prices) during the year. Positions that expose the Bank to market risk can be trading or non-trading related. Trading risk comprises positions that the Bank holds as part of its trading or market-making activities, whereas non-trading risk includes discretionary positions that the Bank undertake for liquidity.

3.4.1 Risk identification

Overall responsibility for management of market risk rests with Assets and Liability Committee (ALCO). The Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

3.4.2 Interest rate risk

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

(i) Differences between the timing of market interest rate changes and the timing of cash flows (repricing risk);

(ii) Changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and

(iii) Changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk).

NOTES (continued)

3. Financial risk management (continued)

3.4 Market risk (continued)

3.4.2 Interest rate risk (continued)

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

	Up to 3 months GH¢'000	3 to 12 months GH¢'000	Over 1 year GH¢'000	Non-interest bearing GH¢'000	Total GH¢'000
At 31 December 2019					
Balances with banks	**89,686**	**-**	**-**	**34,906**	**124,592**
Loans and advances	**172,634**	**33,832**	**67,649**	**-**	**274,115**
Non-trading assets	**169,955**	**19,213**	**-**	**-**	**189,168**
Other financial assets	**-**	**-**	**-**	**14,742**	**14,742**
	432,275	**53,045**	**67,649**	**49,648**	**602,617**
Deposits from banks and other financial institutions	**43,405**	**-**	**-**	**-**	**43,405**
Customer deposits	**491,977**	**194,448**	**-**	**-**	**686,425**
Other liabilities	**-**	**-**	**-**	**58,656**	**58,656**
Lease liabilities	**-**	**2,601**	**93,199**	**-**	**95,800**
	535,382	**197,049**	**93,199**	**58,656**	**884,286**
Interest re-pricing gap	**(103,107)**	**(144,004)**	**(25,550)**	**(9,008)**	**(281,669)**
At 31 December 2018					
Balances with banks	-	-	-	22,663	22,663
Loans and advances	24,459	56,240	96,237	-	176,936
Non-trading assets	94,733	73,738	-	-	168,471
Other financial assets	-	-	-	6,039	6,039
	119,192	129,978	96,237	28,702	374,109
Deposits from banks and other financial institutions	51,402	12,755	-	-	64,157
Customer deposits	163,475	142,011	1,501	-	306,987
Other liabilities	-	-	-	11,538	11,538
	214,877	154,766	1,501	11,538	355,853
Interest re-pricing gap	(95,685)	(24,788)	(94,736)	17,164	(8,573)

NOTES (continued)

3. Financial risk management (continued)

3.4 Market risk (continued)

3.4.3 Foreign exchange risk

Foreign exchange risk is measured through the statement of comprehensive income. 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 table below summarises the Bank's exposure by currency exchange rates on its financial position and cash flows.

	USD	EUR	GBP	Others	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 31 December 2019					
Cash and balances with banks	20,087	13,982	19	957	35,045
Loans and advances	9,202	10	4	5,035	14,251
Non-trading assets	5,234	-	-	-	5,234
Other financial assets	608	11	-	-	619
	35,131	14,003	23	5,992	55,149
Deposits from banks and other financial institutions	27,895	-	-	-	27,895
Customer deposits	11,478	894	116	7,941	20,429
Other liabilities	5,830	6	-	-	5,836
Lease liabilities	85,503	-	-	-	85,503
	130,706	900	116	7,941	139,663
Net on-balance sheet exposure	(95,575)	13,103	(93)	(1,949)	(84,514)
Increase in currency rate (cedi depreciation 3%)	(98,442)	13,496	(96)	(2,007)	(87,049)
Effect on profit before tax	(2,867)	393	(3)	(58)	(2,535)

NOTES (continued)

3. Financial risk management (continued)

3.4 Market risk (continued)

3.4.3 Foreign exchange risk (continued)

	USD GH¢'000	EUR GH¢'000	GBP GH¢'000	Others GH¢'000	Total GH¢'000
At 31 December 2018					
Cash and balances with banks	1,381	231	156	-	1,768
Loans and advances	3,103	-	-	-	3,103
Non-trading assets	210	-	-	-	210
Other financial assets	4	-	-	-	4
	4,698	231	156	-	5,085
Customer deposits	1,563	104	32	-	1,699
Other liabilities	2,292	-	-	-	2,292
	3,855	104	32	-	3,991
Net on-balance sheet exposure	843	127	124	-	1,094
Increase in currency rate (cedi depreciation 3%)	868	131	128	-	1,127
Effect on profit before tax	25	4	4	-	33

NOTES (continued)

3. Financial risk management (continued)

3.5 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, 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.
- 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 Bank did not have any financial instruments measured at fair value as at 31 December 2019 (2018: Nil).

NOTES (continued)

4. Capital management (continued)

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)

4. Capital management (continued)

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 effective 1 January 2019. The table below summarise the composition of regulatory capital adequacy ratio of the Bank.

	2019	2018
	GH¢'000	GH¢'000
Tier 1 Capital		
Paid up capital (ordinary shares)	**349,948**	155,352
Statutory reserves	**3,893**	3,893
Retained earnings	**(555,608)**	(104,105)
Common Equity Tier 1 capital before adjustments	**(201,767)**	55,140
Regulatory adjustments to Tier 1 capital	**11,137**	6,230
Total qualifying tier 1 capital	**(212,904)**	48,910
Tier 2 Capital		
Property revaluation reserves	-	-
Other reserves	-	-
Total qualifying tier 2 capital	-	-
Total regulatory capital	**(212,904)**	48,910
Risk profile		
Total credit risk-weighted asset	**219,212**	365,602
Total operational risk-weighted asset	**243,649**	40,393
Total market risk-weighted asset	**98,871**	2,694
Total risk-weighted assets	**561,732**	408,689
Capital adequacy ratio	**(37.9%)**	11.9%

NOTES (continued)

5. Critical accounting estimates and judgments

The Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparing the financial statements.

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.

Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank considers observable data that may indicate measurable decreases in estimated future cash flows from a portfolio of loans before decreases can be identified with individual loans in that portfolio. This evidence may include observable data indicating adverse changes in the payment status of borrowers in a group, or economic conditions that correlate with defaults on assets in a group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence

Income taxes

Significant estimates are required in determining provisions 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 liabilities 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 are adjusted in the period in which such determination is made.

Leases

In determining the lease term, the Bank 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).

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

6. Net interest income

	2019	2018
Interest income		
Loans and advances to customers	**42,270**	51,515
Fixed deposits with non-bank financial institutions	**31,003**	-
Placement with other banks	**3,104**	-
Investment securities	**7,552**	63,747
	83,929	115,262
Interest expense		
Savings	**36,545**	1,109
Time and other deposits	**35,185**	54,127
Call	**2,010**	1,253
Deposits from banks and other financial institutions	**6,055**	8,334
Leases	**4,122**	-
	83,917	64,823
Net interest income	**12**	50,439

7. Net fee and commission income

	2019	2018
Fee and commission income		
Service fees	**4,687**	827
Processing and facility fees	**3,221**	2,977
Other fees and commissions	**13,365**	3,128
	21,273	6,932
Fee and commission expense		
Visa charges	**474**	927
Other fees and commissions	**183**	-
	657	927
Net fee and commission income	**20,616**	6,005

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

		2019	2018
8.	**Net trading income**		
	Transaction gains less losses	**5,365**	2,921
	Translation gains less losses	**673**	471
		6,038	3,392

9.	**Other income**		
	Gain on disposal of equipment – note 22	**191**	-
	Loan recoveries	**107**	-
	Sundry expenses	**(61)**	-
		237	-

10.	**Net impairment losses**		
	Loans and advances to customers – note 16	**31,359**	7,084
	Non-trading assets – note 17	**9,880**	24,405
	Other assets – note 18	**2,832**	-
	Contingent liabilities – note 32	**346**	24
	Goodwill on acquisition – note 35	**83,314**	-
	Impairment on intangible assets – note 21	**2,424**	-
		167,643	31,513

11.	**Personnel expenses**		
	Wages and salaries	**30,739**	12,937
	Contribution to defined benefit plans	**3,766**	2,223
	Other staff costs	**11,331**	9,680
		45,836	24,840

The number of persons employed by the Bank at the end of the year was 802 (2018: 475).

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

12. Depreciation and amortisation expense

	2019	2018
Right-of-use assets – note 20	**9,900**	-
Intangibles – note 21	**1,586**	787
Property and equipment – note 22	**9,786**	7,367
	21,272	8,154

13. Other operating expenses

Other operating expenses include:

	2019	2018
Advertising and business promotion	**836**	915
Repairs and maintenance	**3,829**	2,905
Security expenses	**2,588**	1,824
Utilities	**2,360**	3,334
Professional fees	**5,561**	1,196
Merger related costs	**2,693**	-
Directors' emoluments	**1,344**	737
Insurance	**3,036**	2,065
Travel and transport	**1,569**	949
Auditor's remuneration	**506**	160
Donations	**331**	77

14. Income tax

Income tax expense

	2019	2018
Current income tax expense	-	-
National Fiscal Stabilisation Levy	-	-
Deferred income tax charge	-	2,000
	-	2,000

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

14. Income tax (continued)

Income tax expense

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

	2019	2018
Loss before tax	**(263,167)**	(30,040)
Corporate tax rate at 25% (2018: 25%)	**(65,792)**	(7,510)
Non-deductible expenses	**21,971**	(2,172)
Change in recognised temporary deductible differences	**43,821**	11,682
National Fiscal Stabilisation Levy	**-**	-
	-	2,000

Current income tax

The movement in current income tax is as follows:

	At 1 January	**Charge for the year**	**Payments**	**At 31 December**
Year of assessment				
Up to 2018	**4,783**	**-**	**-**	**4,783**
2019	**-**	**-**	**-**	**-**
	4,783	**-**	**-**	**4,783**
Up to 2017	(4,563)	-	-	(4,563)
2018	-	(220)	-	(220)
	(4,563)	(220)	-	(4,783)

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 in thousands of Ghana cedis)

14. Income tax (continued)

Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2018: 25%).

	At 1 January	Charged/ (credited)	At 31 December
Year ended 31 December 2019			
Accelerated depreciation	**3,433**	**2,237**	**5,670**
Impairment on loans and advances	**(945)**	**(40,653)**	**(41,598)**
Others	**-**	**(3,702)**	**(3,702)**
	(4,488)	**(48,680)**	**(53,168)**
Year ended 31 December 2018			
Accelerated depreciation	138	3,295	3,443
Impairment on loans and advances	-	(945)	(945)
Others		(4,488)	(4,488)
	138	(2,138)	(2,000)

Deferred income taxes are calculated on temporary differences using the liability method and using a principal tax rate of 25%. At 31 December 2019, the Bank's deferred tax asset of GH¢55.2 million arising from taxable losses have not been recognised in profit or loss because taxable profits are not available against which they can be utilised.

15. Cash and balances with banks

	2019	2018
Cash on hand	**72,965**	8,161
Unrestricted balances with banks	**34,906**	11,197
Restricted balances with Bank of Ghana	**61,873**	11,466
Money market placements	**27,813**	-
	197,557	30,824

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 in thousands of Ghana cedis)

15. Cash and balances with banks (continued)

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following:

	2019	2018
Cash on hand	**72,965**	8,161
Balances with banks	**96,779**	22,663
Money market placements	**27,813**	-
Investment securities maturing within 90 days of acquisition	**89**	-
	197,646	30,824

16. Loans and advances to customers

Overdrafts	**74,603**	49,781
Term loans	**249,276**	150,043
Staff loans	**11,550**	7,067
Gross loans and advances	**335,429**	206,891
Expected credit loss allowance	**(61,314)**	(29,955)
Net loans and advances	**274,115**	176,936

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

At 1 January	**29,955**	25,233
IFRS 9 first time impact	**-**	611
Amounts written off as uncollectible	**-**	(2,998)
Impairment charge	**31,359**	7,109
	61,314	29,955

The fifty largest exposures constitute 61% (2018: 72%) of the total loans and advances.

The non-performing loans constitute 85% (2018: 35%) of the total loans and advances.

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

16. Loans and advances to customers (continued)

Analysis of loans and advances by industry

	2019	2018
Agriculture	**1,109**	307
Commerce and finance	**134,591**	77,486
Construction	**35,177**	36,279
Electricity, gas and water	**51,884**	3,273
Manufacturing	**42,803**	2,719
Mining and quarrying	**107**	360
Services	**65,598**	78,961
Transportation, storage and communication	**4,160**	7,506
	335,429	206,891

17. Investments

Non-trading assets

	2019	2018
Government securities	**40,470**	1,012
Fixed deposits	**209,187**	218,068
	249,657	219,080
Expected credit loss allowance	**(60,489)**	(50,609)
	189,168	168,471

The movement on impairment allowance on investments is as follows:

	2019	2018
At 1 January	**50,609**	6,657
IFRS 9 first time impact	**-**	28,995
Amounts written off as uncollectible	**-**	(9,448)
Impairment charge	**9,880**	24,405
At 31 December	**60,489**	50,609

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

18. Other assets

	2019	2018
Financial assets	**14,742**	6,039
Non-financial assets	**17,396**	6,525
	32,138	12,564
Financial assets		
Sundry receivables	**3,149**	1,087
Clearing accounts	**11,496**	-
Other financial assets	**2,929**	4,952
	17,574	6,039
Expected credit loss allowance	**(2,832)**	-
	14,742	6,039

The movement on impairment allowance on financial assets is as follows:

	2019	2018
At 1 January	**-**	-
Impairment charge	**2,832**	-
At 31 December	**2,832**	-
Non-financial assets		
Prepayments	**8,292**	6,230
Stationaries	**9,104**	295
	17,396	6,525

19. Non-current asset held for sale

	2019	2018
Commercial properties	**6,626**	-

An asset repossessed due to loan default has been classified as a non-current asset held for sale and is presented separately in the statement of financial position.

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

20. Leases

The statement of financial position shows the following amounts in relation to leases:

	2019	2018
Right-of-use assets		
Buildings	**98,864**	-
Lease liabilities		
Current	**2,601**	-
Non-current	**93,199**	-
	95,800	-

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

	2019	2018
At 1 January	**108,764**	-
Additions	**-**	-
Depreciation charge	**(9,900)**	-
At 31 December	**98,864**	-

The movement in lease liabilities is as follows:

	2019	2018
At 1 January	**92,777**	-
Additions	**-**	-
Interest expense	**4,122**	-
Payments	**(12,127)**	-
Foreign exchange loss on lease liabilities	**11,028**	-
	95,800	-

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

21. Intangible assets

	2019	2018
Cost		
At 1 January	**3,530**	3,076
Additions upon acquisition	**4,235**	-
Acquisitions	**-**	454
Impairment loss	**(2,424)**	-
At 31 December	**5,341**	3,530
Amortisation		
At 1 January	**1,597**	810
Amortisation for the year	**1,586**	787
At 31 December	**3,183**	1,597
Carrying amount	**2,158**	1,933

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

22. Property and equipment (continued)

	2019	2018
Cost	**312**	572
Accumulated depreciation	**(244)**	(121)
Carrying amount	**68**	451
Proceeds from disposal	**(259)**	(451)
Gain on disposal	**(191)**	-

23. Deposits from banks and other financial institutions

	2019	2018
Deposits from local banks	**10,533**	37,051
Deposits from foreign banks	**27,856**	26,853
Deposits from other financial institutions	**5,016**	253
	43,405	64,157

24. Deposits from customers

	2019	2018
Current accounts	**218,176**	89,763
Savings accounts	**37,072**	32,847
Term deposits	**431,177**	184,377
	686,425	306,987

The 20 largest depositors constitute 28.8% (2018: 40.4%) of total deposits.

25. Other liabilities

	2019	2018
Accruals	**37,039**	5,860
Sundry creditors	**3,590**	849
Deferred income	**1,745**	1,087
Provision for off-balance sheet exposures	**370**	24
Others	**16,282**	3,742
	59,026	11,562

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

26. Stated capital

The Bank's authorised shares as at 31 December 2019 is 30 billion ordinary shares of no par value (2018: 30 billion ordinary shares) of which the following have been issued;

	2019		2018	
	No. of shares ('000)	**Proceeds ('000)**	No. of shares ('000)	Proceeds ('000)
Issued for cash consideration	**842,223**	**263,752**	287,642	143,752
Issued for consideration other than cash	**416,836**	**206,196**	23,200	11,600
	1,259,059	**469,948**	310,842	155,352

The Bank issued 393,636,043 shares to Banque Sahelo-Saharienne Pour l'Investment et Le Commerce (BSIC) in consideration for net assets of GH¢73,793,589 assumed from Sahel Sahara (BSIC) Bank (Ghana) Limited.

In September 2019 the Bank issued 554,581,606 ordinary shares to Ghana Amalgamated Trust Plc. The unpaid liability on these shares at 31 December 2019 amount to GH¢120,000,000. The unpaid liability on these shares have been settled in February 2020.

There are no treasury shares.

27. Statutory reserve

Statutory reserve represents cumulative amounts set aside from annual profits after tax in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The movements are included in the statements of changes in equity.

28. Credit risk reserve

Credit risk reserve is the amount set aside from retained earnings to meet the minimum regulatory requirements in respect of allowance for credit losses for loans and advances to customers in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The movement in credit risk reserve is included in the statement of changes in equity.

	2019	2018
Bank of Ghana provision on loans and advances to customers	**293,866**	51,739
IFRS ECL provision for loans and advances to customers	**105,919**	80,563
At 31 December	**187,947**	-

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

29. Retained earnings

The amount in retained earnings represents profits retained after appropriations which is attributable to shareholders.

30. Earnings per share

Basic and diluted 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.

	2019	2018
Loss attributable to equity holders	**263,167**	30,040
Number of ordinary shares ('000)	**1,259,059**	310,842
Weighted average number of ordinary shares ('000)	**1,095,394**	283
Basic earnings per share (expressed in Ghana pesewas)	**(3.21)**	(10.30)
Diluted earnings per share (expressed in Ghana pesewas)	**(3.04)**	(10.30)

31. Cash used in operations

	2019	2018
Loss before tax	**(263,167)**	(30,040)
Adjustments for:		
Depreciation and amortisation expense	**21,272**	8,154
Impairment of goodwill	**7,538**	-
Impairment of net assets acquired	**75,776**	-
Impairment on financial instruments	**81,905**	-
Impairment on intangible assets	**2,424**	-
Gain on disposal of property and equipment	**(191)**	-
Interest charged on finance lease	**4,122**	-
Unrealised exchange loss on lease liability	**11,028**	-
Changes in operating assets and liabilities		
Impact of IFRS 9 adoption	**-**	(29,606)
Impact of IFRS 16 adoption	**(15,987)**	-
Loans and advances to customers	**23,946**	(2,212)
Non-trading assets (maturing over 91 days)	**49,504**	165,541
Other assets	**1,036**	5,033
Deposits from customers	**84,410**	(119,162)
Deposits from banks and other financial institutions	**(121,485)**	(56,670)
Other liabilities	**42,039**	3,848
Cash generated from/(used in) operations	**4,170**	(55,114)

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

32. Contingent liabilities

Legal proceedings

There are legal proceedings against the Bank. There are no contingent liabilities as at 31 December 2019 associated with legal actions as professional advice indicates that it is unlikely that any significant loss will arise (2018: Nil).

Capital commitments

At the reporting date, the Bank had no capital commitments (2018: GH¢65,000) in respect of authorised and contracted projects.

Off-balance sheet items

The contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantees and other facilities are as follows:

	2019	2018
Financial guarantees	**33,179**	8,341
Letters of credit	**42,716**	-
Undrawn loan commitments	**12,422**	7,463
	88,317	15,804
Expected credit loss provision	**(370)**	(24)
	87,947	15,780

The movement on impairment allowance on off balance sheet items are as follows:

At 1 January	**24**	-
Impairment charge	**346**	24
At 31 December	**370**	24

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

33. Related parties

Parties are considered to be related if one party has control or significant influence over the other party or is a member of its key management personnel.

	2019	2018
Transactions carried out with related parties		
Costs for services from BSIC Head Office	**904**	-
Interest expense on borrowings from BSIC Head Office	**12**	-
Due from related parties		
Alwaha Bank	**723**	-
BSIC Burkina Faso	**74**	-
BSIC Chad	**168**	-
BSIC Cote D'Ivoire	**62**	-
BSIC Gambia	**15**	-
BSIC Libya (Head Office)	**710**	-
BSIC Mali	**958**	-
BSIC Niger	**6**	-
BSIC Senegal	**79**	-
BSIC Sudan	**3,836**	-
Cosmopolitan Health Insurance Limited	**293**	315
Excellent Builders Construction Company Limited	**198**	198
J. A. Plant Pool (Ghana) Limited.	**-**	6,200
Jospong Group of Companies	**3,656**	3,731
JSA Logistics Limited	**1,512**	-
UCS Ghana Limited	**-**	12
Waste Landfills Company Limited	**1,006**	-
Yutong Ghana	**-**	203
	13,296	10,659

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

33. Related parties (continued)

Due to related parties	**2019**	2018
Able Consult International Limited	**15**	-
Able Environmental Cleanliness Technology Ltd	**11**	12
Accra Compost and Recycling Plant	**24**	3,273
Acreaty Ghana Limited	**2**	88
Adehyeman Waste and Allied Services Limited	**11**	24
Adroit Pro Ghana Limited	**158**	18
Africa Institute of Sanitation and Waste Management	**11**	342
Agyepong Joseph Siaw	**14**	6
AH Hotel and Conferences Limited	**1,887**	1,149
Alliance Waste Limited	**-**	144
Appointed Time Screen Printing	**106**	95
Atomz Solutions Limited	**-**	25
Ayensu Starch Company Limited	**7**	25
Better Ghana Management Service Ltd	**174**	175
Budox Construction Company Limited	**2**	2
Coastal Waste Management Services Limited	**-**	20
Cosmopolitan Health Insurance Limited	**1,307**	2,120
Docupro Limited	**2,142**	5
Dredge Masters Limited	**3,702**	2,097
Eastern Waste Management Services Limited	**-**	1
Excellent Builders Construction Company Ltd.	**-**	1
Great Consolidated Diamonds Ghana Limited	**2**	2
J. A. Hiring Limited	**-**	86
J. A. Plant Pool (Ghana) Limited	**27**	18
J. A. Plantpool-Weichai	**2**	3
J. A. Quarry Limited	**-**	1
Jorninas Enterprise	**1**	6,017
Jospong Group of Companies	**-**	183
JSA Logistics Limited	**1**	2

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

33. Related parties (continued)

Due to related parties (continued)	**2019**	2018
J.S.A Farms Limited	**7**	-
Jubilee Tractor Assembly Plant Ltd.	**31**	155
Kimpton Trust Limited	**20**	39
Kingdom Business Link Venture Capital Limited	**6**	6
KS Biosanitation System Limited	**-**	10
Las Liberty School	**2**	-
Lydia Mensah	**2**	-
Media T.V. Limited	**108**	10
Melchia Investments Ghana Limited	**-**	2
Meridian Waste Management Limited	**1,622**	1,877
Metropolitan Entertainment Television Ltd (METRO TV)	**-**	14
Metropolitan Waste and Allied Services Limited	**111**	97
Millenium Life Insurance Limited	**71**	2,010
Pro Writing Limited	**1**	-
Road Safety Management Services Ltd	**1**	3
Royal Heritage Logistics Ltd	**122**	116
Savannah Waste Management Services Limited	**-**	13
Sewerage Systems Ghana Limited	**-**	34
Street Naming Ghana Admin Account	**7**	7
Subah Holding Company Limited	**4**	5
Subah Infosolutions Ghana Limited	**20**	49
Tiberias Ghana Limited	**58**	384
Tropical Waste Management Limited	**180**	143
UCS Ghana Limited	**10**	70
Union Client Millenium Insurance Co. Ltd	**5,363**	5,602
Universal Plastic Products & Recycling Ltd	**94**	-
Vanguard Technology Ghana Limited	**-**	48
Vehicle Assembling Plant Ghana Limited	**21**	1,122

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

33. Related parties (continued)

Due to related parties (continued)

	2019	2018
Volta Waste Limited	**2**	73
Waste Landfills Company Limited	**153**	50
Western Waste Limited	**-**	10
Yutong Ghana Limited	**111**	453
Zoil Services Limited	**328**	279
Zoomlion - RI & D	**6**	6
Zoomlion Domestic Services	**122**	335
Zoomlion Foundation	**13**	19
Zoomlion Ghana Limited	**23,433**	6,555
Zoomlion Private Transport	**98**	53
Zoompak Ghana Ltd	**52**	**89**
	41,785	**35,672**

Transactions with directors

Emoluments, pensions and other compensation of directors amount to GH¢1,34 million (2018: GH¢737,000). Remuneration paid to non-executive directors in the forms of fees, allowances and other related expenses are disclosed in note 13.

Loans to executive and non-executive directors

At the reporting date, loan balances due from executive and non-executive directors was GH¢1.38 million (2018: GH¢1.38 million).

34. Corporate social responsibility

The Bank did not undertake any corporate social responsibility activities during the year (2018: Nil).

35. Business combination

Under a definitive merger agreement OmniBank Ghana Limited issued 393,636,043 ordinary shares of no-par value to Banque Sahelo-Saharienne Pour l'Investment et Le Commerce (BSIC) as consideration for assuming the net assets of Sahel Sahara (BSIC) Bank (Ghana) Limited.

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

35. Business combination (continued)

The fair value of assets and liabilities assumed as a result of the acquisition are as follows:

	2019	2018
Assets		
Cash and balances with banks	**177,492**	-
Loans and advances to customers	**189,972**	-
Non-trading assets	**43,414**	-
Other assets	**23,398**	-
Non-current asset held for sale	**6,670**	-
Intangible assets	**4,235**	-
Property and equipment	**30,362**	-
Total assets	**475,544**	-
Liabilities		
Deposits from banks and other financial institutions	**100,733**	-
Deposits from customers	**295,028**	-
Other liabilities	**5,989**	-
Total liabilities	**401,750**	-
Net identifiable assets acquired	**73,794**	-
Goodwill	**120,802**	-
Net assets acquired	**194,596**	-

The goodwill is attributable to the synergies from customer relationships of Sahel Sahara (BSIC) Bank (Ghana) Limited.

The movement in goodwill is as follows:

	2019	2018
At 1 January	**-**	-
Goodwill on acquisition	**120,802**	-
Impairment of goodwill	**(120,802)**	-
At 31 December	**-**	-

36. Non-compliance with sections of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (act 930)

The minimum capital adequacy ratio under Section 29 of Act 930 is 13%. As at 31 December the Bank did not meet the minimum capital adequacy requirement because it had a deficit of 37.9%

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

37. Events occurring after the reporting period

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.

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The Bank is, however, not able to produce a reliable estimate of this impact at this point. The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.

Appendix I

Shareholders' information

	2019		2018	
	No. of shares	% of shares	No. of shares	% of shares
Banque Sahelo-Saharienne Pour L'Investment et Le Commerce (BSIC)	**393,636,043**	**31.26%**	-	-
Joseph Siaw Agyepong	**306,841,600**	**24.37%**	279,241,600	98.71%
Cynthia Agyepong	**4,000,000**	**0.32%**	4,000,000	1.29%
Ghana Amalgamated Trust Plc	**554,581,606**	**44.05%**	-	-
	1,259,059,249	**100%**	283,241,600	100%

Appendix II

VALUE ADDED STATEMENT

(All amounts are in thousand Ghana cedis)

	2019	2018
Interest earned and other operating income	**111,240**	125,586
Direct cost of services and other costs	**(141,983)**	(90,502)
Value added by banking services	**(30,743)**	35,084
Non-banking income	**-**	-
Impairments	**(165,219)**	(31,513)
Value added	**(195,962)**	3,571
Distributed as follows:		
To employees		
Directors (without executives)	**(97)**	(737)
Executive directors	**(1,247)**	(457)
Other employees	**(44,589)**	(24,384)
	(45,933)	(25,578)
To Government		
Income tax	**-**	(2,000)
To providers of capital		
Dividends to shareholders	**-**	-
To expansion and growth		
Depreciation and amortisation	**(21,272)**	(8,033)
Retained earnings	**(263,167)**	32,040