UBA

United Bank for Africa

Africa's Global Bank

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UBA
United Bank for Africa
Make every moment count
*822#

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PERFORMANCE HIGHLIGHTS

Figures are in millions of Ghana Cedis

GROSS EARNINGS

575

2018	605
2017	670

PROFIT AFTER TAX

188

2018	152
2017	220

PROFIT BEFORE TAX

282

2018	213
2017	315

CUSTOMER DEPOSITS

2,339

2018	2,115
2017	2,074

LOANS

949

2018	634
2017	1,099

SHAREHOLDER'S FUNDS

830

2018	642
2017	549

TOTAL ASSETS

4,498

2018	3,564
2017	2,963

	2019	2018	2017
Gross earnings	575	605	607
Profit before tax	282	152	220
Profit after tax	188	213	315
Customer deposits	2,339	2,115	2,074
Loans	949	634	1,099
Shareholder's funds	830	642	549
Total assets	4,498	3,564	2,963


UBA
United Bank for Africa
Use your UBA Card for everything
UBA
Debit
5199 1101 5665 1510
EXPIRES END OF 12/20
ADEYINKA AHMED OBI
LOST IN SPACE
POP CORN
PASSPORT
Canon
VISA
Verve
Travel | Shop | Eat | Play | Lounge

Business Overview

A brief review of the Bank's Financial and Operational performance in the past year

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CORPORATE PROFILE

United Bank for Africa Plc

January 2005, a pioneering year for United Bank for Africa (Ghana) Limited, as they chartered a new path of entry into Ghana, birthing a new generation of foreign banks and changing the landscape of relationship banking.

The vision and strategy of Pan-Africanism was simultaneously birthed by United Bank for Africa (UBA) Plc which until that moment was simply a leading financial service bank operating in all regions of Nigeria. When the subsidiary in Ghana was created, UBA then grew into group status in Sub-Saharan African region, now with presence in 20 African countries: Ghana, Benin Republic, Cote d'Ivoire, Burkina Faso, Guinea, Chad, Cameroon, Kenya, Gabon, Tanzania, Zambia, Uganda, Liberia, Sierra-Leone, Mozambique, Senegal, Congo DR, Congo Brazzaville, and Mali, as well as United Kingdom, United States of America and France. 2005 was truly historic for UBA as it was in this same year it completed one of the biggest mergers in the history of Nigeria's capital markets with the business combination of Standard Trust Bank (STB) Plc and the then United Bank for Africa.

The origin of UBA dates back to 1949 when it was first referred to as the British and French Bank Limited (BFB). It took over the assets and liabilities of BFB and was incorporated as a limited liability company on 23 February, 1961 under the Compliance Ordinance (Cap 37) 1922.

UBA was the first Nigerian bank to make an Initial Public Offering (IPO), following its listing on the Nigerian Stock Exchange (NSE) in1970. It was also the first bank to issue Global Depository Receipts (GDRs).

Who We Are

"We work for one of the strongest and most successful financial services institutions in Africa. Our bank, the United Bank for Africa and our brand have grown significantly and require no introduction across our Continent. We should be proud of what we have achieved and I look forward to welcoming further countries into our family this year, as we deliver on our promise to be Africa's Global Bank." Kennedy Uzoka UBA GMD, Jan 2017.

UBA is a full financial service institution offering a plethora of unique banking products and services. As Africa's global bank, UBA Ghana has developed a branch footprint and delivery network that has ensured that the bank's services are always within the reach of valued customers. In line with the bank's positioning statement and strategic intent, UBA Ghana has a footprint of 26 fully networked branches, 2 agencies and close to 60 visa enabled ATM's spread across Accra, Tema, Tarkwa, Tamale, Takoradi, Kumasi, and Aflao.

What We Do

United Bank for Africa (Ghana) Limited, is a subsidiary of the United Bank for Africa Plc which is one of Africa's leading financial institutions with assets in excess of US$20 billion and offering services to more than 7.5 million customers across 850 branches and over 2000 ATMs in 20 African countries.

The bank's new goal is simple. Excellent Service …Delivered. We have interrogated ourselves, our processes and the evolving internal and external environments. We have challenged who we are, what we want to be known for and how we want to do business. This exercise, has given us a new Corporate Goal: 'Excellent Service…Delivered'.

To deliver this, we have fundamentally refined our Core

Values, to ensure our commitment to deliver:

Enterprise. Excellence. Execution (EEE).

These values will drive all our actions towards our internal and external customers. Since August 1, 2016, we have directed efforts in the three critical areas:

- Deployment of customer focused IT systems
- Re-engineering our processes to speak to what the customers really need; and
- Creating a workforce of engaged and productive People.

Our People:

People are central to our new Corporate Strategy.

Our Processes:

Our Processes speak to how we serve our customers. We are challenging the status quo, to completely align our processes ground-up from the customer's perspective.

Our Technology:

We have continued to increase investment in Information Systems (IS) and Digital Banking Channels reliability to attain overall positive customer experience.

With presence in New York, London and Paris, UBA is connecting people and businesses across Africa through retail and corporate banking and our innovative Africa Trade Platform.

UBA Plc has been rated by "the Financial Times Magazine" as one of the five African banks in the top global 500 banks and the second fastest growing brand in the world and by the Boston Consulting Group as one of the top "40 African Challengers" on account of globalization, workforce and asset diversity, cash flow and leverage ratio.

UBA VISION

To be the undisputed leading and dominant financial services institution in Africa.

UBA MISSION

"We shall be a role model for African businesses by creating superior value for all stakeholders; abiding by the utmost professional and ethical standards and building an enduring institution"

CORE VALUES

Our corporate identity rests on our core values. These values are: **Enterprise . Excellence . Execution**

United Bank for Africa (Ghana) Limited

Our objective has been to become Africa's leading and most respected Pan African bank. Our purpose is to be where the growth is, connecting customers to opportunities. We have engaged businesses to discover their potential and to prosper, by helping people fulfill dreams and realize their ambitions. We have developed the primary strategy of our Parent company into our own secondary and tertiary strategies that reflect our purpose and distinctive advantage:

- To be a fully automated network of business offices connecting Ghana to Africa and the world. We are well positioned to capture intercontinental trade and to be the conduit for capital inflows. Our reach and range of services place us in a strong position to serve clients as they grow from small enterprises into diverse businesses all over Ghana and Africa.
- To combine sound financial management with a delicate mix of some embryonic and some maturing wholesale and retail banking on a local scale with a global view: we aim to make the most of opportunities arising from the developing economy we deal in along with the demographic changes in our dynamic industry sectors. We will study the pace carefully and deal in full-scale private and public sector markets and businesseswhere we can achieve profitable margins at varying levels.

As the flow of goods, agriculture, oil and gas services as well as trade continues to expand, driven by the new FinTech revolution of mobile money, digital and virtual banking and technology, we in turn expect to be within and amongst the top tier in Ghana, becoming strong enough to be termed a Systemically Important Bank.

The growth of our industry is bringing the people of Ghana into the global middle class, and United Bank for Africa (Ghana) is one of the few truly Pan African banks with the financial backing as well as trade and capital flows that can connect our customers to the fastergrowing and developed markets. We have a diversified banking model that supports a strong capital and funding base, reduces our risk profile and volatility, and generates stable shareholder returns. These are distinctive competitive advantages that the Bank will bring to its customers, going forward.

2020 Outlook

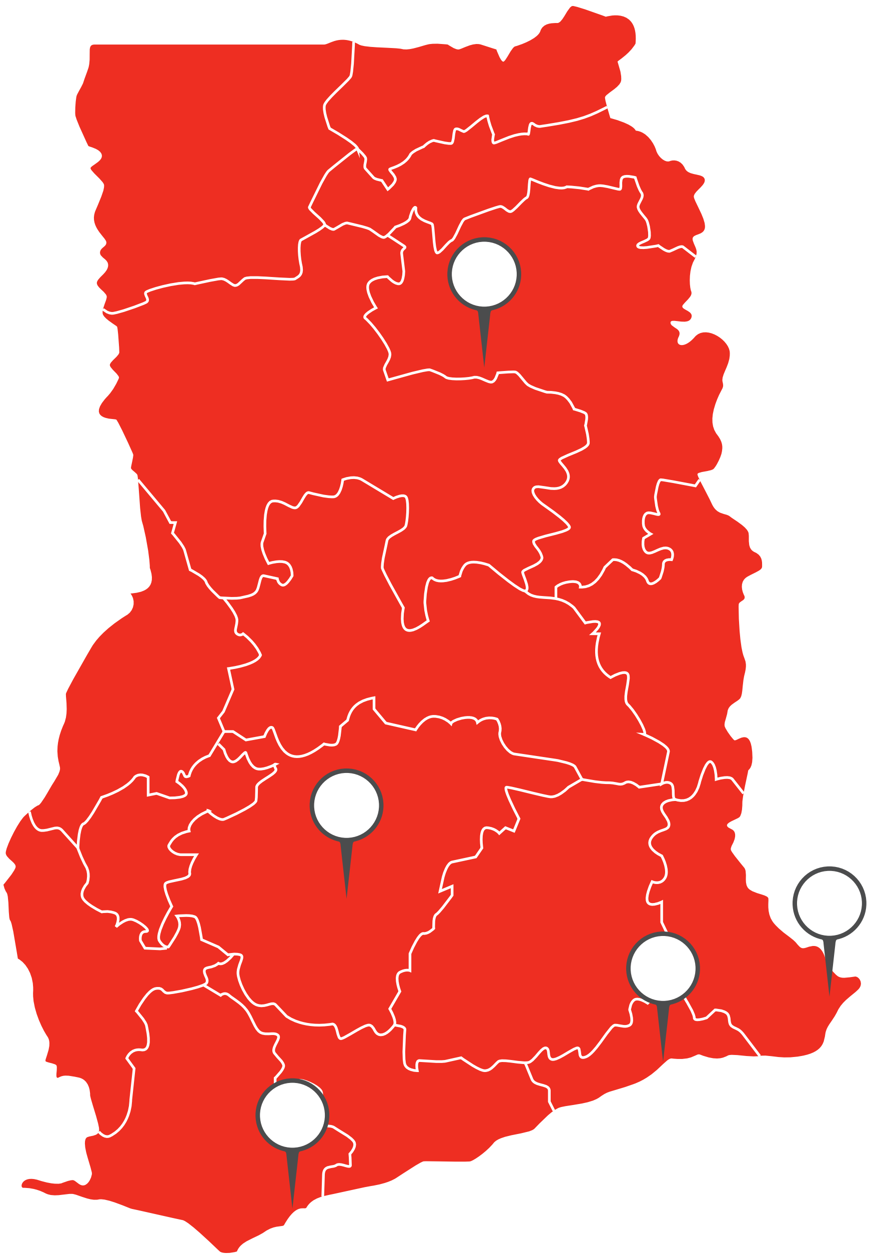
The Ghanaian economy is forecasted to grow by 6.8% in 2020 relative to the provisional outturn of 7.0% in 2019 (Ghana's Budget Statement, 2020). Ghana Government's 2020 real GDP growth projection is in line with World Bank's 6.8% real GDP growth projection for the Ghanaian economy in 2020 fiscal year (World Bank, 2020).

Ghana Government is seeking to leverage the growth potentials in both the Agricultural and other Non-Oil Sectors anchored on Agriculture modernization, industrialization through the One-District-One Factory program, improved cocoa and gold prices as well as the anticipated benefit from the African Continental Free Trade Agreement (ACFTA) and foreign direct investments to achieve the projected 6.8% real GDP growth in 2020 fiscal year.

Meanwhile, fiscal slippages, unfavourable external environment, the potential effect of the spread of COVID-19 amongst the populace, capital flight, tax revenue shortfall, a slump in crude oil prices, contraction in business and investment activities usually associated with general elections and recent pressures on the local currency pose a major risk to the realization of Ghana's forecasted GDP growth in 2020.

According to Ghana's 2020 budget statement, a fiscal deficit of 4.5% of GDP is projected for the year compared to the 2019 provisional outturn of 4.8%. Government of Ghana has resolved to operate within the fiscal responsibility space that restricts annual budget deficit to 5% of GDP (Ghana's Fiscal Responsibility Act 2018). Though Ghana's annual debt accumulation rate hovered around 21% in both 2018 and 2019 mainly driven by cost of the financial sector clean-up, debt servicing burden is projected to ease in 2020 relatively in conformance with its Government's debt sustainability strategy. Meanwhile, debt servicing shall remain a major challenge to the Government of Ghana's fiscal operations in 2020 and could drain the fiscal space if the election-related expenditure is not prudently managed.

We are expanding our footprints to new capital cities and major commercial centres. Today, we are a true national bank, helping to create new possibilities for business across Ghana.



Greater Accra Region

Head Office
Accra Central
Kantamanto
Achimota
Ring Road
Labone
Abossey Okai
North Industrial Area
Dzorwulu Central
Airport
Abeka Lapaz
Madina
Spintex
Teshie
Tema Community 1
Tema Community 4
East Legon - American House
East Legon - Lagos Avenue

Ashanti Region
Adum
Kejetia
Tanoso
Alabar
Suame
KNUST

Western Region
Takoradi
Tarkwa

Volta Region
Aflao

Northern Region
Tamale

Business Review

A summary of the changing landscape we operate in, and how that has shaped our strategy and financial position

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CHAIRMAN'S STATEMENT

HON. KWAMENA BARTELS

Esteemed Shareholders,

On behalf of the Board of Directors, it is my honour to present to you the Annual Report and Accounts of United Bank for Africa (Ghana) Limited for the 2019 financial year.

2019 was a very important year for our Bank as we leveraged on the success of our recapitalization exercise in 2018, to become better placed to deliver significant value to you. Our larger equity base has enabled us finance bigger ticket transactions and actively support the growth of the key sectors of the Ghanaian economy, in line with our aspiration of becoming a Systematically Important Bank in Ghana with dominant market share in the key sectors of the economy. The modest success of these measures is evident in the accounts we are presenting to you today.

As expected, following the conclusion of the banking sector reforms, we witnessed a stronger and more stable banking sector characterized by increased competition from traditional peers as well as emerging Fintech Companies. It is my pleasure to report that our resilient and resolute customer-focused business approach has, once again, enabled us to defy these challenges and recover our profitability momentum. Our financial results provide further evidence of the resilience of our business model, strong Board oversight and the dedication of the Management and staff.

I will like to highlight some of the key global and local events that characterized the year after which I will review our performance and outlook.

Operating Environment

Global economic growth witnessed a slow-down in 2019 mainly due to geopolitical factors stemming from the protracted Brexit negotiations and trade tensions between the United States and China. As a result, global growth outturn for 2019 is estimated at 2.9% compared to 3.6% growth recorded in 2018. The global economy witnessed modest signs of recovery in January 2020 following the signing of the Phase 1 trade deal between the United States and China and the successful UK election in December 2019. These positive expectations have however given way to significantly reduced global growth forecasts as a result of the Coronavirus (COVID-19) pandemic which has spread to a large number of countries across the globe with the IMF now estimating that global growth for 2020 will slow down significantly from the projected 3.3% to rates far below the 2019 outturn of 2.9%.

Headline inflation in advanced and emerging market economies remained contained throughout 2019, reflecting moderated wage growth. In response to the low inflation environment, central banks in major advanced economies pursued accommodative monetary policy to support growth. For instance, the major central banks—US Federal Reserve and the European Central Bank, either cut or kept their policy rates unchanged in the second half of 2019. These policy actions contributed significantly to favourable global financing conditions with positive effects on capital flows to emerging and developing market economies as investors searched for higher yields.

On the domestic front, GDP growth outturn for 2019 is estimated at 7.0% which is slightly higher than 6.1% recorded in the previous year. Headline inflation remained at single digit throughout the year declining from 9.3% at the beginning of year to 7.9% in December 2019. The Monetary Policy Committee of the Bank of Ghana maintained the policy rate at 16% throughout the year as the inflation outlook remained broadly stable and is set to remain within the medium target band of 8±2%. Rates on the Government of Ghana treasury securities increased only slightly across the various maturities on the yield curve.

The Ghana Cedi experienced significant depreciation in 2019 depreciating by 12.4%, 11.2% and 15.7% against the US dollar, the Pound sterling and the Euro respectively. However, the Cedi showed signs of recovery in the first quarter of 2020 with a 5% appreciation in early 2020, on the back of the commencement of sale of FX forwards by the Bank of Ghana and the oversubscription of the $3billion Eurobond issued by the Government of Ghana.

Following the conclusion of the banking sector recapitalization exercise in December 2018, the banking industry came out stronger recording improvements in key industry ratios including earnings, liquidity, capital adequacy and non-performing loans, signifying positive dividends from the reform programme. In addition, enforcement of the new Corporate Governance Directives issued by the Bank of Ghana as part of the industry reforms led to changes in the composition of the Boards of several banks including our Bank. I am pleased to report that we are largely in compliance with the new Directives which are expected to further enhance our capacity to provide effective oversight and support to Management.

In the course of the year, the focus of the industry reforms shifted to the microfinance companies, savings and loans companies and finance houses. The Bank of Ghana completed the clean-up of the banking, specialized deposit-taking (SDI), and non-bank financial institutions (NBFI) sectors with the revocation of the licenses of 347 microfinance companies (of which 155 had already ceased operations), 39 microcredit companies (10 of which had ceased operations), 15 savings and loans and companies and 8 finance houses. Funds have been made available by the Government to settle validated depositors' claims in respect of these financial institutions.

These interventions by the Bank of Ghana are expected to further promote stability of the financial system and restore confidence in the banking and specialized deposit-taking sectors.

Financial Performance

Our Bank recorded growth across our key indices for the 2019 financial year. Customer deposits and total assets grew by over 11% and 26% respectively. Our retail deposits grew 15% year-on-year and now contributes 50% of our bank's customer deposit funding. The growth in retail deposits which is largely a stable, low cost source of funding, provides further stability to our balance sheet and reinforces our outlook on stronger net interest margin and profitability in the years ahead. We are also highly encouraged by our retail deposits growth as it is a testament of our improved service channels, digital banking offerings and enhanced customer service. We remain optimistic about the strides being made in the Corporate Banking space as we continue to on-board key target customers and grow our wallet size of existing customers, by providing superior customer service supported by our array of digital banking products.

Despite a decline in gross earnings this year, our profit-before-tax and profit-after-tax increased by 32% and 24% respectively driven mainly by an increase in non-funded income particularly foreign exchange trading income, trade finance income and digital banking income. Notwithstanding the introduction of statutory costs following the implementation of the Ghana Deposit Protection scheme in Ghana and our continued investment in people and infrastructure, our total operating expenses declined by 11% contributing to the achievement of our target cost-to-income ratio of 27%.

Our key profitability indicators also remained strong as we recorded post-tax return on assets and post-tax return on equity of 4.7% and 25.6% respectively. Despite a 50% year-on-year growth in our net loan book, our liquidity and capital adequacy ratios remained strong. We recorded average liquidity ratio of 84% for the year while we closed the year with a capital adequacy ratio of 22.3%, well above the 13% regulatory minimum.

Our ability to grow our customer deposits base, total assets and profitability in such a competitive banking industry is a source of pride. I believe you will join me in congratulating the Management team for their hard work and determination while also encouraging the team to do even more as we continue to strive towards our aspiration of becoming a systematically important bank in Ghana.

Retirement of Directors and New Appointments

During the year, Mr. Kenneth Chikezie Orji, a Non-Executive Director and former Chairman of the Board, resigned his appointment. On behalf of every shareholder, the Board, Management and Staff of our Bank, I want to say thank you to Ken for his active contributions to the growth of our Bank and wish him the best in his future endeavours. We will surely miss his immense experience and enterprise but we take comfort in the knowledge that we can continue to count on his support.

In line with our sound governance practice and to ensure full leadership bandwidth, the Bank of Ghana has approved the appointment of four new directors. Fellow shareholders, I will like you to join me in welcoming our newly appointed directors; Mr. Samuel Ayim, Mr. Ivan Avereyireh, Mr. Francis Koranteng and Mrs. Abiola Bawuah, the immediate past MD/CEO of our Bank. Our new directors will bring new perspectives and vast experience across different sectors of the Ghanaian economy and more importantly, decades of hands-on experience in the financial services sector.

Outlook

Global growth expectations for 2020 have been revised downwards due to the heightened uncertainties in global financial markets arising from the impact of the Coronavirus (COVID-19) pandemic which has spread from China to almost all countries across the world leading to a sharp downturn in global stock prices and disruptions to global supply chains resulting in adverse implications for the global economy.

In response to the potential adverse effects of COVID-19 on growth in 2020, major central banks have cut interest rates, in addition to other measures to stabilize global financial markets. The US Federal Reserve cut its policy rate by 150 basis points and introduced measures aimed towards easing tightening financing conditions. Other central banks in emerging and frontier market economies are expected to follow suit.

In Ghana, GDP outlook for 2020 which was previously forecast by the International Monetary Fund (IMF) at around 6.8% has been revised downwards due to the COVID-19 pandemic which is expected to impact Ghana through a number of channels. There is the expectation of decline in global demand for crude oil exports with major implications for foreign exchange and tax revenues, export restrictions from advanced economies resulting in supply chain shortages for Ghanaian businesses and general lull in economic activity due to temporary border closures and reduced business operations as private businesses and public entities take necessary precautions to combat the spread of the virus. As a result, revised forecast GDP growth for 2020 based on Bank of Ghana estimates is 5% in a baseline scenario and 2.5% in a worst case scenario.

The Bank of Ghana has announced a number of measures to mitigate the impact of COVID-19 on the Ghanaian economy including a 150 basis points drop in the policy rate to 14.5% and a reduction in the required reserve requirement from 10% to 8%.

The Government of Ghana through the Ministry of Finance has also proposed a number of fiscal measures aimed at mitigating the impact of the pandemic including the establishment of a COVID-19 Fund to be managed by an independent Board of Trustees, a $3 billion syndicated facility to support industry, reduction in lending rates and granting of moratorium of principal repayments for selected businesses.

Despite the economic uncertainties, we remain steadfast in our belief that these challenges are only temporary and together we will overcome them. Our customers can always count on our array of digital banking products as services to meet their immediate banking needs. In addition, as part of our contributions towards supporting the Government's efforts at containing the disease, UBA Ghana has made a contribution of GHS 1,925,000 to the Government of Ghana.

Appreciation

On behalf of the Board and shareholders, I like to express our sincere gratitude to all our cherished customers; corporates, individuals and institutions. We appreciate your business and reassure you of our commitment to meeting your need at all times.

Fellow shareholders, please join me in commending members of the Board and the Management for their selfless service towards delivering on our common goal of becoming a systematically important bank in Ghana. To all staff, I say thanks for your tenacity and enterprise in breaking barriers and staying true to the pledge of delivering excellent service to our esteemed customers.

Finally, I would like to thank every shareholder for the loyalty, support, understanding and commitment on this journey. Let me reassure you that our Bank is on a stronger footing to gain market share and achieve our collective aspiration. On this note, I implore everyone to please remain steadfast and supportive on this path to greatness.

Thank you.

MANAGING DIRECTOR'S REPORT

MR. ISONG UDOM

Dear Shareholders,

It is my pleasure to present to you, the annual report for the 2019 financial year. This being the first full year of my stewardship, I would like to start by expressing my appreciation to all our shareholders for their continued support and belief in us to steer this institution on the sustainable path of achieving industry leadership in Ghana. I would also like to express my thanks to the Board of Directors for their unflinching support and commitment to sound governance and oversight.

My special thanks also goes to our esteemed customers who are the essence of our corporate existence and whose loyal patronage has been the source of our success over the years. We appreciate the positive and constructive feedback from our customers, as this continuously drives our process and service improvement initiatives. I want to use this opportunity to further reiterate our strategic focus of building a customer-focused organisation which underpins our business model.

I would now like to provide a brief background on the macroeconomic and industry developments which shaped our operating environment in 2019 and impacted on our financial performance for the year, after which I will outline our strategic imperatives and outlook for 2020.

Operating Environment

2019 was characterized by a slow-down in global growth arising from escalation in trade tensions between China and the U.S, "Brexit" uncertainty and geopolitical instabilities in the Middle East – resulting in a dampening of investor sentiments. As a result, global growth outturn for 2019 is estimated at 2.9% compared to 3.6% growth recorded in 2018. Headline inflation in advanced and emerging market economies remained contained throughout 2019, reflecting moderated wage growth. Major central banks reacted to the weaker outlook by loosening monetary policy. The US Federal Reserve cut interest rates three times by 25 basis points each, while the European Central Bank (ECB) cut its deposit rate to -0.5 % from -0.4 %, and resumed asset purchases.

Amidst this global slowdown in 2019, the Ghanaian economy remained resilient with GDP growth outturn estimated at 7.0% compared to 6.1% in 2018. The growth was attributed to improvements in the macroeconomic and fiscal environment accompanied by expansion in domestic demand due to increased private consumption.

Domestic headline inflation, was largely subdued during the year, declining from 9% in January 2019 to end the year at 7.9%. The Monetary Policy Committee of the Bank of Ghana maintained its policy rate at 16% throughout the year. Interest rates across the various maturities witnessed marginal increases largely due to negative investor outlook on the global economy and its impact on the Ghanaian economy. 2019 however saw the Ghana Cedi depreciating against the major trading currencies with decline of 12.9%, 15.7% and 11.2% against the US Dollar, British Pound and the Euro respectively.

Interest rates largely remained flat during the year. At the end of December 2019, the 91-day treasury bill rate had inched up marginally to 14.7% from 14.6% at the beginning of the year. Similarly, the 182-day instrument started the year at 15.0% and rose to end the year at 15.2%. On the interbank market, lending rates declined to 15.2% compared to 16.1% a year ago. Average lending rates by banks was at 23.9% down from 26.9% a year ago. The Ghana Reference Rate also declined to 16.1% in December 2019 compared to 16.6% in December 2018.

Banking Sector Developments

Following the regulatory reforms undertaken to strengthen the banking sector in 2018, the sector experienced significant improvement in performance in 2019 reflected in the growth of banks' balance sheet size and profitability.

Total banking industry assets grew by 22.8% from GHS105.1billion in December 2018 to GH¢129.1 billion in December 2019. Total deposits also increased to GHS 83.5 billion as at December 2019, growing by 22.8% from GH¢68.3 billion in December 2018. Total profit of banks increased to GHS3.31 billion against GHS2.4 billion for 2018 representing a 37.7% increase compared to 12.5% in 2018. The increase in profit in 2019 was on the back of strong increases in both net interest income and fee and commission income which far outstripped growth in operating expenses. Key industry ratios including Capital Adequacy Ratio and NPL's have also improved.

The clean-up of the banking, specialized deposit-taking (SDI), and non-bank financial institutions (NBFI) sectors by the Bank of Ghana continued in 2019, with the regulator revoking the licenses of 347 microfinance companies (of which 155 had already ceased operations), 39 microcredit companies (10 of which had ceased operations), 15 savings and loans and companies and 8 finance houses. Funds have been made available by the Government to settle validated depositors' claims in respect of these financial institutions. This clean up formed part of the measures by the Bank of Ghana to further promote stability of the financial system and restore confidence in the banking and specialized deposit-taking sectors.

The emergence of new payment streams and Fintech companies and the general acceptance of electronic money in Ghana has necessitated the provision of a legal and regulatory framework for the orderly development of the payment system. The Bank of Ghana in response, introduced the Payment Systems Act, 2019 (Act 987) as part of a broad strategy to create an enabling regulatory environment for convenient, efficient and safe retail payments and funds transfer mechanism. The Act prescribed among other things, the minimum capital requirements, permissible activities and fees for all categories of payment service providers and Fintech companies. The implementation of this Act is expected to further liberalise the payment system and allow for the entry of non-banks and ultimately promote financial inclusion to facilitate electronic means of payment. UBA Ghana is positioning and collaborating to be a key player in this space.

Financial Highlights

Despite the highly competitive operating environment, we leveraged our franchise and deepened our market share across our key focus sectors by increasing our share of existing customer's wallet while also on-boarding new customers. Overall, we grew total assets by GHS 934 million representing a 26% increase to close at GHS 4.5 billion for 2019. This growth was largely funded by growth in deposits from customers and banks and shareholders' funds. Despite the tight liquidity in the market, we recorded modest growth of 11% in customer deposits to close at GHS 2.34 billion at the end of the year. We are particularly pleased with the growth in our retail deposits which is a testament to our investment in service channels, digital banking offerings and broader customer service. Despite our relatively moderate risk appetite, our net loan book also grew 50% year-on-year in line with our commitment to continue to support the key sectors of the economy.

We recorded profit before tax of GHS 281.6 million and profit after tax of GHS 188.1million representing impressive year-on-year growth of 32% and 24% translating to a 25.6% post-tax return on average equity and a 4.7% return on assets. Though we recorded a year-on-year decline in net interest income, we leveraged our transaction banking channels, digital banking products and trade offerings to grow non-funded income to 18%

of gross earnings. We remain optimistic that our investments in alternative channels will continue to support the growth of our non-interest income lines which we believe should contribute 40% of gross earnings in the medium term.

We have continued to reap the benefits of these investments on our cost efficiency as we recorded year-on-year decline of 11% in operating expenses, following the 39% decline recorded in 2018. It is also pleasing that our cost-to-income ratio, one of our key performance indicators, further improved to 27.1% from 28.8% in 2018. The relative success of our loan recovery efforts is also encouraging and significantly contributed to the marked decline in loan impairment charges for the year.

We remain very liquid and well-capitalized, with capital adequacy ratio of 22.3% which is well above the regulatory minimum. Our capital buffer remains strong to support our growth, particularly as we are also leveraging internally generated capital by way of prudent and proactive earnings retention. Further reinforcing the health of our balance sheet is our liquidity which averaged 84% during the year.

While we made modest progress towards our targets in 2019, we do not intend to rest on our oars. We will continue to explore opportunities and devote attention to the execution of the several initiatives that emanate from the on-going transformation agenda across the UBA Group. We will always strive to deliver our services in a sustainable way and ultimately be able to predict and deliver on our customers' preferences.

Strategic Focus

In order to achieve our mandates for 2020 and beyond, we will be guided by the following key strategic imperatives:

i. To become a Systematically Important Bank in Ghana

ii. Driving internal efficiency

iii. Be the preferred bank for trade and remittance flows

iv. Adapt best-in-class Corporate Governance to diligently execute on all strategic initiatives

v. Make our virtual channels simple, functional, reliable and available to serve our customers

vi. Drive people productivity

vii. Fully extract inherent synergies in our unique Pan-African platform to position UBA as the number One Pan-African Bank

Every staff member has become well acquainted with these imperatives and is fully committed to delivering on the set broad goals, with measurable key performance indicators. These strategic themes have created a greater intensity of focus and provided a whole new energy for our drive towards industry leadership.

We remain committed to the welfare of our workforce and in the course of 2019, we introduced a new workforce model that streamlined the grade structure, offering significantly faster career progression opportunity for performing employees. Furthermore, to celebrate the invaluable contribution of our staff to the modest achievements recorded in 2019, we have elevated a significant number of our employees and implemented pay-increases across various cadres. This pay increase took effect from 1 January 2020 and we are very grateful to the Board for their support.

I am pleased to report that we have secured regulatory approval to launch "Leo" our pioneer Artificial Intelligence-based (AI), virtual conversational banking platform, which will provide seamless banking services to our customers. This product has already gained global attraction after being the only Chatbot showcased by the Facebook CEO in 2019. "Leo" has been launched successfully in UBA Nigeria and a number of other countries with UBA presence and has recorded significant accounts acquisition and increased transaction volumes. Leo has become a lifestyle partner to our youthful customers, exceeding the boundaries of traditional banking. I am very excited about the impact "Leo" will have on the banking industry in the near future.

Outlook

We started 2020 with renewed vigor and with a positive attitude and passion to achieve our stated objectives. We have however been faced with the unprecedented challenges arising from the COVID-19 pandemic which has led to some form of lock-down or quarantine in many economies globally including Ghana, and has weighed heavily on economic activity. Already, global GDP growth forecasts have been revised downwards with Ghana's 2020 GDP growth now forecasted at 2.5% down from the forecast of 6.8% earlier in the year.

The impact of the pandemic is already being felt in our business with reduced economic activity, reduction in trade import and export volumes, declining credit requests and disbursements, and escalating funding costs especially foreign currency funding. The slowdown in economic activities, reduced productivity, forex shortages and expected job losses may further result in credit defaults in the medium term especially for the hard-hit sectors.

We are encouraged by the Government's initiatives to stop the spread of the virus and have demonstrated our support to the Government of Ghana's cause by contributing GHS 1,925,000 to support the Government's efforts at containing the spread of the disease. We are further encouraged by the Bank of Ghana's initiatives to mitigate the impact of the pandemic on the Ghanaian economy including a 150 basis points drop in the policy rate to 14.5% and a reduction in the required reserve requirement from 10% to 8%. BOG has further reduced the Capital Conservation Buffer (CCB) from 3% to 1.5%, effectively reducing Capital Adequacy Ratio (CAR) to 11.5% while also reducing provisioning on loans in "Other Loans Mentioned (OLEM)" category from 10% to 5%. These measures are expected to provide more liquidity to banks to provide the needed financial support to the critical sectors of the economy.

As a bank, it is our believe that the challenges arising from the pandemic are temporary and that together we will overcome them. Despite the uncertain outlook, I remain convinced by our ability to deliver superior value to our customers and stronger returns to you, shareholders, as my team and I commit to dedicating all our resources towards effective implementation of our strategic initiatives.

Conclusion

Again, I would like to express my profound appreciation to all our shareholders, for this opportunity. My appreciation also goes to our Board members, for their dynamic leadership, insightful guidance, and consistent support; to my colleagues – Management and staff - for their commitment and dedication to achieving our strategic objectives. I am also thankful to our customers – our 'Employers', who are the reason why we exist. We appreciate your patronage, partnership, as well as your feedback, particularly on how to serve you better.

I also want to commend our regulators for their unrelenting efforts towards providing us a stable financial system that is supportive of business and economic growth. And, finally, to our esteemed shareholders, we thank you for your interest and investment in UBA. We look forward to your continued support for all our initiatives to ensure the Bank continuously guarantees you superior return on your shareholding.

Thank you.

GHANA ECONOMIC OUTLOOK 2019

Ghana's macroeconomic performance in 2019

Ghana's economic performance has been impressive since 2017 and projected to continue to outperform both Global and Sub-Saharan Africa's economic targets in the short to medium term. Ghana's GDP growth in 2019 is estimated at 7.0% compared to 6.3% in 2018; thus 0.7 percentage points higher (Ghana's Budget Statement, 2020). With an estimated population of about 29.8 million, Ghana's per capita income has been forecasted to end 2019 at US$2,223.42 relative to US$2,216.84 recorded a year earlier (International Monetary Fund, 2020).

Per 2019 Budget Statement, Ghana's overall fiscal deficit on cash basis weakened to 4.8% against the year-end target of 4.5% of GDP and markedly higher than the 3.8 % recorded in 2018. The 1.0 percentage points increase in the overall fiscal deficit on a cash basis was driven on the back of a slump in the oil sector estimates due to lower crude and gas volumes as well as a significant dip in crude oil prices, a shortfall in domestic revenue, rippling effect of the banking sector reforms and frontloading of financing requirements to meet Government expenditures and other debt service obligations.

Ghana's trade surplus improved significantly to 3.4% of GDP at the end of 2019 from 2.8% recorded at the end of 2018 predicated on improved inflows from gold and cocoa exports during the period. Consistently, the Country's overall balance of payments improved markedly from a deficit of 1.0% of GDP to recorded 2.0% surplus due to 2.3 percentage points year-on-year improvement in capital and financial account balance in 2019. Accordingly, Ghana's Gross International Reserves in 2019 improved to 4.0 months import cover compared to 3.6 months import cover recorded at the end of 2018. Meanwhile, Ghana's rebased debt-to-GDP is estimated at 64% of GDP at end-2019 (Moody's 2020) compared to 57.6% recorded at the end of 2018.

Money Market Rates

Money market and credit market rates responded positively to the improved economic conditions and subdued inflationary pressures in 2019. Consistently, Bank of Ghana reduced its monetary policy rate by 100 basis points in 2019 ending the year at 16.0%. Invariably, average interbank lending rates also declined by 0.92 basis points during the period to end 2019 at 15.20%. Credit market rates during 2019 responded positively to the improved economic conditions as Ghana reference rate and the average lending rate dropped marginally by 0.5 and 0.37 basis points respectively. However, treasury instrument rates increased marginally in 2019 on the back of increased reliance of the Government of Ghana in funding the 4.8% fiscal deficit and sustained pressure on the Ghana Cedi during the financial year.

Exchange rates

In 2019, the Ghana Cedi fell against the major trading currencies. The local currency depreciated by 12.9% against the US dollar compared to 8.4% depreciation it managed a year earlier on the interbank market. Consistently, the local currency recorded 15.7% depreciation against the British Pound compared to 3.3% depreciation it recorded during the same period a year earlier. The Cedi also depreciated by 11.2% against the Euro in 2019 compared to 3.9% depreciation it managed in 2018 on the interbank market. The decline in the value of Cedi against the major trading currencies in 2019 is attributed to the effect of rising government fiscal challenges and contingent liabilities from Energy Sector exposures that impacted negatively on investor confidence in Cedi.

Inflation

Inflationary pressure remained subdued throughout 2019 as headline inflation decreased by 1.5 percentage points to record 7.9% at end-2019 down from 9.4% at the end of 2018 on a year-on-year basis. The 1.5 percentage points decline in 2019 headline inflation reflected the policy tightness, improved energy supply and food production.

The Banking Sector Performance

Total Assets of the Ghanaian Banking Sector improved from GHS105.1 billion at the end of 2018 to GHS129.1billion in 2019 which represents 22.8% year-on-year growth compared to 12.3% recorded during the same period a year earlier. Industry's total advances subsequently improved to GHS52.3 billion at the end of 2019 up from GHS42.7 billion recorded a year earlier; an increase of 22.4% in 2019 compared to 12.9% recorded in 2018 reflecting 6.2 percentage points improvement in total liquidity (M2+) during the period. The 22.4% annual growth in total advances was mainly funded from GHS15.2 billion increase in the industry's total deposits which stood at GHS83.5 billion at the end of 2019 compared to GHS68.3 billion recorded at the end of 2018.

The Banking Industry's Capital Adequacy Ratio (Basel II/III) stood at 17.5% at the end of 2019 down from 19.3% recorded during the same period a year earlier. The 4.4 percentage points decrease in Industry's capital adequacy ratio (CaR) is explained by the impact of the new capital requirement directive that allocates capital to every aspect of the Banks operations and ensures that the sector's growth is proportionate to available quality capital. Notwithstanding the decline,, the Banking Sector's capital adequacy ratio of 17.5% signifies a sound capital base and the ability of the industry to grow its assets size since the CaR far exceeds the regulatory required minimum capital adequacy ratio of 10% and the prudential minimum capital adequacy ratio of 13%.

The quality of the industry's advances improved during 2019. Industry's total non-performing loans witnessed a significant drop end the year to 13.9% down from 18.2% recorded at the end of 2018. Consistently, NPLs excluding the loss category also improved markedly to 6.7% at end-2019 down from 10.2% recorded at the same period a year earlier. The improvement in the industry's assets quality is largely associated with some write-offs approved by BoG during the period and significant improvement in the credit administration process in the industry.

UBA Ghana's Performance

UBA Ghana is a major force in the Ghanaian Banking System recording significant improvement in its balance sheet size in 2019. UBA Ghana's balance sheet size improved by 26.21% in 2019 relative to the 21.0% increase recorded in 2018 and ended 2019 with a balance sheet size of GHS4.50 billion. The bank leveraged liquidity on the market and 10.6% growth in customer deposits to fund the 26.21% increase in UBA Ghana's total balance size during 2019. Total customer deposits stood at GHS2.34 billion at end-2019 up from at GHS2.11 billion recorded at end-2018.

Though UBA Ghana's balance sheet size improved markedly in the year under review, it closed 2019 with 8.5% decrease in operating income recording GHS393.9 million down from GHS430.7 million recorded at end-2018. Notwithstanding the downside effect of banking sector reforms and the high non-performing loans ratio of the bank due to the BDCs legacy debt portfolio, UBA Ghana improved significantly its 2019 profits before taxes by 32.0% ending the financial year with GHS281.6 million. The was on the back of implementation of UBA Ghana's cost reduction strategy during the period. The Bank closed the year with an impressive 21.9 percentage points drop in cost to income ratio in 2019, ending the financial year at 28.5%. The ratio of non-interest income to gross earnings improved to 16.3% in 2019 relative to 14.6% recorded in 2018.

Consequently, UBA Ghana improved its shareholder's networth by a whopping 29.3% to close the year with GHS830.0 million. UBA Ghana's resolve to consistently improve service delivery and risk management practices enhanced the bank's capacity to meet, in excess, both the 10% required minimum capital adequacy and the 13% prudential minimum capital adequacy ratio. The Bank ended 2019 with 22.3% CaR, compared to the industry's average of 17.5%.

Ghana's Economic Outlook

The Ghanaian economy is forecasted to grow by 6.8% in 2020 relative to the provisional outturn of 7.0% in 2019 (Ghana's Budget Statement, 2020). Ghana Government's 2020 real GDP growth projection is in line with World Bank's 6.8% real GDP growth projection for the Ghanaian economy in 2020 fiscal year (World Bank, 2020). Ghana Government is seeking to leverage the growth potentials in both the Agricultural and other Non-Oil Sectors anchored on Agriculture modernization, industrialization through the One-District-One Factory program, improved cocoa and gold prices as well as the anticipated benefit from the African Continental Free Trade Agreement (ACFTA) and foreign direct investments to achieve the projected 6.8% real GDP growth in 2020 fiscal year. Meanwhile, fiscal slippages, unfavourable external environment, the potential effect of the spread of COVID-19 amongst the populace, capital flight, tax revenue shortfall, a slump in crude oil prices, contraction in business and investment activities usually associated with general elections and recent pressures on the local currency pose a major risk to the realization of Ghana's forecasted GDP growth in 2020.

According to Ghana's 2020 budget statement, a fiscal deficit of 4.5% of GDP is projected for the year compared to the 2019 provisional outturn of 4.8%. Government of Ghana has resolved to operate within the fiscal responsibility space that restricts annual budget deficit to 5% of GDP (Ghana's Fiscal Responsibility Act 2018). Though Ghana's annual debt accumulation rate hovered around 21% in both 2018 and 2019 mainly driven by cost of the financial sector clean-up, debt servicing burden is projected to ease in 2020 relatively in conformance with its Government's debt sustainability strategy. Meanwhile, debt servicing shall remain a major challenge to the Government of Ghana's fiscal operations in 2020 and could drain the fiscal space if the election-related expenditure is not prudently managed.

In the medium term, Ghana's economic growth is projected to average 5.7% between 2020 and 2023 down from the 7.0% projected for 2019-2022 due to Government's moderate oil sector outlook to GDP growth. The country's non-oil sector GDP growth is expected average around 5.9% depicting the expected contribution of the non-oil sector to medium-term outlook. Meanwhile, Government is expected to tightly control expenditure, improve revenue mobilization and efficiency, improve its industrialization drive as well as planned investments in modernizing Agriculture to enhance the chances of achieving projected medium-term growth. Likewise, the current declining trend in interest and inflation rates are expected to remain unchanged with a medium-term inflation target of 8±2%, overall fiscal deficit target to remain within the fiscal rule of not more than 5.0%, a surplus primary balance and gross international reserves of at least 3.5 months import cover in the medium-term while the Ghana Cedi is projected to remain relatively stable against major trading currencies.

DIGITAL BANKING REPORT

Leading By Innovation

The payment systems in Ghana has been undergoing tremendous transformation in the last one year and we have been at the forefront of that innovation with stakeholders.

We have witnessed the launch of a domestic Scheme in GHLINK and very positive response from Scheme Members principally the Banks and GHIPSS with strong support from the payment systems Department of Bank of Ghana.

Understandably the launch will provide local consumers alternative options for payments at much lower cost and also help moderate the utilization of foreign currency to settle positions of alternative Card Schemes that are not local.

United Bank for Africa has been consistent in its participation in these deployments and indeed has taken the GHLINK Card a notch higher by issuing the Prepaid variant to carter for both its customers and the General Public who may not be account holders in the Bank.

The prepaid variant of the GHLINK card and its Visa variant which we have in our Bouquet provides strong use cases like Corporate Expense Management, Gift Cards, Loyalty and other Cobrand arrangements with seamless payments as value add.

As a leader in innovation in the Digital Banking and Payments Space, United Bank for Africa has made significant investments to rollout best in class digital banking platforms in the last one year.

We have totally overhauled our Mobile Banking Application and come up with a ubiquitous and secure platform packed with such features as Biometric Log in and Transaction validation, Instant Inter Bank Transfers to any Bank in Ghana, Seamless Bill Payment, Foreign Currency Transfer and integration to Mobile Wallets allowing smooth movement of value between wallets and accounts.

Our newly launched Cash Management Platform for our Corporate Customers also comes loaded with a comprehensive Balance Reporting tool allowing our customers to have a Global View of Account Positions across other Banks, Corporate Mobility-allowing transaction processing and authorization on the go, Bulk payment to Vendors or Salary processing using ACH, Robust Multi Channel Collections tool and other high end features speaking to Trade, Supply Chain Management and Treasury Management.

The world of payments is extremely dynamic and we are not just moving with the times in innovation we can confidently say we are ahead of the pack.

In order to validate our Leadership United Bank for Africa is the first Bank in Ghana to Launch an Artificial Intelligence Powered BOT named LEO which brings banking services closer than ever.

Leo as we proudly call him is our Flagship AI powered Chat-banking application that affords our customers the luxury of carrying out all their banking transactions on WhatsApp, Facebook Messenger and I-messenger without leaving their chat string.

LEO has both Natural Language Processing capabilities and linkage to wide variety of data sources to indeed be not just a transaction tool but a Personal Assistant.

Customer interactions like account opening, requesting for a card, locating the nearest ATM, bill payment, transfers, account enquiries and complaints are available on LEO.

This powerful tool is not a banking assistant through which a customer can manage transactions but a personal assistant that can provide information on anything including basic ones like weather predictions.

LEO has been launched in 19 African Countries and in all cases has revolutionized the way banking is done with a broad appeal to all age groups and gender.

In the coming year, we intend to continue to engage the Market with innovative solutions that redefine Bank Customer Relationships and provide cutting edge financial services to our esteemed customers.

In the coming months we will challenge the ordinary in both Product Leadership, Customer Experience across all touch points and overall reliability and appeal of our Digital Banking Channels.

Corporate Social Responsibility

A review of the progress the Bank is making towards building a sustainable banking franchise in Ghana.

3

UBA GHANA – EMPOWERING DREAMS THROUGH EDUCATION

During the year under review, United Bank for Africa (Ghana) Ltd. (UBA) positioned itself as a brand that supports education and implemented various interventions to propel its support for education. The year 2019 was a year filled with lots of activities and innovations as UBA Ghana focused on enhancing its relationship with customers, government and other stakeholders. This was buttressed with rigorous initiatives to ensure the bank which is a subsidiary of UBA PLC supersedes its limitations, envisage new opportunities and commit to the general development of the customers and the country at large.

UBA Group being one of the leading banks in Africa sees development to be people centred. This is one of the reasons why UBA Ghana continues to boost its corporate social responsibilities by rolling out initiatives tied to the three core values of Enterprise, Excellence and Execution (3 EEEs). Several promotional activities were executed through the digital platforms as part of efforts to stay glued to its valued customers.

At some point in the year, UBA Ghana through the UBA Foundation deliberately decided to empower staff to take up personal projects within the communities of operation with "Each One Teach One" project- a programme designed for various business offices to engage their operational areas with entrepreneurial or vocational skills. It is widely said that development is about the people, so staff of UBA Ghana Business Offices nationwide joined their peers across Africa where they were deployed into various communities to impact knowledge through skill training and motivation. It was intriguing as staff engaged in activities which included reading and donation of books; entrepreneurial and financial inclusion skills; first-aid training; photography skills training; make-up skills training; gardening and landscaping skills among others. This again forms part of the Foundation's effort to ensure employees volunteer towards a cause they are passionate about for better fulfilment, team-building, and boosting employee-morale as contribute to society.

Food Bank

In 2019, UBA again initiated another ground-breaking Idea, the UBA Food Bank. On December 27, 2019, members of the Executive Management joined staff of the Madina Business Office to share food, water and assorted drinks to the less privileged. The fun-filled event allowed senior executives to interact with society and became part of their story. The exercise took place at the forecourt of the Madina Business Office stretching to the main street of the Adentan-Madina highway.

Food bank

Read Africa Project

Read Africa project saw the bank distributing books by African writers to various schools and community libraries. In total, over ten thousand books were distributed to various beneficiary institutions.

Book donation

Each one teach one

Our people

At UBA, the well-being of our valued staff is a top priority, so Jogging-to-Bond was continuously strengthened to ensure staff came together all around the country to exercise, stay healthy and build up relationships. Professional physical trainers were engaged to take staff through a healthy physical activities and fun games meant to keep them healthy. The event also offered staff of was a great opportunity to network and socialise among themselves. The games were climaxed by football competition, which saw Abiola Rangers and Isong United competing for honours. The final edition in 2019 jogging to bond was held at the Adenta-based Light Academy. The fun games were simultaneously organised in all regions of the country where UBA operates. Jogging to Bond activities are held across the 20 subsidiaries of United Bank for Africa Plc Africa, as well as in London, New York and Paris.

National Essay Competition (NEC)

The 6th Edition of National Essay Competition added lots of light to the year, 2019 edition recorded the highest number of entries since inception with entries coming from the remote regions of Ghana. The massive entries witnessed enabled participants to develop their cognitive prowess and also receive academic support from the bank. The 2019 edition was brimmed with students with high intelligence and intriguing track records, making the competition a keenly contested one. The Grand Final was held on Monday, 13th January, 2020 at the British Council Hall, Ridge, Accra. The Deputy Minister of Education Dr. Yaw Ofosu Adutwum, the Chief Executive Officer of UBA Ghana, Mr Isong Udom, officials of the Ministry of Education and the Ghana Education Service as well as other Members of the Executive Committee of the Bank were all in attendance. The ceremony witnessed a historic moment when Assanwaa Akpene Yankson from Wesley Girls High School was declared winner. Nathaniel Mawuli Fleku from the St. Mary's Seminary Senior High School in the Volta Region came in close second and Desmond Duodu Yeboah from Opoku Ware Senior High School in Kumasi came in third.

Each of the 10 finalists were given a UBA branded Laptop and UBA branded souvenirs to go home as a token for the bold step taken to encourage others to participate in the next competition.

Winners with Dep. Education Minister and MD of UBA Ghana

Finalists and winners displaying thier awards together with their parents

Awards

TThe significant efforts placed in the bank's corporate responsibility was highly recognized when the bank bagged one educational empowerment award at the third edition of the Sustainability and Social Investment (SSI) Awards.

UBA Ghana was recognized as the best company in 'Youth Empowerment Programme'. This signifies that the bank is on the right track in making impact in people lives. This honour was made possible through some life transforming initiatives including, the Read Africa Project, UBA National Essay Competition among others.

Jogging to Bond

UBA
United Bank for Africa

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Corporate Governance

The governance framework, including what our Board does and how it underpins the delivery of long-term sustainable success.

4

1 Mr. Isong Amos Udom
MD/CEO

2 Hon. Peter Kwamena Bartels
Non-Executive Director

3 Mrs. Marufatu Abiola Bawuah
Non-Executive Director

4 Mr. Ebele Ogbue
Non-Executive Director

5 Mr. Ivan Abubakar Avereyireh
Non-Executive Director

6 Mr. Samuel Kumi Ayim
Non-Executive Director

7 Mr. Francis Solace Oduro Koranteng
Non-Executive Director

8 Mr. Oliver Alawuba
Non-Executive Director

THE BOARD

Hon. Peter Kwamena Bartels
Non-Executive Director

Hon. Kwamena Bartels is an astute politician, and a lawyer by profession. His experience spans both the private and public sectors as well as on the international scene. He served in different ministerial portfolios in the NPP Government of 2000-2004 and 2004 to 2008. Apart from his ministerial duties, he served as Member of Parliament for the Ablekuma-North Constituency from 1997 to 2008.

Mr. Bartels graduated from the University of Ghana with an LLB (Honours) degree and was called to the Bar in 1974. He also has a Post-Graduate Certificate in Personnel Administration from the Ghana Institute of Management and Public Administration and Post-Graduate Certificate in University Administration from University of Ife in Nigeria. He was Principal Assistant Registrar and Principal Lecturer at the Anambra State Polytechnic, Oko in Nigeria.

Mr. Isong Amos Udom
(MD/CEO)

Mr. Isong Udom has an enviable experience and record in banking with key strengths in Corporate and Commercial Banking, spanning about three (3) decades across various countries in West and Central Africa.

After graduating as the best student in his faculty, with a BSc. (Hons) in Management Studies (Banking and Finance) from the University of Calabar, Isong attended a vast series of training at the renowned Harvard Business School, Boston, USA, Euromoney at Surrey, UK and CIBS, Istanbul, Turkey.

Until his appointment as MD/CEO of UBA Ghana, Isong served as Deputy Managing Director of UBA, Cameroon from 2011, where his hard work and dedication to excellence earned him the position of MD/CEO of UBA, Cameroon in 2014. Prior to this, he had worked in many capacities within United Bank for Africa Plc. where he had a brief stint as MD/CEO of UBA Guinea as well as being the Relationship Director Corporate Bank, Regional Director Mainland Bank, Divisional Head of Export & Agric Lagos and many more.

Mrs. Marufatu Abiola Bawuah
Non-Executive Director

Mrs. Abiola Bawuah has enormous experience in retail banking and marketing. She holds a BSc in Actuarial Science from the University of Lagos, Nigeria, an LLB with honours from the University of London, a diploma in Marketing from GIMPA and an EMBA (Finance) from the University of Ghana and also has numerous leadership qualifications from Harvard Business School, Columbia, University of New York, INSEAD and Institut Villa Pierrefeu in Switzerland.

At the 2016 Chartered Institute of Marketing Ghana Awards, she was adjudged the "CIMG Marketing Woman of the Year" and subsequently went on to win the "Finance Personality of the Year Award" at the Ghana Accountancy and Finance Awards barely two months after. Mrs Bawuah is on the Woman Rising inspiring list of Top 50 Women Corporate Leaders in Ghana.

Again, she was adjudged by the Chief Finance Officers (CFO) in 2016 as "Woman of Excellence in Finance". In 2017, she was crowned as "Female Expatriate CEO of the Year by the Millennium Excellence Foundation for her hard work, achievements and contribution to Ghana.

Mrs. Abiola Bawuah is currently the Regional Chief Executive Officer of UBA West Africa, overseeing the Bank's operation in West Africa.

Mr. Ivan Abubakar Avereyireh
Non-Executive Director

Mr. Ivan Avereyireh is a Chartered Insurer and an Associate of the Chartered Insurance institute of London, a holder of West African Insurance Institute Diploma and Bsc Administration (Marketing) from the University of Ghana.

He has over thirty years working experience in the insurance industry with a few achievements to his credit. The notable one being the head of a team, that turned around the fortunes of Ghana Life Insurance Company Ltd from a collapsing Company to a revived and strong one till date. He worked with the State Insurance Company from 1981 to 2008 where he rose through the ranks to the grade of a Senior Manager. From 2009 to 2018, he was the Managing Director of Ghana Life Insurance Company Ltd.

Mr. Oliver Alawuba
Non-Executive Director

Mr. Oliver Alawuba has over twenty years work experience in the banking industry and the academia. Oliver was at various times an Executive Director at Finbank Nigeria Plc (now FCMB Plc), MD/CEO of UBA Ghana Ltd, MD/CEO of UBA West Africa, Regional CEO, UBA Africa – Anglophone, Directorate Head, Public Sectorand Personal Banking and Executive UBA Plc incharge of North-West, Nigeria. He is currently the Executive Director of UBA Plc and CEO, UBA Africa.

Oliver has B.Sc and M.Sc degrees in Food Science and Technology and MBA in Banking and Finance. He is an alumnus of the AMP and SEP programmes of the prestigious Insead Business School, France and London Business School respectively. He is also a Fellow of Nigerian Institute of Management and Honorary Senior Member of Chartered Institute of Bankers of Nigeria.

Mr. Ebele Ogbue
Non-Executive Director

Mr. Ebele Ogbue holds a B.Sc (Honours) degree in Accounting from the University of Lagos and an MBA (IT & Management) from CASS Business School London.

His professional career started at Price Waterhouse in 1991 before his foray into banking, where he has spent the last two decades working at international banks such as, Citibank and Standard Chartered Bank, before joining UBA in 2004. His banking experience spans various areas of banking from Asset Based Finance to core Corporate Banking and Trade Finance.

Prior to his current role, he was MD/CEO, UBA Capital Europe Limited and the pioneer MD/CEO, UBA Liberia."

Ebele is currently the General Manager, Energy (UBA Plc).

Mr. Francis Solace Oduro Koranteng
Non-Executive Director

Mr Francis Koranteng has over thirty working years' experience with professional accountancy firms and in industry. After qualifying as a chartered accountant in the United Kingdom, he returned to Ghana to work with Coopers & Lybrand, now PricewaterhouseCoopers. He has served in various management positions in in industry. Notably, he was seconded to Heineken International, the parent company of Ghana Breweries Ltd as the Internal Control Improvement Project Manager for operating companies in Sub-Saharan Africa between November 2001 and February 2005. He was also the Managing Director of Crocodile Matchets (Ghana) Limited from March 2005 to early 2009. He served on the Professional Standards and Ethics Committee of the Institute of Chartered Accountants Ghana from August 2012 to May 2018. Francis graduated from the University of Ghana, Legon in 1976 with Bsc. Business Administration (Accounts Major). Professionally, Mr. Koranteng is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Chartered Accountants Ghana.

Mr. Samuel Kumi Ayim
Non-Executive Director

Mr. Samuel Ayim is Lawyer by profession with over 26 years' professional experience in Legal Advisory, Company Secretarial Practice, Board and Corporate Governance etc.

Between January,1997 and July, 2016 Samuel worked with the Ecobank Group, where he held various positions including General Counsel and Company Secretary, Executive Director-Business Development in Ecobank Tanzania (Dar es salam- Tanzania), Group Legal Adviser and Deputy Company Secretary – Ecobank Transnational Incorporated (ETI), Lome, Togo. Before joining Ecobank, he was the Company Secretary and Legal Adviser of the Ghana Stock Exchange from 1992 to 1996. He is currently the CEO of Focus Life Group which he founded in October, 2016 with four businesses under the Group. He holds an LLB from the University of Ghana, MBA (International Financial Management) from Exeter University –UK and Post Graduate Diploma in International Comparative Arbitration Law from the Queen Mary University of London.

Michael Terkpetey Narh Esq.
Head, Legal/Company Secretary

Michael Narh is a Lawyer by profession and a member of the Ghana Bar Association (GBA). He has significant expertise in corporate law and governance having served as Secretary for several Boards within the Jospong Group of Companies from 2012 to 2019. Prior to joining UBA Ghana in 2019, he was the Company Secretary of OmniBSIC Bank Ghana as well as the Head of the Legal and Recovery Department. Before the merger between OmniBank and BSIC in December,2018, Michael was the Company Secretary of OmniBank and the Head of the Legal Department. He also had brief stint with Kwaku Addeah Law Office (Financial Law Institute) as a Legal Officer.

Michael holds a Bachelor of Arts Degree in Psychology from the University of Ghana and Bachelor of Laws (LLB) Degree also from the same University. He holds a Qualifying Certificate in Law (QCL) from the Ghana School of Law and an MBA in Corporate Governance from the University of Professional Studies, Accra. He has attended training programmes in the Law of Banking, Credit risk Management and Corporate Governance in Ghana and South Africa.

EXECUTIVE MANAGEMENT COMMITTEE

Adedayo Marcus Adesipo
Chief Operating Officer

Adedayo Marcus Adesipo is the Chief Operating Officer for UBA Ghana Ltd. He started his Banking career in Nigeria with the defunct Crystal Bank of Africa Ltd; and was a pioneering staff of Standard Trust Bank Plc before its merger with United Bank for Africa Plc. He is an astute Banker with 26 years' experience spanning all areas of branch banking operation. He has also served and overseen the Banks Operations Directorate at Zonal, Regional and Group levels. He has a Bachelor of Science degree in Fisheries Management with a Post Graduate Diploma in Management.

Jocelyn Emma Ackon (Mrs)
Country Head of Resources

Jocelyn has a first and second degree in Human Resource Management as well as a Post Graduate Diploma in Organisation Development. Jocelyn has been in Human Resource Management practice for over 15 years, with the greater part in management. Her experience in Human Resource Management covers diverse sectors such as Transportation, Pharmaceutical and Banking.

Kwadwo Addai
Chief Risk Officer

Kwadwo has over 13years banking experience with expertise in the Credit Delivery Value Chain, Credit Risk Assessment, Enterprise Risk Management, and Economic Review & Analysis. He holds a Master's Degree in Water Resources Engineering & Management from University of Stuttgart and a Bachelor's Degree in Civil Engineering from Kwame Nkrumah University of Science and Technology. He also holds the Chartered Financial Analyst (CFA) designation.

Mr. Peter Dery
Head, Wholesale Banking

Peter has enormous wealth of experience in Corporate Banking as well as Credit Risk Management. His experience in the sector through various roles span over a decade. He holds a BSc degree in Banking & Finance from University of Ghana, an MBA (Project Management) from Ghana Institute of Management and Public Administration (GIMPA). He has worked as Director, Sales & Relationship Management at Standard Chartered Bank Ghana Limited; where he played key role in driving liabilities and assets growth and was credited with significant achievements. Prior to that, he served as Head of High Value Small Businesses in the SME Segment of the Bank.

He was the Country lead Trainer for Foreign Account Tax Compliance and credited with the Successful implementation of Foreign Account Tax Compliance Act(FATCA) in bank. Before joining Standard Chartered Bank, he worked at CAL Bank as a Relationship Manager and credit Analyst and has participated in various leadership and Training programmes. In 2017, he was appointed as Head, Wholesale Banking, at United Bank for Africa (Ghana) Limited.

Ugochukwu Abanum
Chief Finance Officer

Ugo is a Chartered Accountant with over twelve years cognate experience in the financial services industry. He holds a Bachelor's degree in Estate Management from Obafemi Awolowo University, Ile-Ife, Nigeria and an MBA from Warwick Business School, Coventry, England. He started his career with the Audit Division of KPMG Nigeria, where he led several successful financial statement audits in the banking and financial services industry. After six years with KPMG, he joined the UBA Group Finance Directorate as Group Financial Reporting Manager before joining UBA Ghana in 2017. An ICAN (Institute of Chartered Accountants of Nigeria) merit award winner, Ugo's experience spans financial reporting and analysis, strategy and enterprise business support, performance management and corporate finance.

Evans Amenyo Sallah
Country Head, Internal Control

Evans is a result oriented young man with over thirteen years banking experience. He has expertise and experience in information security, risk management, internal controls and audit. He joined United Bank for Africa (Ghana) Limited as an Information Systems Auditor and holds an MSc. in Strategic Management and Leadership and a BSc. in Computer Science from the Kwame Nkrumah University of Science and Technology. Evans is a member of the Information Systems Audit and Control Association (ISACA) and holds international certifications in Information Systems Auditing (CISA) and Information Security Management (CISM). He is also a certified ISO 27001:2013 Lead Auditor. As he puts it, his passion is to ensure there are adequate controls to manage risk and protect the assets of the Institution and all its stakeholders at all times.

Chiedu Okonta
Country Chief Inspector

Chiedu, a Fellow of the Institute of Chartered Accountants of Nigeria and holder of Executive MBA from the prestigious Lagos Business School, with Second Class Upper BSc. Honours in Accounting. He has vast post qualification experience that spans over 25 years, most of which were in UBA in various leadership positions covering several aspects of banking. Chiedu has used his unique Strategic Management expertise to add enormous value to the Bank since resumption at UBA Ghana as the Country Chief Inspector.

Philip Odoom
Head, Compliance & AMLRO

Philip is a Chartered Accountant and a member of Association of Chartered Certified Accountants. He is an associate member of Association of Certified Fraud Examiners. He holds first degree in Bachelor of Commerce (B.COM) from the University of Cape Coast. He has over 10 years banking experience covering Audit, Internal Controls and Compliance and Anti-Money Laundering/Counter Financing of Terrorism function. He has knowledge and understanding of applicable banking operations and Anti-Money Laundering/Counter Financing of Terrorism laws, regulations and international best standards.

Kwame Aduansere
Head, IT Operations

Kwame is an Information Technology professional with over 13 years banking experience. He joined UBA from Zenith Bank Ghana Ltd where he served in various senior IT roles. He has extensive experience and deployed major IT infrastructure solutions, core banking solutions and electronic banking systems. He holds a BSc. in Computer Science from Kwame Nkrumah University of Science and Technology (KNUST), a member of the International Information Systems Security Certification Consortium (ISC2) and Information Systems Audit and Control Association (ISACA) with various international professional certifications including Certified Information Security Manager (CISM), Certified in Risk and Information Systems Control (CRISC) and Certified Information Systems Security Professional (CISSP).

Kenneth Ugwuanyi
Head, Digital Banking Products and Sales

Kenneth is a quality oriented and highly experienced graduate of the Action Learning MBA from the Business School of Nederland. He is a Certified Retail Banker (CRB) and an Associate of the International Academy of Retail Banking London. He is also Certified Cards and Payments Professional and an Associate member of the International Academy of Cards and Payments (CCPP). Kenneth has more than 18 years of work experience spanning Business Consulting, Banking Operations, Retail Banking, Digital Financial Services and Digital Banking Technical Sales and Support. He has provided Leadership for exceptional Product Development and Sales Teams, with proven experience in Managing projects from product conceptualization to Scale in Digital Banking across different Geographies in Africa with enviable financial results.He has demonstrated strong competencies in Deployment and Management of Mobile Money platforms and adjacencies with proven track record of innovativeness in this important rail.

Emmanuel Kwame Dzakpasu
Head of MCC

15 years + in Advertising, brand development, marketing and communications. Emmanuel is the Head of Marketing and Corporate Communications. He holds an MBA Marketing from Wisconsin University College, Accra. He had his first degree from Kwame Nkrumah University of Science and Technology and graduated as Bachelor of Arts(Art) Graphic Design after which he did professional courses in Public Relations, Advertising, Marketing, Management and Administration. Erstwhile to joining UBA, he served in various capacities at Media General Ltd; Group Head Marketing, Deputy Director of Programming for MG, Ag. Head of Station OnuaFM, Director of Brands and Event for MG Radio and Director, Marketing of TV3. Prior to joining Media General, He worked as the Creative Director in EXP Ghana and AdmediaFCB an affiliate of Foote, Cone and Belding Worldwide Advertising agency.

Nkechi Akunyili
Regional Treasurer, WAMZ

Nkechi Akunyili is a Treasury and Business Development professional. She has a Bsc. in Economics from UNN, Nigeria and Msc in Finance and investment from university of Exeter UK. Nkechi has over 20 years banking experience spanning across Treasury and Capital risk management, Business Development, Portfolio Management, project finance, investment analysis and Corporate Finance. Since the commencement of her Treasury career in 1998, Nkechi has made tremendous impact in Nigeria and Ghana markets, having pioneered market developments in both markets and other English speaking West African countries as the Regional Treasurer for West Africa 1.

REPORT OF THE DIRECTORS

In accordance with the requirements of Section 136 of the Companies Act 2019 (Act 992) we, the Board of United Bank for Africa (Ghana) Limited submit herewith the annual report on the state of affairs of the Bank for the year ended 31 December 2019.

Statement of directors' responsibilities

The Companies Act 2019 (Act 992) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year.

It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

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 the requirements of the Companies Act 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of Companies Act 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of these financial statements.

Holding Company

The Bank is a subsidiary of United Bank for Africa Plc, a company incorporated in the Federal Republic of Nigeria and licensed to undertake all banking and related services.

Nature of business

The Bank is licensed to carry out universal banking business in Ghana. There was no change in the nature of the bank's business during the year.

Directors and their interests

The names of the directors who served during the year are provided on Page 104 of this report.

None of the Bank's directors has any direct or indirect interest in the issued share capital of the Bank.

No director had a material interest, at any time during the year, in any contract, other than a service contract with the Bank. All contracts with related parties during the year were conducted at arm's length. Information concerning related party transactions are disclosed in Note 33 to the financial statements.

Directors' Other Engagements

Details of serving directors' other engagements at the reporting date, are disclosed below:

S/n	Director	Designation (UBA Ghana)	Other Engagements
1	Honourable Kwamena Bartels	Non-Executive Director	Chairman, Ghana Oil Company (GOIL)
2	Mr. Isong Udom	Managing Director/Chief Executive Officer	Nil
3	Mrs. Abiola Bawuah	Non-Executive Director	Non-Executive Director - UBA Cote d'Ivoire, UBA Liberia, UBA Burkina Faso, Legacy Bond Limited
4	Mr. Samuel Ayim	Non-Executive Director	Chief Executive Officer, Centre for transformational Leadership in Africa and Focus Design Group
5	Mr. Oliver Alawuba	Non-Executive Director	Executive Director - UBA Plc Non-Executive Director - UBA Kenya, UBA Tanzania and UBA Uganda
6	Mr. Ebele Ogbue	Non-Executive Director	Non-Executive Director - UBA Liberia, UBA Kenya, UBA Tanzania, UBA Uganda
7	Mr. Ivan Avereyireh	Non-Executive Director	Non-Executive Director – Ghana Life Insurance Co., Private Enterprises Federation, SIC Insurance Co. Public Ltd,, Sahara Quarries & Construction Ltd.
8	Mr. Francis Koranteng	Non-Executive Director	Chairman, Enterprise Funeral Services (Transitions) Non-Executive Director: Enterprise Insurance, Multimedia Broadcasting Corporation

Financial results

The financial results for the year are set out below:

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

	Dec 2019	Dec 2018
Net operating income	**393,904,302**	430,694,664
Profit before tax	**281,552,754**	213,383,975
Income tax expense and national fiscal stabilisation levy	**(93,467,646)**	(61,473,751)
Profit after tax	**188,085,108**	151,910,224
Income surplus brought forward from the previous year	**27,078,896**	279,798,768
Total	**215,164,004**	431,708,992
Opening adjustment on adoption of IFRS 16/IFRS 9	**(458,494)**	(30,383,158)
Transfer to credit risk reserve fund	**(8,381,202)**	-
Transfer to statutory reserves fund	**(47,021,277)**	(18,988,778)
Transfer to stated capital	**-**	(325,340,939)
Stamp duty/withholding tax on transfer to stated capital	**-**	(29,917,221)
Balance on the income surplus account	**159,303,031**	27,078,896

Report of the Directors (continued)

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

Corporate Social Responsibility

As part of the Bank's commitment to support and give back to the society in which we operate, a total of GHS231,302 was given out as charity contribution during the financial year 2019. The beneficiaries are as follows:

Sn	Name of Beneficiary	Amount (GHS)
1	National Essay Competition	125,232
2	Food Bank -feeding of the needy during the festive session	15,500
3	Each One Teach One Project	21,500
4	Australian High Commission	10,000
5	Graphic Banking Supplement	6,975
6	Petroleum Commission	10,000
7	CIMG Awards	8,000
8	Indian Association of Ghana	10,000
9	Sponsorship to other institutions	24,095
	Total	231,302

Professional Development and Training

UBA Ghana provides a formal and tailored induction programme for Directors appointed to the Board to familiarise them with the Bank's businesses, polices and key risk areas. Directors are also made aware of the economic, competitive, legal and regulatory environment in which the Bank operates. Other trainings are also provided to ensure Directors continually update their skills and knowledge of the Bank's business to enable them effectively perform their role on the Board and its Committees. A Corporate Governance training was also organised for the Board members during the year to keep them abreast of the Bank's governance framework.

Auditors

Messrs Deloitte & Touche have indicated their willingness to continue in office as auditors in accordance with the Companies Act 2019, (Act 992) and in line with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).
Details of audit fees for the current and comparative periods are disclosed in note 16 of the financial statements.

On behalf of the Board

Honourable Kwamena Bartels
Director
10 March 2020

Isong Udom
MD/CEO
10 March 2020

CORPORATE GOVERNANCE REPORT

United Bank for Africa (Ghana) Limited holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Directors endorse the principles of best practice Corporate Governance as stated in the "Corporate Governance Directive, 2018" issued by the Bank of Ghana. The importance of governance is premised on the importance UBA Ghana accords to its relationships with its regulators, stakeholders and the public as a whole. The Bank has structures and processes set out in its regulations and policies, including the Board's Governance Charter which guarantee transparency and accountability.

The Board of Directors of UBA Ghana has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the Bank, the following structures have been put in place for the execution of UBA Ghana's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees

As at 31 December 2019, the Board comprised six (6) Non-Executive Directors and one (1) Executive Director, all of whom bring a wide range of skills and experience to the Board.

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Governance and Finance Committee, the Board Credit and Risk Management Committee and the Board Audit Committee. Pursuant to the Cyber and Information Security directive of the Bank of Ghana, the Board formed a sub-committee under the Credit and Risk Committee in quarter three (3) called the Cyber and Information Security Sub-Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.

In addition to the Board Committees, there are a number of Management Committees which ensure effective and good corporate governance at the managerial level.

1. The Board of Directors

As at 31 December 2019, the UBA Ghana (Limited) Board had seven (7) members made up of six (6) Non-Executive Directors and one (1) Executive Director.

They are:

1.	Hon. Kwamena Bartels	- Non-Executive Director
2.	Mr. Isong Udom	- Managing Director/CEO
3.	Mr. Oliver Alawuba	- Non-Executive Director
4.	Mrs. Abiola Bawuah	- Non-Executive Director
5.	Mr. Ebele Ogbue	- Non-Executive Director
6.	Mr. Samuel Ayim	- Non-Executive Director
7.	Mr. Ivan Avereyireh	- Non-Executive Director
8.	Mr. Francis Koranteng	- Non-Executive Director

The Directors are people of very high integrity, with extensive knowledge in management, governance and expertise in the financial industry which equips them to make informed decisions relating to the Bank's performance. In the performance of its mandate, the Board has delegated some of its specific authorities to Board Committees to discharge its responsibilities. It has also delegated some of its decision-making authority to Executive Management specified in the Executive Management Charter.

The mandate of the Board of Directors is to act on behalf of the shareholders in the overall interest of UBA Ghana and its stakeholders and is accountable to the shareholders. The Board provides overall guidance and policy direction and provides oversight in the Bank's strategic direction, policy formulation and is the ultimate decision making body of the Bank.

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises Senior Management personnel and other critical functional heads. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders.

The Board is also responsible for the Bank's structure and areas of operation, financial reporting, ensuring there is an effective system of internal control and risk management and appointments to the Board. The Board has the authority to delegate matters to Directors, Board Committees and the Executive Management Committee.

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews the Bank's performance, matters of strategic concern and any other matters it regards as material.

The Board meets quarterly and additional meetings are convened as the need arises. The Board evaluates itself on an annual basis.

Appointments and Retirements

During the 2019 financial year, the following Non-Executive Directors were appointed after the approval of the Bank of Ghana:

1. Mr. Samuel Ayim
2. Mr. Ivan Avereyireh
3. Mrs. Abiola Bawuah
4. Mr. Francis Koranteng

The following Non-Executive Director also resigned during the 2019 financial year:

1. Mr. Kenneth Chikezie Orji

Financial Reporting

The Board has presented a balanced assessment of the Bank's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report, it has met its obligation under the Bank's Corporate Governance Charter.

The Directors make themselves accountable to the shareholders through regular publication of the Bank's financial performance and Annual Reports. The Board has ensured that the Bank's reporting procedure is conveyed on the most recent infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year, in addition to monthly reporting of key performance indicators.

Deloitte and Touche acted as external auditors to the Bank during the 2019 financial year. Their report is contained on pages 41-43 of this Annual Report.

Attendance at Board Meetings

Membership and attendance at Board meetings during the year are set out below:

	Members	Number of meetings entitled to attend	Number of meetings attended
1	Honourable Kwamena Bartels	4	4
2	Mr. Samuel Ayim*	3	3
3	Mr. Ivan Avereyireh**	3	3
4	Mr. Oliver Alawuba	4	4
5	Mrs. Abiola Bawuah***	1	1
6	Mr. Isong Udom	4	4
7	Mr. Kenneth Orji****	1	1
8	Mr. Ebele Ogbue	4	4
9	Mr. Francis Koranteng *****	0	0

* Mr. Samuel Ayim was appointed to the Board on May 13, 2019.
** Mr. Ivan Avereyireh was appointed to the Board June 6, 2019.
*** Mrs. Abiola Bawuah was appointed to the Board on November 29, 2019.
**** Mr. Kenneth Orji resigned from the Board on March 26, 2019.
***** Mr. Francis Koranteng was appointed to the Board on December 31, 2019.

2. Board Governance and Finance Committee

As at 31 December 2019, the Chairman of the Board Governance and Finance Committee was Mr. Oliver Alawuba a Non-Executive Director. The other members were Hon. Kwamena Bartels, Mrs. Abiola Bawuah, Mr. Ebele Ogbue and Mr. Isong Udom.

The purpose of the Board Governance and Finance Committee includes the following:

- Discharge the Board's responsibilities with regard to strategic direction and budgeting.
- Provide oversight on financial matters and the performance of the Bank.
- Review and approve UBA Ghana policies of a financial and general nature.
- Making financial and investment decisions within its approved limits on behalf of the Board.
- Establishing procedures for the nomination of Directors.
- Advising and recommending to the Board the composition of the Board.
- Reviewing and evaluating the skills of members of the Board.
- Advising the Board on corporate governance standards and policies.
- Reviewing and approving all human resources and governance policies for UBA Ghana.
- Recommending the organizational structure of UBA Ghana to the Board for approval.

The Committee met four (4) times during the year-ended 2019. Membership and attendance at Board Governance and Finance Committee meetings during the year is set out below:

s/n	Members	Number of meetings entitled to attend	Number of meetings attended
1	Mr. Oliver Alawuba	4	4
2	Mr. Ebele Ogbue	4	4
3	Mrs. Abiola Bawuah*	1	1
4	Mr. Isong Udom	4	4
5	Honourable Kwamena Bartels	4	4

* Mrs. Abiola Bawuah was appointed to the Board on November 29, 2019.

3. Board Credit and Risk Management Committee

As at 31 December 2019, Mr. Samuel Ayim, a Non-Executive Director, was Chairman of the Board Credit and Risk Management Committee. The other members of the Committee were Mr. Oliver Alawuba, Mrs Abiola Bawuah and Mr. Ivan Avereyireh who are all Non-Executive Directors, and Mr. Isong Udom(MD/CEO).

The purpose of the Committee includes but is not limited to the following:

- Discharging the Board's risk management responsibilities as defined in UBA Ghana's Risk policies and in compliance with

regulation, law and statute.
- Discharging the Board's responsibilities for information technology (IT) governance and ensuring it aligns with UBA Ghana's objectives, enables the business strategy, delivers value and improves performance.
- Reviewing and assessing the integrity and adequacy of the overall risk management function of UBA Ghana.
- Reviewing the adequacy of UBA Ghana's capital (economic, regulatory and escalator) and its allocation to UBA Ghana's business.
- Reviewing risk limits and periodic risk and compliance reports and making recommendations to the Board.

The Committee met four (4) times in the year ended December, 2019. Membership and attendance at Board Credit and Risk Management Committee meetings during the year is set out below:

S/n	Members	Number of meetings entitled to attend	Number of meetings attended
1	Mr. Samuel Ayim*	3	3
2	Mr. Ivan Avereyireh**	2	2
3	Mr. Kenneth Orji***	1	1
4	Mr. Oliver Alawuba	4	4
5	Mrs. Abiola Bawuah****	1	1
6	Mr. Isong Udom	4	4

* Mr. Samuel Ayim was appointed to the Board on May 13, 2019.

** Mr. Ivan Avereyireh was appointed to the Board on June 6, 2019.

*** Mr. Kenneth Orji resigned on March 26, 2019

****Mrs. Abiola Bawuah was appointed to the Board on November 29, 2019.

Board Cyber and Information Security Sub-Committee:

The Sub-Committee met once in the year ended December, 2019. Membership and attendance at Cyber and Information Security Sub-Committee meeting during the year is set out below:

S/n	Members	Number of meetings entitled to attend	Number of meetings attended
1	Mr. Ivan Avereyireh	1	1
2	Mr. Oliver Alawuba	1	1
3	Mr. Isong Udom	1	1

4. Board Audit Committee

As at 31 December 2019, the Board Audit Committee was made up of four (4) Non-Executive Directors and is chaired by Hon. Kwamena Bartels. The other members were Mr. Samuel Ayim, Mr. Ebele Ogbue and Mr. Ivan Avereyireh.

The purpose of the Board Audit Committee includes the following:

- Monitoring and assessing the overall integrity of the financial statements and disclosures of the financial condition and results of operations of UBA Ghana.
- Monitoring management's responsibilities to ensure that an effective system of financial and internal controls is in place.
- Assisting the Board in discharging its responsibilities on Information Technology (IT) as it relates to financial reporting and the status of the company as a going concern.

Monitoring and evaluating on a regular basis the qualifications, independence and performance of the External Auditors and the Internal Audit and Control Department.

- • Monitoring processes designed to ensure compliance by UBA Ghana with respect to all legal and regulatory requirements, including disclosure controls and procedures and the impact (or potential impact) of developments related thereto.

The Committee met four (4) times during the year ended December, 2019. Membership and attendance at Board Audit Committee meetings during the year is set out below:

s/n	Members	Number of meetings entitled to attend	Number of meetings attended
1	Honourable Kwamena Bartels	4	4
2	Mr. Samuel Ayim*	3	3
3	Mr. Ivan Avereyireh***	2	2
4	Mr. Ebele Ogbue	4	4
5	Mr. Kenneth Orji**	1	1

* Mr. Samuel Ayim was appointed to the Board on May 13, 2019
** Mr. Kenneth Orji resigned from the Board on March 26, 2019
*** Mr. Ivan Avereyireh was appointed on June 6, 2019.

5. Internal Control

UBA Ghana recognizes the importance of the Internal Control function in the Bank's overall operations and has put in place control systems to ensure that the Bank's operations are carried in a safe, objective and effective manner. The Directors review the effectiveness of the system of internal control through regular reports and reviews at Board and Risk Management Committee meetings.

6. Anti-Money Laundering

The Board and Management of UBA Ghana are committed to upholding all the laws and regulations regarding Anti-Money Laundering. Staff are continuously trained on the provisions of the Bank's anti-money laundering policies as well as the Anti- Money Laundering Act, 2008 (Act 749) and the Anti-Laundering (Amendment) Act, 2014 (Act 874) to ensure strict compliance to these laws and regulations.

7. Conflicts of Interest

The Bank has a comprehensive policy regarding conflicts of interests which staff and directors are expected to abide to. Directors are made aware of their duty to avoid situations or activities that could create conflicts of interests and to disclose any activities that may result in or have already resulted in a conflict of interest. Staff and Directors are also required to make periodic declarations on conflicts of interest, to the regulator.

8. Shareholders Rights

The Board of UBA Ghana Limited has always placed considerable emphasis on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly. The Bank ensures the protection of statutory and general rights of shareholders at all times, particularly their right to vote at General Meetings. All shareholders are treated equally regardless of their equity interest or social status.

The General Meeting of Shareholders is the highest decision-making body of the Bank and meetings are conducted in a fair and transparent manner that gives shareholders the opportunity to express their opinion. The Bank publishes quarterly, half-yearly and annual reports on its website as well as national newspapers. The Bank also provides other relevant communications that provide requisite information to shareholders and the general public, especially as regards the performance, strategy and developments in the Bank.

9. Directors' Compensation

Package	Type	Description	Timing
Basic Salary	Fixed	This is part of gross salary package for Executive Directors only. It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid monthly during the financial year
13th month salary	Fixed	This is part of gross salary package for Executive Directors only. It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid in a month during the financial year
Directors fees	Fixed	This is paid quarterly to Non-Executive Directors only.	Paid quarterly
Sitting allowances	Fixed	Sitting allowances are paid to the Non-Executive Directors only for attending Board and Board Committee meetings.	Paid after each meeting

10. Annual Certification

The Board certifies that for the financial year ended 31 December 2019, the Bank has complied with the provisions of the Corporate Governance Directive 2018, as issued by the Bank of Ghana, including but not limited to:

a) Board qualification and composition

b) Board size and structure

c) Board Secretary

d) Other engagements of Directors

e) Board sub-committees

In addition, the Board certifies that:

1) It has independently assessed and documented that the Bank's corporate governance process is effective and has successfully achieved its objectives.

2) Directors are aware of their responsibilities to the Bank as persons charged with governance.

SUSTAINABILITY REPORT

In United Bank for Africa Ghana Limited (UBAG), we remain committed to the sustainable growth and development of the Ghanaian economy and the broader African continent; the overall progress of the populace; and the physical wellbeing of the earth. As a leading financial services institution, we understand and are committed to playing our role towards infrastructure development, women empowerment, economic diversification, capacity building and inclusive growth and development. We understand our responsibility in ensuring that our products, investments and business activities do not harm the environment. We continue to work with our customers, subsidiaries, associates, investees, partners, vendors, contractors and other third parties to ensure that they understand and comply with relevant environmental policies, laws and regulations.

We integrate sustainability principles in our business operations. Our policy is centred on mainstreaming sustainable business practices into operations for strategic growth and long-term success. The drive for sustainability practice is championed by the Board and Executive Management Committee anchors the execution of strategic initiatives, thus ensuring that the philosophy is institutionalised and the ethical cultures are imbibed by every staff, who are obligated to adhere strictly to the principles in their day-to-day functions.

Progress Report on Stakeholder Engagements

1. Employee:
The key concerns expressed by our employees during our engagement with them were: Frequency of Promotion and Work-Life-Integration.

UBA's Commitment:

- Day-to-day engagement and feedback
- Quest for excellence sessions
- Various trainings and capacity building sessions
- GMD's visioning meetings
- Employee satisfaction surveys
- CEO's Awards
- Regular electronic newsletters
- Workplace gender diversity and equal opportunities activities.
- The Bank ensures that all staff participate in the annual wellness check in collaboration with our Health Management Organisation (HMO).
- In addition, we organise quarterly fitness sessions (tagged; "Jogging to Bond") for all members of staff across the Bank in different locations and we collaborate with the HMO in sensitising and educating staff on health issues, with attention to preventive medicine and natural therapies.

2. Customers:

Key concerns: Limited access to lending and project financing.
UBA's Commitment:
- We ensure strict compliance to regulatory requirement on lending and project financing, including the integration of the Group's policy on ESG in credit appraisals and overall lending decision.
- We ensure strict business ethics and professionalism in our service delivery.
- State-of-art technology to deliver superior customer service experience and respond to changing needs of our customers
- Customer surveys, marketing visits and calls.
- Transitioned the Customer Fulfillment Centre (CFC) into an end-to-end resolution channel for all complaints
- Dedicated offerings for SMEs and structural support for businesses.
- Loan products for the retail customers and enhancement of channels for exceptional service experience.

3. Shareholders:
Increased wealth creation.

UBA's Commitment:
- Provision of timely information to all shareholders; annual reports and accounts, quarterly results and press releases.
- In ensuring strict adherence to the Bank's governance principles, the Board is evaluated bi-annually by a reputable firm of consultants.

4. Suppliers:
Key concerns are sustainability of the transparent and fair assessment or selection process of vendors, pricing and payment terms.

UBA's Commitment:
- The Bank recently enhanced the Vendor Selection and Assurance team and improved the procurement process, including accreditation and review of vendors and contractors to ensure that the most qualified vendors are duly registered and shortlisted for relevant projects.
- The selection is overseen by a Cost Optimisation Committee made up of Senior Management staff across relevant divisions. This ensures that adequate due diligence is carried out before, during and after the selection of vendors and award of contracts or procurements.
- Periodic price checks and vendor reviews are conducted, in addition to vendor rating by relevant divisions in the Bank, through an anonymous survey conducted periodically and independently analysed for MIS purposes.

5. Communities:
Key concerns include environment and social footprint, contributions to the development of the youth, particularly less privileged persons.

UBA's Commitment:
- UBA is committed to charitable donations and sponsorships of impactful projects, especially youth-oriented initiatives that align with our empowerment philosophy.
- We engage in various community development initiatives either directly through UBA Foundation, our special purpose vehicle for Corporate Social Responsibility, or in partnership with credible non-governmental organisations and public institutions. Charitable donations during the year are disclosed in the Corporate Governance Report.

6. Regulators:
Disclosure of Environmental and Social performance through reporting progress on the implementation of Sustainable Banking Principles.

UBA's Commitment:

- Continuous consultations with relevant regulatory authorities and public institutions on the progress made in the advocacy and adherence to environmental and social principles.
- Periodic onsite meetings and supervisory visits by representatives of regulatory bodies.

Managing Environmental and Social Risks

UBA's activities expose the Bank to a variety of financial risks that require analysis, evaluation, acceptance and management. We reckon that assuming risk is a core aspect of financial services business and operational risks are an inevitable consequence of being in business.

Hence, we appreciate that achieving a balanced performance scorecard requires integrating environmental and social considerations into our performance measurement scale, as we look beyond explicit financial profit. It also entails imbibing global best practices in our business policies and practices by ensuring that our entire process and people are carried along in our sustainability journey. As a responsible Bank, UBA has carefully identified the sectors and operations that portend significant social and/or environmental risks, through our Social and Environmental Risk Department. The Environmental and Social policy form part of our overall operational policy framework. UBA's Environmental and Social policy specifies the requirements for Environmental and Social due diligence and the criteria for adopting responsible credit decisions.

Social and Environmental Due Diligence

UBA will not provide any service (including direct loan, funding, investment or advisory services) to customers engaged in any activity involving;

i. Production or trade in any product or activity deemed illegal under Republic of Ghana laws or regulations or international conventions and agreements.
ii. Production or trade in weapons and ammunitions.
iii. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES).
iv. Production or trade in radioactive materials.
v. Production or trade in or use of unbonded asbestos fibres.
vi. Purchase of logging equipment for use in primary tropical moist forest.
vii. Drift net fishing in the marine environment using nets in excess of 2.5km in length.
viii. Production or trade in pharmaceuticals under international phase outs or bans.
ix. Production or trade in pesticides or herbicides under international phase outs or bans.
x. Production or activities involving harmful or exploitative forms of forced labour or child labour.
xi. Production or trade in products containing polychlorinated biphenyl (PCB).
xii. Production, trade, storage or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.
xiii. Production or trade in ozone depleting substances subject to international phase out.
xiv. Production or activities that impinge on the land owned, or claimed under adjudication, by indigenous people, without full documented consent of such people.

Business Continuity

UBA recognises its responsibility to sustain banking operations during disruptive events and retain our employees and assets at all times. We are fully aware that the unexpected can and does occur, from simple situations to major outages and since we recognise how heavily our clients rely on our systems and services, it is a challenge to continually provide high-quality services and sustain critical functions while minimising customer impact.

Major efforts have been funnelled into the cyber and information security domain to ensure that UBA is fortified with the ability to handle cyber security threats. UBA's security strategy has been developed in alignment with our digital transformation strategy. This effort ensures that security requirements and measures are considered as early as possible during product and solution development so that a seamless, unified, and secure customer experience is provided. Business Continuity Management also ensured the development and testing of critical business continuity plans and manages this process in an efficient manner through implementation of the Business Continuity Management (BCM) life cycle automation system. Business Continuity Management is done to protect our Staff, minimise potential operational loss and ensure UBA continues in business, protect the Bank's reputation and customers' perception and to protect customers' data to ensure confidentiality, integrity and availability.

BCM is implemented via following steps:

- Development of Business Impact Analysis which is the process of identifying critical business functions and the impact on the Bank if these business functions are disrupted due to crisis event or disaster. BIA is developed for all Business functions in the Bank.
- Development of Continuity of Business Plan is made up of two segments.
    i. Crisis Management Plan: This is framework for managing crisis events, which includes development of Crisis Management Teams.
    ii. Business Recovery Plan: This is the process of recovering business process when disrupted and unable to provide services to customers. It may involve relocation of business processes or its Information Technology resource to alternate site to ensure business continuity.
- Testing; is a trial run to ensure that plans and facilities that provide UBA's Business recovery solutions are appropriate to recover business operation in the event of crisis or disaster.
- Maintenance; is regular update of all business continuity plans in line with policy requirements, business needs and regulations. All business continuity plans are updated at least once a year.
- Monitoring and Reporting; is the process of tracking compliance of each business function, to implementation of business continuity in its processes in line with policy requirements and regulations.
- Training and Awareness: provide continuity of Business personnel with skills and knowledge to plan and respond to crisis events or business disruption. Awareness is an initiative that ensures communication of important Continuity of Business topics to all staff.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED BANK FOR AFRICA (GHANA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Bank for Africa (Ghana) Limited which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Company in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (including International Independent Standards) (the Code) issued by the International Ethics and Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Loan Loss Provision	
The Bank measures financial instruments in accordance with IFRS 9 – Financial Instruments during the year, which requires the measurement of expected credit loss allowance for financial assets at amortised cost and fair value through other comprehensive income. The Bank reviews its loans and advances for impairment at the end of each reporting period. There are significant judgements made in the following areas in applying IFRS 9 – Financial Instruments. These include; - Determining the staging of financial assets of the Bank which includes establishing groups of similar financial assets. - Determining criteria for significant increase in credit risk - Determination of the probability of default (PD) and Loss Given Default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL).	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss. In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed. In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency to determine whether the control operated during the year. We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default and the Loss Given Default.

Key audit matter	How our audit addressed the key audit matter
Loan Loss Provision	
Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred we considered this to be a key audit matter. The Bank is also required to compute loan provision in accordance with the Bank of Ghana (BOG) prudential guidelines. There is the risk of inappropriate classification of loans and advances in accordance with BOG's guidelines that results in inaccurate loan impairment computations. The Bank is also required to make transfers from income surplus to regulatory credit risk reserve based on the excesses of IFRS impairment and Bank of Ghana provision. The disclosures relating to impairment of loans and advances to customers, which are included in notes to the financial statements, are considered important to the users of the financial statements given the level of judgement and estimation involved.	We challenged management's staging of its financial assets in the ECL module and tested facilities to ensure they have been included in the correct stage. We tested the underlying calibration data behind the determination of the probability of default by agreeing same to underlying supporting documentation. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We further tested the disclosures to ensure that the required disclosures under IFRS 9 have been appropriately disclosed. We further assessed as appropriate the classifications of the Bank's loans and advances in accordance with Bank of Ghana, prudential guidelines and the transfer of any excess provision over the IFRS computed provisions to the regulatory credit Risk Reserve.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance Report.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial Statements

The Bank's 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.

Auditor's Responsibilities for the Audit of financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

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

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

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.

2. In our opinion:

    - proper books of accounts have been kept by the Company, so far as appears from our examination of those books.
    - the information and explanations given to us, is in the manner required by Act 992 and give a true and fair view of the:

        a. statement of financial position of the Company at the end of the financial year, and
        b. statement of profit or loss and other Comprehensive income for the financial year.
        c. the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.

We are independent of the Company, pursuant to section 143 of Act 992.

The engagement partner on the audit resulting in this independent auditor's report is **Daniel Kwadwo Owusu (ICAG/P/1327)**

For and on behalf of Deloitte & Touche (ICAG/F/2020/129)
Chartered Accountants
Plot No.71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

Deloitte & Touche

27 March 2020

Financials

Statutory financial statements of the Bank and associated notes

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	2019	2018
Interest income	7	**473,112,551**	511,331,773
Interest expense	8	**(171,414,131)**	(167,712,073)
Net interest income		**301,698,420**	343,619,700
Fees and commission income	9	**46,636,040**	50,542,086
Fees and commission expense	9	**(9,851,300)**	(6,228,088)
Net fee and commission income		**36,784,740**	44,313,998
Net trading and revaluation income	10	**55,366,981**	42,395,939
Other operating income	11	**54,161**	365,027
Net trading and other income		**55,421,142**	42,760,966
Net operating income		**393,904,302**	430,694,664
Allowance for credit losses on financial assets	12	**(5,594,973)**	(97,673,110)
Employee benefit expenses	13	**(44,540,726)**	(49,997,313)
Depreciation and amortisation	14	**(6,398,944)**	(3,650,452)
Other operating expenses	15	**(55,816,905)**	(65,989,814)
Profit before income tax		**281,552,754**	213,383,975
Income tax expense	17	**(93,467,646)**	(61,473,751)
Profit for the year		**188,085,108**	151,910,224
Other comprehensive income			
Items that will be reclassified to the income statement:			
Fair value changes on financial assets at fair value through other comprehensive income (net of tax)		**512,317**	1,159,529
Total comprehensive income for the year		**188,597,425**	153,069,753
Basic and diluted earnings per share	16	**0.03**	0.04

The notes on pages 52 to 103 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

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

	Note	2019	2018
Assets			
Cash and cash equivalents	19	583,517,707	546,269,526
Investment securities:			
- At amortised cost	20	2,550,894,370	1,049,921,734
- At fair value through other comprehensive income	20	335,011,836	1,219,620,955
Loans and advances to customers	21	948,607,338	634,206,101
Other assets	22	29,100,013	80,555,600
Property and equipment	23	44,180,726	28,350,497
Intangible assets	24	191,514	1,291,388
Income tax asset	17	5,517,973	2,935,441
Deferred tax asset	18	658,874	564,628
Total assets		4,497,680,351	3,563,715,870
Liabilities			
Deposits from customers	25	2,338,800,005	2,114,717,879
Deposits from banks	26	1,238,363,261	581,546,997
Borrowings	27	-	120,909,248
Other liabilities	28	90,552,414	104,716,006
Total liabilities		3,667,715,680	2,921,890,130
Equity			
Stated capital	29	400,000,000	400,000,000
Income surplus	30	159,303,031	27,078,896
Fair value reserve	30	1,278,007	765,690
Credit risk reserve	5	8,381,202	-
Statutory reserve	30	261,002,431	213,981,154
Total equity		829,964,671	641,825,740
Total liabilities and equity		4,497,680,351	3,563,715,870

The financial statements were approved by the Board of Directors on 10 March 2020 and signed on its behalf by:

Honourable Kwamena Bartels
Director

Isong Udom
MD/CEO

STATEMENT OF CHANGES IN EQUITY

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

For the year ended 31 December 2019

	Stated capital	Income surplus	Statutory reserves	Credit risk reserve	Fair value reserve	Total
At 31 December 2018	**400,000,000**	**27,078,896**	**213,981,154**	**-**	**765,690**	**641,825,740**
Changes on initial application of IFRS9	-	(458,494)	-	-	-	(458,494)
At 1 January 2019	**400,000,000**	**26,620,402**	**213,981,154**	**-**	**765,690**	**641,367,246**
Profit for the year	-	188,085,108	-	-	-	188,085,108
Fair value change in financial assets classified as FVOCI	-	-	-	-	512,317	512,317
Total comprehensive income for the year	**-**	**188,085,108**	**-**	**-**	**512,317**	**188,597,425**
Transfer between reserves						
Transfer to statutory reserve	–	(47,021,277)	47,021,277	-	-	-
Transfer to credit risk reserve	-	(8,381,202)	-	8,381,202	-	-
Total transfer between reserves	**-**	**(55,402,479)**	**47,021,277**	**8,381,202**	**-**	**-**
At 31 December 2019	**400,000,000**	**159,303,031**	**261,002,431**	**8,381,202**	**1,278,007**	**829,964,671**

For the year ended 31 December 2018

	Stated capital	Income surplus	Statutory reserves	Credit risk reserve	Fair value reserve	Total
At 31 December 2017 (IAS 39)	**74,659,061**	**279,798,768**	**194,992,376**	**-**	**(676,234)**	**548,773,971**
Changes on initial application of IFRS 9						
Increase in impairment provision due to adoption of IFRS 9	-	(30,383,158)	-	-	-	(30,383,158)
Fair value change in assets classified as FVOCI	-	-	-	-	282,395	282,395
At 1 January 2018 (IFRS 9)	**74,659,061**	**249,415,610**	**194,992,376**	**-**	**(393,839)**	**518,673,208**
Profit for the year	-	151,910,224	-	-	-	151,910,224
Fair value change in financial assets classified as FVOCI	-	-	-	-	1,159,529	1,159,529
Total comprehensive income for the year	**-**	**151,910,224**	**-**	**-**	**1,159,529**	**153,069,753**
Transfer to statutory reserve	**-**	**(18,988,778)**	**18,988,778**	**-**	**-**	**-**
Transactions with owners						
Capitalisation of income surplus	325,340,939	(325,340,939)	-	-	-	-
Stamp duty/withholding tax on capitalisation	-	(29,917,221)	-	-	-	(29,917,221)
Total transactions with equity holders	**325,340,939**	**(355,258,160)**	**-**	**-**	**-**	**(29,917,221)**
At 31 December 2018	**400,000,000**	**27,078,896**	**213,981,154**	**-**	**765,690**	**641,825,740**

STATEMENT OF CASH FLOWS

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

	Notes	2019	2018
Cash flows from operating activities			
Profit before income tax		**281,552,754**	213,383,975
Adjustments for:			
Depreciation and amortisation	14	**6,398,944**	3,650,452
Allowance for credit loss on loans to customers	12	**8,508,268**	95,394,114
Allowance for credit loss on other assets	12	**5,105,913**	608,539
Reversal/allowance for credit loss on contingent liabilities	12	**(7,444,552)**	165,800
Allowance for credit loss on investment securities	12	**636,556**	1,079,442
Reversal/allowance for credit loss on placements with banks	12	**(400,000)**	467,339
Finance cost on lease liabilities	8	**992,831**	-
Gain on disposal of property and equipment	23	**(27,172)**	(337,444)
Write-off of property and equipment	23	**7,983**	43,246
Foreign currency exchange difference on borrowings	27	**7,283,468**	9,465,282
Net interest income		**(301,698,420)**	(343,619,700)
		916,573	(19,698,955)
Change in operating assets and liabilities			
Change in mandatory reserve deposits		**(22,408,213)**	(4,104,606)
Change in loans and advances to customers		**(374,295,121)**	348,143,335
Change in other assets		**46,520,446**	(46,256,171)
Change in deposits from banks		**656,816,263**	325,947,615
Change in deposits from customers		**224,082,126**	41,046,058
Change in other liabilities		**(15,735,119)**	20,596,264
Interest received		**473,112,551**	511,331,773
Interest paid		**(159,230,150)**	(160,129,696)
Income tax paid	17	**(96,315,196)**	(71,727,496)
Net cash from operating activities		**733,464,160**	945,148,121
Cash flows from investing activities			
Purchase of investment securities		**(2,842,235,011)**	(3,099,583,210)
Proceeds from sale/redemption of investment securities		**2,179,134,120**	1,209,453,973
Purchase of property and equipment	23	**(4,611,141)**	(2,663,124)
Proceeds from sale of property and equipment	23	**29,096**	337,444
Purchase of intangible assets	24	**(8,819)**	(686,561)
Net cash used in investing activities		**(667,691,755)**	(1,893,141,478)
Cash flows from financing activities			
Proceeds from borrowings	27	**-**	110,453,750
Interest paid on borrowings	27	**(13,174,197)**	(7,582,377)
Repayment of borrowings	27	**(127,202,500)**	-
Payments of principal on lease liabilities		**(8,554,490)**	-
Stamp duty/withholding tax on capitalisation	29	**-**	(29,917,221)
Net cash used in financing activities		**(148,931,187)**	72,954,152
Net decrease in cash and cash equivalents		**(83,158,782)**	(875,039,205)
Cash and cash equivalents at 1 January	19	**434,428,663**	1,309,467,868
Cash and cash equivalents at 31 December	19	**351,269,881**	434,428,663

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

United Bank for Africa (Ghana) Limited ("the Bank") is a limited liability company and is incorporated and domiciled in Ghana. The registered office is Heritage Towers, Ambassadorial Enclave, Accra. The Bank operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Bank is a subsidiary of United Bank for Africa Plc of Nigeria and provides retail, corporate banking and investment banking services.

2. Summary Of Significant Accounting Policies

2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income. Additional information required under the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate.

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 10 March 2020.

The same accounting policies and methods of computation were followed in preparation of these financial statements as compared with the Bank's most recent annual financial statements. Details of changes in accounting policies, where applicable during the year are disclosed in Note 3.

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

2.2 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement. The Ghana Interbank Exchange rates are used to translate foreign currency items into the functional currency.

Unrealized exchange differences on non-monetary financial assets are a component of the change in their entire fair value. For non-monetary financial assets measured at fair value through profit or loss, unrealized exchange differences are recognized in profit or loss. For non-monetary financial assets measured at fair value through other comprehensive income, unrealized exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

2.3 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in due to other banks or customer deposits, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or due from other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements. counterparties are also retained in the financial statements.

2.4 Property, plant and equipment

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Land is not depreciated. Depreciation on other classes of property and equipment are as follows:

Building	2.5%
Leasehold improvement	Over the period of lease
Computers	20%
Motor vehicles	25%
Equipment, furniture and fittings	20%

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

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

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Capital work-in-progress (CWIP)

These are costs in respect of property, plant and equipment and other construction work-in-progress that will eventually be capitalised. Amounts paid or accrued either in a lump sum or on an instalment basis related to the construction, alteration, or renovation of premises, installations, and equipment (including special equipment such as computers) that are not yet functional or in use are accumulated in capital work-in-progress sub-accounts that are reported in the appropriate fixed asset accounts. Payments made for capital work-in-progress projects that will eventually be expensed are expensed as incurred.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

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

2.5 Intangible assets

Intangible assets comprise computer software licences and other intangible assets. Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding four (4) years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Bank have a definite 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.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 National Fiscal Stabilisation Levy

TThe National Stabilisation Levy is assessed under the National Fiscal Stabilisation Levy Act (Act 862) of 2013 at 5% on accounting profit before tax and became effective on 12 July 2013. The levy is not tax deductible and it is accounted for on accrual basis.

2.8 Income tax

Current income tax

TThe tax expense for the period comprises current and deferred income tax. Tax is recognised in the 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is 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. 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.

2.9 Employee benefits

a. Defined Contribution Plans

The Bank operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Bank makes fixed contributions on contractual basis. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

2. Summary of significant accounting policies (continued)

2.9 Employee benefits (continued)

b. Termination benefits

The Bank recognises termination benefits as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank settles termination benefits within 12 months and are accounted for as short- term benefits.

c. Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term employee benefits if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.10 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Stated capital

a. Ordinary shares

Ordinary shares are classified as ‘’Stated capital” in equity.

b. Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank’s shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

2.12 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer’s default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities; credit risk, liquidity risk, market risk-comprising currency, interest rate and other price risk.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months’ maturity at the date of acquisition, including cash in hand, deposits held at call with other Banks, and other short term highly liquid investments with original maturities of three months or less.

2.14 Interest income and expense

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.15 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

2.16 Net trading and revaluation income

Net trading income and revaluation income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

2.17 Earnings per share

The Bank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments

(i) Classification and measurement of financial assets

Financial assets are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on the Bank's business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL:
(a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and
(b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL:
(a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and
(b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

(ii) Business model assessment

The Bank determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Bank's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.
- The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns:
- Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

(iii) SPPI Assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.
Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

(iv) Investment Securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with the Bank's policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognized on amortised cost securities are recorded in Allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a gain/(loss) on Investment securities in Net trading and revaluation income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in fair value reserve. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net gain/(loss) on Investment securities in net trading and revaluation income

(v) Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments (continued)

(v) Loans (continued)

transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

(vi) Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts and debt securities. These are carried at amortised cost and presented net of ACL on the Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in Fair value reserve in equity. Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.

The ACL is measured 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:

1) Performing financial assets:

• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

2) Impaired financial assets

• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract. Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

(vii) Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use 'backstop' indicators. Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

(viii) Assessment of significant increase in credit risk

In addition, the Bank also considers the following conditions in assessing a significant increase in credit risk especially for corporate loans and advances:

(i) Inadequate or unreliable financials and other information such as unavailability of audited financial statements.

(ii) A downgrade of a borrower by a recognised credit rating agency.

(iii) Non-cooperation of the borrower in matters pertaining to documentation.

(iv) Borrower is the subject of litigation by third parties that may

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments (continued)

viii) Assessment of significant increase in credit risk (continued)

have a significant impact on his financial position.
(v) Frequent changes in senior management of the obligor.
(vi) Intra-group transfer of funds without underlying transactions.
(vii) Deferment/delay in the date of commencement if commercial operations by more than one year.
(viii) Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants etc.
(ix) Expectation of forbearance or restructuring due to financial difficulties.

The following are however considered as exceptions:
1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days.
Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

(ix) Use of forward looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank rates, inflation rate and population growth rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

(x) Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.
• The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).
• The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
• Interest payments equal to 90 days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified)

The elements to be taken as indications of unlikeliness to pay include:
- The bank sells the credit obligation at a material credit-related economic loss.
- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following are considered as exceptions:
a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days;

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments (continued)

(x) Definition of default (continued)

b. In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans;
c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

(xi) Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:

i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.
Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):

Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.
When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL.

(xii) Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains."

(xiii) Presentation of allowance for Expected Credit Loss in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:
- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- 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.

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments (continued)

(xiv) Financial Liabilities and Equity

The Bank recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts. Financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Bank classifies its financial liabilities as measured at amortised cost, except for:

i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Bank's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Bank's credit risk are also presented in profit or loss;

ii. Financial guarantee contracts and commitments.

Other financial liabilities (not measured at FVTPL), including deposits and borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

(xv) Reclassification of financial assets

Financial assets are reclassified when and only when the 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.

(xvi) Modification and derecognition of financial assets and liabilities

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.
In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cashflows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms.

The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

2. Summary of significant accounting policies (continued)

2.18 Financial Instruments (continued)

(xvi) Modification and derecognition of financial assets and liabilities **(continued)**

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

(xvii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires 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.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other revenue. The Bank has not designated any financial guarantee contracts as at FVTPL.

(xviii) Commitments to provide a loan at below market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Commitments to provide a loan below market rate not designated at FVTPL are presented as provisions in the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at FVTPL.

2. Summary of significant accounting policies (continued)

2.19 Leases

The Bank leases various business offices, ATM stands and office equipment. Rental contracts are typically made for fixed periods of 6 months to 15 years, but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. 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 an index or a rate, initially measured using the index or rate 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 Bank 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 the Bank's leases, 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 Bank as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

Payments associated with short-term leases of property and office equipment 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 largely comprise office equipment including printers and scanners.

3. Changes in accounting policies and disclosures

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

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

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The Bank had to change its accounting policies as a result of adopting IFRS 16. The Bank elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of this change in accounting policy is disclosed in Note 3.1 below.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.1 Financial impact assessment of IFRS 16 adoption

This note explains the impact of the adoption of IFRS 16 Leases on the Bank's financial statements.

As indicated above, the Bank has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.19.

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 8%.

The Bank did not have any leases previously classified as Finance Leases.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and 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 group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of Lease Liabilities

	2019
Operating lease commitments as at December 2018 discounted using the Bank's (lessee) incremental borrowing rate at the date of initial application	16,255,885
Less: short term leases not recognised as a liability	(1,602,778)
Less: low value leases not recognised as a liability	(797,475)
Lease liability recognised as at 1 January 2019	**13,855,632**
Of which are:	
Current lease liabilities	251,653
Non-current lease liabilities	13,603,979
	13,855,632

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other 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 in the balance sheet as at 31 December 2018.

3. Changes in accounting policies and disclosures (continued)

3.1 Financial impact assessment of IFRS 16 adoption (continued)

(iv) 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

	Amount
Right-of-use assets increased by	13,397,138
Prepayments decreased by	4,995,819
Lease liabilities increased by	13,855,632

The net impact on retained earnings on 1 January 2019 was a decrease of GHS 458,494.

(v) Lessor accounting

The Bank did not have any assets held as lessor under operating leases. As such no adjustments were made in this respect.

(b) Standards issued but not yet effective

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

4.0 Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The most important types of risk include; credit risk, liquidity risk and market risk- comprising currency, interest rate and other price risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Risk Management Committee in support of their risk oversight objectives and responsibilities. There is also a Risk Management Department which has responsibility for the implementation of the Bank's risk control principles, frameworks and processes across the entire risk spectrum.

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

4.1 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to fulfil its contractual obligations. Credit risk arises mainly from interbank, commercial and consumer loans and advances and loan commitments arising from such lending activities but can also arise from credit enhancements provided such as financial guarantees, letters of credits, endorsements and acceptances.

The Bank is also exposed other credit risks arising from investments in debt securities and exposures arising from its other trading activities including settlement balances with market counterparties and reverse purchase agreements.
Credit risk is the single largest risk for the Bank's business; Management therefore carefully manages its exposure to credit risk.

4.1.1 Credit Risk Management

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements..
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Board Committee on Risk Management.
- Reviewing and assessing credit risk. The Credit department assesses all credit exposures in excess of designated limits, prior

4. Financial risk management

4.1.1 Credit Risk Management (continued)

to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. Limiting concentrations of exposure to counterparties, and industries for loans and advances.

- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management's attention on the attendant risks. The responsibility for setting risk grades lies with the Board of Directors. Risk grades are subject to regular reviews by the Risk Management Division.

(i) Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. Details of factors that will result in the significant increase in credit risk are disclosed in Note 2.18 (viii).

(ii) Internal Credit Risk Rating

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement.
The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The Bank's risk rating buckets and definitions are as follows:

Grade	Description	Rating	Rating bucket	Risk range	Risk range (description)
1	Extremely low risk	Low to fair risk	AAA	90% - 100%	Low risk range
2	Very low risk		AA	80% - 89%	
3	Low risk		A	70% - 79%	
4	Acceptable risk	Monitoring	BBB	60% - 69%	Acceptable risk range
5	Moderately high risk		BB	50% - 59%	
6	High risk	Substandard	B	40% - 49%	High risk range
7	Very high risk		CCC	30% - 39%	
8	Extremely high risk		CC	0% - 29%	
9	High likelihood of default	Doubtful	C	Below 0%	Unacceptable risk range
10	Default	Impaired	D	Below 0%	

The risk ratings are a primary tool for the review and decision making in the credit process. The Bank does not lend on unsecured basis to obligors that are below investment grade (BB and above). The Bank will not lend to obligors in the unacceptable risk range.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty.

All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.
The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc

4. Financial risk management

4.1.1 Credit Risk Management (continued)

(ii) Internal Credit Risk Rating (continued)

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

The Bank performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Bank employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios.

The external information used includes economic data and forecasts published by governmental bodies and monetary authorities. The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The grouping of financial instruments for assessment of credit loss provisions on a collective basis is based on the industry sectors of the exposures. Stage 2 and Stage 3 loans are however assessed individually.

Grouping of instruments for losses measured on a collective basis (continued)

The Base PD's applied for the various sectors are as follows:

Agriculture, Forestry & Fishing	8.92%
Manufacturing	8.43%
Commerce & Finance	1.46%
Transportation	0.29%
Construction	18.34%
Services	3.74%
Oil & Gas	0.56%
Power	14.86%
Miscellaneous	13.87%

The appropriateness of the groupings is monitored and reviewed on a quarterly basis.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information. PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time.

The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.

The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.

The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Bank uses EAD models that reflect the characteristics of the portfolios. The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial

4. Financial risk management (continued)

4.1.1 Credit Risk Management (continued)

Measurement of ECL (continued)

instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

4.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

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 banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

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

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

Some other specific control and mitigation measures are outlined below:

(a) Collateral

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

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

Collateral held as security for financial assets other than loans and advances 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.

(b) Financial covenants (for credit related commitments and loan books)

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

The Bank's maximum exposure to credit risk is represented by the gross 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. The financial assets are categorised by the industry sectors of the Bank's counterparties.

Loans and advances to customers form 26.0% of the total maximum exposure (2018: 24.1%); 61.0% represent investments in government securities (2018: 59.5%) and 13.0% represent balances with banks, placements and other assets (2018: 16.4%).

The following table breaks down the Bank's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Bank's counterparties

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management

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

On balance sheet

At 31 December 2019	Loans and advances to customers	Cash and balances with Bank of Ghana	Due from other Banks	Investment Securities	Other financial assets	Total
Agriculture	169,118	-	-	-	-	169,118
Manufacturing	84,851,639	-	-	-	-	84,851,639
Commerce and Finance	117,913,088	436,595,367	146,989,679	2,887,622,204	23,244,133	3,612,364,471
Transport and communications	12,639,271	-	-	-	-	12,639,271
Building and construction	190,232	-	-	-	-	190,232
Services	39,654,445	-	-	-	-	39,654,445
Oil and Gas	768,880,771	-	-	-	-	768,880,771
Education	152,144,571					152,144,571
Miscellaneous	55,571,676	-	-	-	-	55,571,676
Total	**1,232,014,811**	**436,595,367**	**146,989,679**	**2,887,622,204**	**23,244,133**	**4,726,466,194**
Allowance for credit losses	(283,407,473)	-	(67,339)	(1,715,998)	(23,270)	(285,214,080)
Net carrying amount	**948,607,338**	**436,595,367**	**146,922,340**	**2,885,906,206**	**23,220,863**	**4,441,252,114**

At 31 December 2018	Loans and advances to customers	Cash and balances with Bank of Ghana	Due from other Banks	Investment Securities	Other financial assets	Total
Agriculture	270,706	-	-	-	-	270,706
Manufacturing	20,015,288	-	-	-	-	20,015,288
Commerce and Finance	151,013,618	267,129,029	279,607,836	2,270,622,131	71,723,826	3,040,096,440
Transport and communications	5,097,725	-	-	-	-	5,097,725
Building and construction	1,052,562	-	-	-	-	1,052,562
Services	17,051,775	-	-	-	-	17,051,775
Oil and Gas	705,649,312	-	-	-	-	705,649,312
Miscellaneous	20,056,664	-	-	-	-	20,056,664
Total	**920,207,650**	**267,129,029**	**279,607,836**	**2,270,622,131**	**71,723,826**	**3,809,290,472**
Allowance for credit losses	(286,001,549)	-	(467,339)	(1,079,442)	(1,347,690)	(288,896,020)
Net carrying amount	**634,206,101**	**267,129,029**	**279,140,497**	**2,269,542,689**	**70,376,136**	**3,520,394,452**

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

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

Off balance sheet

At 31 December 2019	Letters of credit	Letters of guarantee	Loan commitments	Total
Agriculture	-	4,739,196	515,760	5,254,956
Manufacturing	-	5,076,064	2,209,671	7,285,735
Commerce and Finance	-	4,437,718	13,887,119	18,324,837
Transport and communications	-	36,526,346	56,482	36,582,828
Building and construction	-	498,155,217	-	498,155,217
Services	2,546,008	18,920,487	176,115	21,642,610
Oil and Gas	38,154,862	1,103,567	6,847,487	46,105,916
Power	-	11,331,261	-	11,331,261
Mining and quarrying	-	83,005,500	-	83,005,500
Miscellaneous	-	98,015,955	475,928	98,491,883
Total	**40,700,870**	**761,311,311**	**24,168,562**	**826,180,743**
Allowance for credit losses	(17,892)	(1,701,258)	-	(1,719,150)
Net carrying amount	**40,682,978**	**759,610,053**	**24,168,562**	**824,461,593**

At 31 December 2018	Letters of credit	Letters of guarantee	Loan commitments	Total
Agriculture	482,000	31,324,829	4,543,218	36,350,047
Manufacturing	4,250,252	226,017	396,028	4,872,297
Commerce and Finance	-	13,250,438	18,879,052	32,129,490
Transport and communications	598,302	31,203,288	9,951	31,811,541
Building and construction	-	328,984,877	11,630,792	340,615,669
Services	-	35,789,030	941,838	36,730,868
Oil and Gas	32,156,842	10,636,100	384,705	43,177,647
Power	-	124,697,981	-	124,697,981
Miscellaneous	9,473,926	106,315,565	853,412	116,642,903
Total	**46,961,322**	**682,428,125**	**37,638,996**	**767,028,443**
Allowance for credit losses	(174,206)	(8,989,496)	-	(9,163,702)
Net carrying amount	**46,787,116**	**673,438,629**	**37,638,996**	**757,864,741**

4.1.4 Credit Quality

The Bank manages the credit quality of its financial assets using internal credit ratings. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The credit quality of the Bank's loans and advances are categorized as follows:

Stage 1 Loans and Advances

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date. They are considered ''performing" credits and are rated 1 in the Bank's internal credit risk grading system.

Stage 2 Loans and Advances

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. These are considered ''the Watch list credit" in the Bank's internal credit risk grading system and are rated 2.

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

Stage 3 Loans and Advances

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted. These loans are considered “non performing” in the Bank’s internal credit risk grading system and are rated 3 or 4.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. As at 31 December 2019, the carrying amount of loans with renegotiated terms was GHS 126.7 million (December 2018: nil). There are no other financial assets with renegotiated terms as at 31 December 2019.

Impairment assessment

The measurement of expected credit losses is based on the product of the instrument’s probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

The ECL model has three stages. The Bank recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Credit department 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.

For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Loan write off requires approval of the Board of Directors and the Bank of Ghana.

Credit Risk Exposure

An analysis of the Bank’s credit risk exposure per class of financial asset, internal rating and “stage” without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Notes

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

Impairment assessment under IFRS 9 (continued)

Loans and advances to customers at amortised cost

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3		Total
31 December 2019	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	553,910,709	-	-	-	553,910,709
Grades 4-5: Monitoring	-	-	-	-	-
Grades 6-8 : Substandard	-	-	678,104,102	-	678,104,102
Grade 9 : Doubtful	-	-	-	-	-
Grades 9-10 : Impaired	-	-	-	-	-
Gross carrying amount	**553,910,709**	**-**	**678,104,102**	**-**	**1,232,014,811**
Loss allowance	(3,639,364)	-	(279,768,109)	-	(283,407,473)
Carrying amount	**550,271,345**	**-**	**398,335,993**	**-**	**948,607,338**

	Stage 1	Stage 2	Stage 3		Total
31 December 2018	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	227,109,853	-	-	-	227,109,853
Grades 4-5: Monitoring	-	-	-	-	-
Grades 6-8 : Substandard	-	-	693,097,797	-	-
Grade 9 : Doubtful	-	-	-	-	-
Grades 9-10 : Impaired	-	-	-	-	-
Gross carrying amount	**227,109,853**	**-**	**693,097,797**	**-**	**920,207,650**
Loss allowance	(7,803,547)	-	(278,198,002)	-	(286,001,549)
Carrying amount	**219,306,306**	**-**	**414,899,795**	**-**	**634,206,101**

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

Impairment assessment under IFRS 9 (continued)

Investment securities

Investment securities	Stage 1	Stage 2	Stage 3		Total
31 December 2019	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	2,887,622,204	-	-	-	2,887,622,204
Gross carrying amount	**2,887,622,204**	**-**	**-**	**-**	**2,887,622,204**
Loss allowance	(1,715,998)	-	-	-	(1,715,998)
Carrying amount	**2,885,906,206**	**-**	**-**	**-**	**2,885,906,206**

	Stage 1	Stage 2	Stage 3		Total
31 December 2018	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	2,270,622,131	-	-	-	2,270,622,131
Gross carrying amount	**2,270,622,131**	**-**	**-**	**-**	**2,270,622,131**
Loss allowance	(1,079,442)	-	-	-	(1,079,442)
Carrying amount	**2,269,542,689**	**-**	**-**	**-**	**2,269,542,689**

Notes

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

Impairment assessment under IFRS 9 (continued)

Other assets

Other assets	Stage 1	Stage 2	Stage 3		Total
31 December 2019	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	23,220,863	-	-	-	23,220,863
Grades 9-10 : Impaired	-	-	23,270	-	23,270
Gross carrying amount	**23,220,863**	**-**	**23,270**	**-**	**23,244,133**
Loss allowance	-	-	(23,270)	-	(23,270)
Carrying amount	**23,220,863**	**-**	**-**	**-**	**23,220,863**

	Stage 1	Stage 2	Stage 3		Total
31 December 2018	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	70,376,136	-	-	-	70,376,136
Grades 9-10 : Impaired	-	-	1,347,690	-	1,347,690
Gross carrying amount	**70,376,136**	**-**	**1,347,690**	**-**	**71,723,826**
Loss allowance	-	-	(1,347,690)	-	(1,347,690)
Carrying amount	**70,376,136**	**-**	**-**	**-**	**70,376,136**

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

Impairment assessment under IFRS 9 (continued)

Off balance sheet

	Stage 1	Stage 2	Stage 3		Total
31 December 2019	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	826,180,743	-	-	-	826,180,743
Gross carrying amount	**826,180,743**	**-**	**-**	**-**	**826,180,743**
Loss allowance	(1,719,150)	-	-	-	(1,719,150)
Carrying amount	**824,461,593**	**-**	**-**	**-**	**824,461,593**

	Stage 1	Stage 2	Stage 3		Total
31 December 2018	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
Grades 1-3: Low to fair risk	767,028,443	-	-	-	767,028,443
Gross carrying amount	**767,028,443**	**-**	**-**	**-**	**767,028,443**
Loss allowance	(9,163,702)	-	-	-	(9,163,702)
Carrying amount	**757,864,741**	**-**	**-**	**-**	**757,864,741**

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period as well as releases for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PD’s, EAD’s and LGD’s in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Notes

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.5 Credit Concentration

The Bank monitors concentrations on credit risk by sector, geographic location and industry. The analysis of concentrations of credit risk by location at the reporting date is shown below:

	2019		2018	
	In Ghana	**Outside Ghana**	**In Ghana**	**Outside Ghana**
Assets				
Cash and cash equivalents	**486,633,078**	**96,884,629**	417,183,555	129,085,971
Investment securities - amortised cost	**2,359,884,813**	**191,009,557**	468,307,301	581,614,433
Investment securities - FVOCI	**335,011,836**	**-**	1,219,620,955	-
Loans to customers	**948,607,338**	**-**	634,206,101	-
Other financial assets	**23,220,863**	**-**	70,376,136	-
	4,153,357,928	**287,894,186**	2,809,694,048	710,700,404
Liabilities				
Deposits from customers	**2,338,800,005**	**-**	2,114,717,879	-
Deposits from banks	**424,909,361**	**813,453,900**	428,277,013	153,269,984
Borrowings	**-**	**-**	-	120,909,248
Other financial liabilities	**21,960,158**	**-**	40,778,234	-
	2,785,669,524	**813,453,900**	2,583,773,126	274,179,232
Off Balance Sheet Items				
Letters of credit	**-**	**40,700,870**	-	46,961,322
Guarantees	**761,311,311**	**-**	682,428,125	-
	761,311,311	**40,700,870**	682,428,125	46,961,322

4.1.6 Credit Collateral

The Bank holds collateral against loans and advances to customers in the form of cash, treasury bills/certificates, stock and shares of reputable quoted companies, legal mortgages, debentures and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and updated periodically.

Collateral generally is not held over placements with other Banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities.

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.1.4 Credit Quality (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

	2019	2018
Against stage 3 loans	666,381,344	411,325,363
Against stage 2 loans	-	-
Against stage 1 loans	458,041,798	294,051,253
	1,124,423,142	705,376,616

Details of collateral held against loans and advances and their carrying amounts are shown below. The Bank manages collaterals for loans and advances based on the nature of those collaterals.

	2019		2018	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	52,594,584	122,873,770	90,435,458	257,874,450
Secured against cash	88,676,061	88,676,060	16,113,846	16,113,846
Secured against other collateral*	1,090,744,166	912,873,312	808,769,461	431,388,320
Unsecured	-	-	4,888,885	-
	1,232,014,811	1,124,423,142	920,207,650	705,376,616

* Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.

Other financial assets comprising cash and bank balances (including balances with the central bank), investment securities and accounts receivable are not secured. The Bank's investment in government securities as well as balances held with the Central Bank are not considered to require collaterals given their sovereign nature.

During the year, the Bank did not take possession of any security held as collateral against loans (2018: nil).

4.2 Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk arises because of the possibility that the Bank may be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of cash flows under normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank met all its financial commitments and obligations without any liquidity risk issues during the year.

4.2.1 Management of liquidity risk

The Bank's liquidity management process, is carried out within the Bank and monitored by a separate team in the Risk Management department includes:

(i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
(iii) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
(iv) Managing the concentration and profile of debt maturities.

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.2 Liquidity risk(continued)

4.2.1 Management of liquidity risk (continued)

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The Bank's Risk Management department 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.

4.2.2 Funding approach

The Bank manages its liquidity prudently in all locations and for all currencies. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer assets are of short tenor. In addition, we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions. We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress.

Contingency funding plans are reviewed annually. They provide a broad set of Early Warning Indicators, an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress.

4.2.3 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the Bank's (liquid ratio) ratio of net liquid assets to customer deposits at the reporting date was as follows:

	2019	2018
At 31 December	**77.4%**	85.4%
Average for the year	**83.8%**	83.3%
Maximum for the year	**94.2%**	94.0%
Minimum for the year	**72.1%**	74.6%

4.2.4 Analysis of financial assets and liabilities by remaining contractual maturities

The tables below show the undiscounted cash flow on the Bank's financial liabilities and on the basis of the earliest possible contractual maturity. The Gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flows on the financial liabilities or commitments. The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. Demand and savings deposits are expected to remain stable or increase.

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.2.4 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

At 31 December 2019	Gross Nominal Amount	Up to 3 months	3-6 months	6-12 months	Over 1 year	Carrying Amount
Financial liabilities						
Deposits from customers	2,351,196,845	2,311,477,799	35,368,068	1,506,892	2,844,086	2,338,800,005
Deposits from banks	1,243,404,909	1,243,404,909	-	-	-	1,238,363,261
Other financial liabilities	22,713,445	12,544,076	-	-	10,169,369	21,960,158
Total financial liabilities	**3,617,315,199**	**3,567,426,784**	**35,368,068**	**1,506,892**	**13,013,455**	**3,599,123,424**
Assets used to manage liquidity						
Cash and bank balances	583,836,295	583,836,295	-	-	-	583,517,707
Investment securities	3,078,503,799	819,298,883	1,077,198,384	871,195,337	310,811,195	2,885,906,206
Loans and advances to customers	981,476,478	689,311,575	5,310,104	9,631,819	277,222,980	948,607,338
Other financial assets	23,220,863	23,220,863	-	-	-	23,220,863
Total financial assets	**4,667,037,435**	**2,115,667,616**	**1,082,508,488**	**880,827,156**	**588,034,175**	**4,441,252,114**
Net liquidity gap	**1,049,722,236**	**(1,451,759,168)**	**1,047,140,420**	**879,320,264**	**575,020,720**	**842,128,690**

At 31 December 2018	Gross Nominal Amount	Up to 3 months	3-6 months	6-12 months	Over 1 year	Carrying Amount
Financial liabilities						
Deposits from customers	2,126,997,253	2,067,837,155	50,321,531	5,808,022	3,030,545	2,114,717,879
Deposit from banks	583,633,024	583,633,024	-	-	-	581,546,997
Borrowings	165,687,500	-	4,518,750	4,518,750	156,650,000	120,909,248
Other financial liabilities	40,778,234	40,778,234	-	-	-	40,778,234
Total financial liabilities	**2,917,096,011**	**2,692,248,413**	**54,840,281**	**10,326,772**	**159,680,545**	**2,857,952,358**
Assets used to manage liquidity						
Cash and bank balances	547,737,376	547,737,376	-	-	-	546,269,526
Investment securities	2,491,311,363	741,770,851	304,135,026	1,263,692,413	181,713,073	2,269,542,689
Loans and advances to customers	682,316,160	487,923,821	25,352,761	74,445,442	94,594,136	634,206,101
Other financial assets	70,376,136	70,376,136	-	-	-	70,376,136
Total financial assets	**3,791,741,035**	**1,847,808,184**	**329,487,787**	**1,338,137,855**	**276,307,209**	**3,520,394,452**
Net liquidity gap	**874,645,024**	**(844,440,229)**	**274,647,506**	**1,327,811,083**	**116,626,664**	**662,442,094**

The net liquidity gap is funded by the shareholders' funds.

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.2.5 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

(i) Cash and balances with Bank of Ghana;

(ii) Placement and balances with other Banks;

(iii) Government bonds and other securities that are readily acceptable in repurchase agreements

(iv) Short term loans and advances

4.3 Market risks

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

Overall responsibility for management of market risk rests with the 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.

4.3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

Interest rates on advances to customers and other risk assets are based on the individual risk profile of the customer, taking into account the Bank's cost of fund.

The Asset and Liability Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

At 31 December 2019	Up to 3 months	3-6 months	6-12 months	Over 1 year	Non-interest bearing	Total
Financial assets						
Cash and bank balances	96,802,509	-	-	-	486,715,198	583,517,707
Investment securities	818,168,070	1,077,198,384	831,542,283	158,997,469	-	2,885,906,206
Loans and advances to customers	688,121,810	2,223,092	6,426,577	251,835,859	-	948,607,338
Other financial assets	-	-	-	-	23,220,863	23,220,863
Total financial assets	**1,603,092,389**	**1,079,421,476**	**837,968,860**	**410,833,328**	**509,936,061**	**4,441,252,114**
Financial liabilities						
Deposits from customers	963,540,542	33,562,135	1,366,561	2,584,369	1,337,746,398	2,338,800,005
Deposits from banks	1,238,363,261	-	-	-	-	1,238,363,261
Other financial liabilities	-	-	-	-	21,960,158	21,960,158
Total financial liabilities	**2,201,903,803**	**33,562,135**	**1,366,561**	**2,584,369**	**1,359,706,556**	**3,599,123,424**
Interest rate sensitivity gap	**(598,811,414)**	**1,045,859,341**	**836,602,299**	**408,248,959**	**(849,770,495)**	**842,128,690**

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.3.1 Interest rate risk (continued)

At 31 December 2018	Up to 3 months	3-6 months	6-12 months	Over I year	Non-interest bearing	Total
Financial assets						
Cash and cash equivalents	190,350,221	-	-	-	355,919,305	546,269,526
Investment securities	703,328,734	302,935,640	1,157,542,770	105,735,545	-	2,269,542,689
Loans and advances to customers	487,406,841	23,859,745	63,178,848	59,760,667	-	634,206,101
Other financial assets	-	-	-	-	70,376,136	70,376,136
Total financial assets	**1,381,085,796**	**326,795,385**	**1,220,721,618**	**165,496,212**	**426,295,441**	**3,520,394,452**
Financial liabilities						
Deposits from customers	935,313,073	48,563,274	5,296,604	2,651,698	1,122,893,230	2,114,717,879
Deposits from banks	581,546,997	-	-	-	-	581,546,997
Borrowings	-	409,248	-	120,500,000	-	120,909,248
Other financial liabilities	-	-	-	-	40,778,234	40,778,234
Total financial liabilities	**1,516,860,070**	**48,972,522**	**5,296,604**	**123,151,698**	**1,163,671,464**	**2,857,952,358**
Interest rate sensitivity gap	**(135,774,274)**	**277,822,863**	**1,215,425,014**	**42,344,514**	**(737,376,023)**	**662,442,094**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

Sensitivity analysis

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

Sensitivity analysis of interest rate risks - Increase of 100 basis points in net interest margin

	2019	2018
Interest income impact	**39,313,161**	30,940,990
Interest expense impact	**(22,394,169)**	(16,942,809)
Net impact on profit	**16,918,992**	13,998,181

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

4.3.2 Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent Banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline of 5% and 10% of the core capital for single currency position and aggregate currency position respectively as stipulated by the Bank of Ghana. These positions are reviewed on a daily basis by management.

The Bank applied the Bank of Ghana mid-rates indicated below to translate balances denominated in foreign currencies to Ghana cedi as at 31 December 2018:

Currency	2019	2018
USD	**5.5337**	4.8200
GBP	**7.3164**	6.1711
EUR	**6.2114**	5.5131

Notes

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.3.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at the reporting date

As at 31 December 2019

Financial assets	GH¢	USD	EUR	Others	Total
Cash and bank balances	425,360,781	107,143,541	25,200,228	25,813,157	583,517,707
Investment securities	2,694,896,649	191,009,557	-	-	2,885,906,206
Loans and advances to customers	770,498,372	178,108,966	-	-	948,607,338
Other financial assets	22,310,097	910,766	-	-	23,220,863
Total financial assets	**3,913,065,899**	**477,172,830**	**25,200,228**	**25,813,157**	**4,441,252,114**
Financial liabilities					
Deposits from customers	1,673,237,556	617,231,371	21,973,968	26,357,110	2,338,800,005
Deposits from banks	62,322,690	1,176,040,571	-	-	1,238,363,261
Other financial liabilities	17,031,574	3,796,335	1,015,134	117,115	21,960,158
Total financial liabilities	1,752,591,820	1,797,068,277	22,989,102	26,474,225	3,599,123,424
Swap contracts	(1,356,130,000)	1,356,130,000	-	-	-
Net FCY exposure	**804,344,079**	**36,234,553**	**2,211,126**	**(661,068)**	**842,128,690**
Off balance sheet items					
Letters of credit	-	40,545,585	155,285	-	40,700,870
Letters of guarantee	339,805,422	421,437,508	-	68,381	761,311,311
Loan commitments	24,168,562	-	-	-	24,168,562

As at 31 December 2018

Financial assets	GH¢	USD	EUR	Others	Total
Cash and bank balances	398,322,404	116,442,184	19,654,429	11,850,509	546,269,526
Investment securities	1,687,928,256	58,1614,433	-	-	2,269,542,689
Loans and advances to customers	236,247,077	397,959,024	-	-	634,206,101
Other financial assets	69,547,080	819,166	9,890	-	70,376,136
Total financial assets	**2,392,044,817**	**1,096,834,807**	**19,664,319**	**11,850,509**	**3,520,394,452**
Financial liabilities					
Deposits from customers	1,537,775,149	548,525,478	19,383,364	9,033,888	2,114,717,879
Deposits from banks	188,716,997	392,830,000	-	-	581,546,997
Other financial liabilities	11,711,657	28,003,195	920,071	143,311	40,778,234
Borrowings	-	120,909,248	-	-	120,909,248
Total financial liabilities	**1,738,203,803**	**1,090,267,921**	**20,303,435**	**9,177,199**	**2,857,952,358**
Net FCY exposure	**653,841,014**	**6,566,886**	**(639,116)**	**2,673,310**	**662,442,094**
Off balance sheet items					
Letters of credit	-	46,961,322	-	-	46,961,322
Letters of guarantee	383,862,113	298,061,726	-	504,286	682,428,125
Loan commitments	37,638,996	-	-	-	37,638,996

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.3.2 Foreign exchange risk (continued)

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2019 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2018:

	2019	2018
Loss	**(1,889,231)**	(430,054)

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2019 would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

4.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's or Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

4.5 Fair value measurement

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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 cashflow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Notes

(All amounts are expressed in cedis unless otherwise stated)

4. Financial risk management (continued)

4.5 Fair value measurement (continued)

Fair value hierarchy

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

31 December 2019	Level 1	Level 2	Level 3	Total
Investment securities at FVOCI				
Government bonds	-	335,011,836	-	335,011,836
Total	**-**	**335,011,836**	**-**	**335,011,836**

31 December 2018				
Investment securities at FVOCI				
Government bonds	-	1,219,620,955	-	1,219,620,955
Total	**-**	**1,219,620,955**	**-**	**1,219,620,955**

There has been no change in the valuation techniques and inputs used in the valuation of fair value measurements categorized as level 2 in the fair value hierarchy. During the year, there were no transfers between levels of the fair value hierarchy.

The carrying amount of financial assets and liabilities not measured at fair value, is deemed to be a reliable estimate of fair value.

4.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Bank currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Bank may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances.

Except for electronic banking and similar payment transactions for which the standard terms of agreement allow for net settlement of payments in the normal course of business, the Bank has no financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at the reporting date (2018: nil)

5. Capital management

5.1 Regulatory capital

Bank of Ghana sets and monitors capital requirements for the Bank.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To safeguard the Banks ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the Bank of Ghana.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, based on the guidelines set by Bank of Ghana (the regulator), for supervisory purposes. The required information is filed with the Bank of Ghana on a monthly basis.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by the Bank's Risk Management Department and comprises two tiers:

(i) Tier 1 capital: stated capital (net of any book values of the treasury shares), statutory reserve, retained earnings and reserves created by appropriations of retained earnings. This excludes credit risk reserve.

((ii) Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

(All amounts are expressed in cedis unless otherwise stated)

5. Capital management (continued)

5.1 Regulatory capital (continued)

The Bank of Ghana requires each Bank to:

(i) Hold the minimum level of regulatory capital of GH¢400 million; and

(ii) Maintain a ratio of total regulatory capital to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%.

Effective 1 January 2019, the Bank is fully complied with the Capital Requirements Directive (CRD) issued in June 2018 by the Bank of Ghana under Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016. The CRD which is based on Basel II guidelines requires Banks to maintain a minimum risk weighted capital adequacy ratio of 10%, with a minimum Tier 1 Capital of 8%. Banks are also required to maintain a Capital Conservation Buffer of 3.0% above the risk based capital requirement of 10%. In total, Banks are required to manage their capital to meet the total capital requirement of 13%.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the respective periods ended 31 December 2019 and 31 December 2018. During both periods, the Bank complied with all of the externally imposed capital requirements.

	2019	2018
Paid up capital	**400,000,000**	400,000,000
Income surplus	**159,303,031**	27,078,896
Statutory reserves	**261,002,431**	213,981,154
Common Equity Tier 1 (CET 1) capital before deductions	**820,305,462**	641,060,050
Less: Regulatory adjustments to Common Equity Tier 1 Capital:		
Intangible assets (software)	**191,514**	1,291,388
Deferred tax assets	**658,874**	564,628
Other intangibles	**13,851,632**	-
Pledged assets	**-**	92,610,000
Intra-group transactions	**55,726,280**	66,002,638
Common Equity Tier 1 (CET 1) capital after deductions	**749,877,162**	480,591,396
Tier 2 capital		
Fair value gains on investment at FVOCI	**1,278,007**	765,690
Total regulatory capital	**751,155,169**	481,357,086
Composition of risk weighted assets		
Risk-weighted amount for credit risk	**1,580,760,971**	1,600,058,244
Risk-weighted amount for operational risk	**1,292,762,386**	789,756,309
Risk-weighted amount for market risk	**488,848,248**	726,928,023
Total risk weighted assets	**3,362,371,605**	3,116,742,576
Risk ratios		
Common Equity Tier 1 ratio	**22.3%**	15.4%
Capital adequacy ratio	**22.3%**	15.4%
Leverage ratios		
Off balance sheet exposures	**2,158,073,801**	441,036,282
On balance sheet total assets	**4,498,557,623**	4,281,305,435
Total exposure	**6,656,631,424**	4,722,341,717
Leverage ratio	**11.3%**	10.2%

(All amounts are expressed in cedis unless otherwise stated)

5. Capital management (continued)

5.2 Regulatory credit reserve

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Bank of Ghana. This is at variance with the expected credit loss model required by IFRS 9. Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS.

However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/ changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting there from should be transferred from the general reserve account to a “regulatory credit risk reserve”.
- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

The movements in regulatory credit risk reserve during the year was as follows:

	Dec 2019	Dec 2018
1 January	**-**	-
Transfer from income surplus	**8,381,202**	-
31 December	**8,381,202**	-
Total impairment based on IFRS	**286,933,229**	298,059,722
Total impairment based on prudential guidelines	**295,314,431**	205,889,225
Regulatory credit risk reserve	**8,381,202**	-

6. Critical accounting estimates and judgements in applying the bank’s accounting policies

The preparation of the Bank’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank’s accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank’s control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below

a. Key sources of estimation uncertainty

Measurement of the expected credit loss allowance

The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 2.18.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 3.

b. Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in note 4.5. 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.

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

6. Critical accounting estimates and judgements in applying the bank's accounting policies (continued)

c. Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

7. Interest income

	2019	2018
Loans to banks	**25,910,501**	32,340,787
Loans to customers	**99,109,195**	160,168,215
Investment securities:		
- At amortised cost	**234,147,640**	241,623,804
- At fair value through other comprehensive income	**113,945,215**	77,198,967
	473,112,551	511,331,773

Interest income on loans include interest on impaired loans of GHS 21,129,570 during the year (2018: GHS 68,578,140)

8. Interest expense

	2019	2018
Deposits from customers:		
Fixed deposits	**52,268,463**	81,325,271
Savings deposits	**2,497,470**	2,109,177
Demand and call deposits	**45,717,284**	55,235,276
	100,483,217	138,669,724
Deposits from banks	**57,754,102**	20,469,756
Borrowings	**12,183,981**	8,572,593
Finance cost on lease liabilities	**992,831**	-
	70,930,914	29,042,349
	171,414,131	167,712,073

9. Fees and commission income

	2019	2018
Commission on turnover	**5,625,672**	5,124,726
Credit-related fees and commissions	**8,000,923**	15,709,147
Trade finance fees	**12,804,103**	10,767,942
Electronic banking income	**9,891,512**	5,979,720
Guarantee charges and commissions	**6,380,724**	6,427,897
Other commissions on transactional services	**3,933,106**	6,532,654
	46,636,040	50,542,086
Fees and commission expenses	**(9,851,300)**	(6,228,088)
Net fees and commission income	**36,784,740**	44,313,998

Fees and commission expense comprise expenses related to electronic banking as well as other bank charges.

Notes

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

10. Net trading and revaluation income

	2019	2018
Foreign exchange trading income	**52,303,944**	43,470,794
Foreign currency revaluation gain/(loss)	**3,063,037**	(1,074,855)
	55,366,981	42,395,939

11. Other operating income

	2019	2018
Profit on disposal of property and equipment	**27,172**	337,444
Other income	**26,989**	27,583
	54,161	365,027

12. Allowance for credit losses on financial assets

	2019	2018
Allowance for credit loss on loans to customers	**28,211,878**	95,394,114
Reversal of allowance for credit loss on loans to customers	**(19,703,610)**	-
Allowance charged for credit loss on investment securities	**636,556**	1,079,442
Reversal/allowance for credit loss on bank placements	**(400,000)**	467,339
Reversal/allowance charged for credit loss on contingent liabilities	**(7,444,552)**	165,800
Allowance for credit loss on other assets	**5,105,913**	608,539
Recoveries on loans written off	**(811,212)**	(42,124)
	5,594,973	97,673,110

13. Employee benefit expenses

	2019	2018
Salaries and wages	**28,319,675**	28,335,606
Social security fund contribution	**2,180,834**	2,113,563
Staff provident fund	**1,897,278**	2,032,534
Other staff benefits	**12,142,939**	17,515,610
	44,540,726	49,997,313
Number of staff at year end	**542**	516

14. Depreciation and amortization

	2019	2018
Depreciation of property and equipment	**3,250,276**	3,119,703
Depreciation of right-of-use assets	**2,630,426**	-
Amortisation of intangible assets	**518,242**	530,749
	6,398,944	3,650,452

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

15. Other operating expenses

	2019	2018
Directors fees and allowances	**1,347,500**	1,324,703
Audit fees	**508,524**	443,711
Occupancy and premises maintenance costs	**9,044,056**	12,081,046
Business travels	**1,818,409**	1,678,145
Advertising, promotions and branding	**3,983,023**	3,163,676
Legal and professional service fees	**7,067,276**	16,770,797
IT and Communication expenses	**5,880,871**	5,855,494
Printing, stationery and subscriptions	**1,953,253**	1,431,903
Security and cash handling expenses	**3,511,655**	3,026,828
Deposit insurance premium	**1,532,971**	-
Other insurance costs	**324,861**	354,777
Fuel, repairs and maintenance	**13,200,291**	12,555,573
Training and human capital development	**2,128,815**	1,909,176
Property and equipment written off	**7,983**	43,246
Other expenses	**3,507,417**	5,350,739
	55,816,905	65,989,814
Number of directors at year end	**7**	5

16. Basic and diluted earnings per share

	2019	2018
Profit attributable to equity holders	**188,085,108**	151,910,224
Weighted average number of ordinary shares outstanding	**7,400,500,000**	4,008,604,167
Basic and diluted earnings per share	**0.03**	0.04

The Bank has no dilutive instruments. Hence basic and diluted earnings per share are equal.

17. Income tax

	2019	2018
Current income tax	**79,627,797**	53,883,131
National fiscal stabilisation levy	**14,104,867**	6,823,033
Deferred income tax	**(265,018)**	767,587
Income tax expense	**93,467,646**	61,473,751

Notes

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

17. Income tax (continued)

Reconciliation of actual to effective tax rate

	2019	2018
Profit before income tax	**281,552,754**	213,383,975
Tax calculated at the tax rate of 25%	**70,388,188**	53,345,994
National fiscal stabilization levy of 5%	**14,077,638**	10,669,199
Expenses not deductible for tax purposes	**2,007,775**	6,761,244
Income not subject to tax	**(586,394)**	(890,496)
National fiscal stabilisation levy refund	**-**	(3,846,166)
Corporate income tax refund	**-**	(4,566,024)
Prior year tax charge	**7,580,439**	-
Total income tax expense	**93,467,646**	61,473,751
Effective tax rate	**33%**	29%

Corporate tax	Balance at 1 January	Charge for the year	Payment	Balances at 31 December
At 1 January 2019	(1,949,718)	-	-	(1,949,718)
2019	-	72,047,358	(73,945,631)	(1,898,273)
Prior year tax liability	-	7,580,439	(7,580,439)	-
	(1,949,718)	79,627,797	(81,526,070)	(3,847,991)
National fiscal stabilisation levy				
At 1 January 2019	(985,723)	-	-	(985,723)
2019	-	14,104,867	(14,789,126)	(684,259)
	(985,723)	14,104,867	(14,789,126)	(1,669,982)
Current income tax 31 December 2019	**(2,935,441)**	**93,732,664**	**(96,315,196)**	**(5,517,973)**

18. Deferred tax

	Property and equipment	Allowances for credit losses	Investment securities at FVOCI	Total
At 1 January 2019	470,640	(1,196,367)	161,099	(564,628)
Credit to profit or loss	716,893	(981,911)	-	(265,018)
Debit to other comprehensive income	-	-	170,772	170,772
At 31 December 2019	**1,187,533**	**(2,178,278)**	**331,871**	**(658,874)**
At 1 January 2018	543,201	(2,036,515)	(225,411)	(1,718,725)
Debit to profit or loss	(72,561)	840,148	-	767,587
Debit to other comprehensive income	-	-	386,510	386,510
At 31 December 2018	**470,640**	**(1,196,367)**	**161,099**	**(564,628)**

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

18. Deferred tax (continued)

Reconciliation of recognised deferred tax assets and liabilities on the statement of financial position.

Deferred tax assets	**2019**	2018
Allowance for credit losses	**2,178,278**	1,196,367
Total deferred tax assets	**2,178,278**	1,196,367
Deferred tax liabilities		
Property and equipment	**1,187,533**	470,640
Investment securities at FVOCI	**331,871**	161,099
Total deferred tax liabilities	**1,519,404**	631,739
Net deferred tax assets	**(658,874)**	(564,628)

19. Cash and cash equivalents

	2019	2018
a) Cash and Balances with Bank of Ghana		
Cash on hand	**27,299,103**	27,992,953
Balances with Bank of Ghana(Mandatory)	**233,880,000**	211,471,788
Balances with Bank of Ghana(Unrestricted)	**175,416,264**	27,664,288
	436,595,367	267,129,029
b) Due from other banks		
Items in course of collection	**8,894,141**	25,999,626
Placement and balances with local Banks	**41,143,569**	124,054,901
Placement with foreign Banks	**55,726,280**	66,762,658
Nostro account balances	**41,225,689**	62,790,651
Allowance for credit loss on bank with placements	**(67,339)**	(467,339)
	146,922,340	279,140,497
	583,517,707	546,269,526
c) Cash and cash equivalents for purposes of the statements of cash flows		
Cash and balances with Bank of Ghana	**436,595,367**	267,129,029
Mandatory deposit reserve	**(233,880,000)**	(211,471,788)
Unrestricted cash and bank balances	**202,715,367**	55,657,241
Due from other banks	**146,922,340**	279,140,497
Short term treasury bills	**1,632,174**	99,630,925
	351,269,881	434,428,663

Balances with Bank of Ghana include mandatory deposit reserve of GHS 233,880,000 (2018: GHS 211,471,788) which is not available for day to day operations.

Notes

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

20. Investment securities

(a) Amortised Cost	**2019**	2018
(i) Treasury Bills		
56-Day B.o.G Bill	**-**	98,771,151
91-Day Treasury Bill	**1,632,174**	859,774
182-Day Treasury Bill	**755,313,706**	261,811,635
364-Day Treasury Bill	**537,369,611**	-
Other government treasury bills	**191,009,557**	581,614,433
	1,485,325,048	943,056,993
(ii) Government Bonds		
5- Year Fixed Bond	**79,334,840**	79,282,333
7- Year Fixed Bond	**27,388,696**	27,044,240
10- Year Fixed Bond	**53,173,448**	1,617,610
	159,896,984	107,944,183
(iii) Commercial papers	**907,388,336**	-
Gross carrying amount	**2,552,610,368**	1,051,001,176
Allowance for credit loss on investment securities	**(1,715,998)**	(1,079,442)
Net carrying amount	**2,550,894,370**	1,049,921,734
(b) Fair value through other comprehensive income (FVOCI)		
1- Year Notes	**-**	67,426,321
2- Year Fixed Bond	**114,530,087**	1,029,739,507
3- Year Fixed Bond	**151,766,738**	122,455,127
5- Year Fixed Bond	**215,949**	-
7- Year Fixed Bond	**68,499,062**	-
	335,011,836	1,219,620,955
Treasury bills	**1,485,325,048**	943,056,993
Government bonds	**493,192,822**	1,326,485,696
Commercial papers	**907,388,336**	-
	2,885,906,206	2,269,542,689
Current	**2,726,908,737**	2,162,930,836
Non-current	**158,997,469**	106,611,853
	2,885,906,206	2,269,542,689

(c) Pledged Assets

Included in investment securities at FVOCI and amortised cost are financial assets pledged as securities in repurchase transactions with other financial institutions. These financial assets cannot be re-pledged or sold by those counter parties. These securities are stated as follows:

Treasury Bill (at amortised cost)	**334,900,000**	9,800,000
Bonds (FVOCI)	**106,000,000**	269,810,000
	440,900,000	279,610,000

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

21. Loans and advances to customers

	2019	2018
Overdrafts	950,530,303	832,612,456
Term Loans	281,484,508	87,595,194
Gross loans and advances	1,232,014,811	920,207,650
Allowance for credit losses on loans to customers	(283,407,473)	(286,001,549)
Net loans and advances	948,607,338	634,206,101
Analysis by type of customer		
Private enterprises	1,222,732,887	904,267,386
Individuals	2,333,798	8,338,223
Staff	6,948,126	7,602,041
Gross loans and advances	1,232,014,811	920,207,650
Analysis by Sector		
Retail customers	124,968,083	70,602,149
Corporate customers	1,107,046,728	849,605,501
Gross loans and advances	1,232,014,811	920,207,650
Allowance for credit losses on loans to customers	(283,407,473)	(286,001,549)
Net loans and advances to customers	948,607,338	634,206,101
Current	980,178,952	848,243,234
Non- current	251,835,859	71,964,416
	1,232,014,811	920,207,650
Loan loss provision ratio	23.00%	31.08%
Gross non-performing loans ratio	55.04%	71.96%

Movement in impairment on loans and advances to customers

Allowance for credit losses to customers		
At 1 January	286,001,549	176,043,688
Transitional IFRS 9 adjustments	-	21,102,861
Charge for the year	28,211,878	95,394,114
Reversals during the year	(19,703,610)	-
Amounts written off	(12,117,527)	(6,539,114)
Exchange gains	1,015,183	-
Balance at end of year	283,407,473	286,001,549

Notes

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

21. Loans and advances to customers (continued)

a) Loans and advances to customers per IFRS 9 classification

31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross Amount		-		
Loans to individuals:	7,849,395	-	1,432,529	9,281,924
Loans to corporate entities	546,061,314	-	676,671,573	1,222,732,887
Total gross loans	553,910,709	-	678,104,102	1,232,014,811
Allowance for credit losses				
Loans to individuals:	78,494	-	1,312,309	1,390,803
Loans to corporate entities	3,560,870	-	278,455,800	282,016,670
Total allowance for credit losses	3,639,364	-	279,768,109	283,407,473
Carrying amount	**550,271,345**	-	**398,335,993**	**948,607,338**
31 December 2018				
Gross Amount				
Loans to individuals:	8,050,276	-	7,889,988	15,940,264
Loans to corporate entities	219,059,577	-	685,207,809	904,267,386
Total gross loans	227,109,853	-	693,097,797	920,207,650
Allowance for credit losses				
Loans to individuals:	80,503	-	6,724,848	6,805,351
Loans to corporate entities	7,723,044	-	271,473,154	279,196,198
Total allowance for credit losses	7,803,547	-	278,198,002	286,001,549
Carrying amount	**219,306,306**	**-**	**414,899,795**	**634,206,101**

b) Allowance for credit loss on loans and advances to customers

31 December 2019	**Stage 1**	**Stage 2**	**stage 3**	**Total**
Balance at 31 Dec 2018	7,803,547	-	278,198,002	286,001,549
Transfers:				-
Allowance for credit losses	-	-	28,211,878	28,211,878
Reversal during the year	(4,164,183)	-	(15,539,427)	(19,703,610)
Write-offs	-	-	(12,117,527)	(12,117,527)
Exchange gains on provision	-	-	1,015,183	1,015,183
Balance, end of year	**3,639,364**	**-**	**279,768,109**	**283,407,473**
31 December 2018				
Balance at 31 Dec 2017 (IAS 39)	8,136,609	9,448	167,897,631	176,043,688
Transition adjustments	-	-	21,102,861	21,102,861
Balance beginning of year (IFRS 9)	8,136,609	9,448	189,000,492	197,146,549
Transfers:				
Allowance for credit losses	(333,062)	(9,448)	95,736,624	95,394,114
Write-offs	-	-	(6,539,114)	(6,539,114)
Balance, end of year	**7,803,547**	**-**	**278,198,002**	**286,001,549**

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

22. Other assets

	2019	2018
Financial assets		
Mobile money receivables	**20,742,421**	27,713,764
Accounts receivable	**2,501,712**	44,010,062
	23,244,133	71,723,826
Allowance on accounts receivable	**(23,270)**	(1,347,690)
	23,220,863	70,376,136
Non-financial assets		
Prepayments	**5,570,302**	9,819,583
Stationery stock	**308,848**	359,881
	5,879,150	10,179,464
Total	**29,100,013**	80,555,600
Current	**11,957,708**	76,840,158
Non- current	**17,142,305**	3,715,442
	29,100,013	80,555,600

	2019	2018
Movement in allowance on accounts receivable		
At beginning of year	**1,347,690**	739,151
Impairment charge for the year	**5,105,913**	608,539
Balances written off	**(6,430,333)**	-
At end of year	**23,270**	1,347,690

a) Accounts receivable per IFRS 9 classification

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Gross amount				
Balance beginning of year	42,662,372	-	1,347,690	44,010,062
Amounts originated/derecognised (net)	(35,078,017)	-	(6,430,333)	(41,508,350)
Transfer from stage 1 to stage 3	(5,105,913)	-	5,105,913	-
Balance, end of year	**2,478,442**	-	**23,270**	**2,501,712**

31 December 2018	Stage 1	Stage 2	Stage 3	Total
Gross amount				
Balance beginning of year	9,973,604	-	739,151	10,712,755
Amounts originated/derecognised (net)	33,297,307	-	-	33,297,307
Transfer from stage 1 to stage 3	(608,539)	-	608,539	-
Balance, end of year	**42,662,372**	**-**	**1,347,690**	**44,010,062**

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

22. Other assets(continued)

b) Allowance for credit losses on accounts receivable

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Balance beginning of year	-	-	1,347,690	1,347,690
Increase in allowances for credit losses on other assets	-	-	5,104,913	5,104,913
Balances written off	-	-	(6,429,333)	(6,429,333)
Balance, end of year	**-**	**-**	**23,270**	**23,270**

December 2018	Stage 1	Stage 2	Stage 3	Total
Balance beginning of year	-	-	739,151	739,151
Increase in allowances for credit losses on other assets	-	-	608,539	608,539
Balance, end of year	**-**	**-**	**1,347,690**	**1,347,690**

23. Property and equipment

(a) Right of Use Assets	2019
Property and Equipment	30,291,906
Right-of-use assets	13,888,820
Carrying amount	**44,180,726**

The Bank previously classified leases as operating and finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities as part of "property and equipment" and "other liabilities" respectively.

Right of use assets	
Balance - 1 January 2019	13,397,138
New lease contracts	3,122,108
Balance - 31 December 2019	**16,519,246**

Amortisation	
Balance - 1 January 2019	-
Amortisation charge for the period	2,630,426
Balance - 31 December 2019	**2,630,426**

Carrying amount	
Balance 31 December 2019	**13,888,820**
Balance 31 December 2018	**13,397,138**

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

23. Property and Equipment (continued)

(b) Fixed assets

31 December 2019	Land and buildings	Leasehold improvements	Furniture and fittings	Motor vehicles	Computers	Capital work in progress	Total
Cost							
At 1 January	3,750,462	9,323,733	15,593,143	5,679,737	4,641,143	13,256,135	52,244,353
Additions	856	126,705	2,041,392	806,895	772,526	862,767	4,611,141
Disposal	-	-	(110,811)	(30,808)	(2,448)	-	(144,067)
Transfers between classes	-	-	286,461	-	-	(286,461)	-
Transfers from intangible assets	-	-	-	-	674,801	-	674,801
Write offs	-	-	-	-	-	(7,983)	(7,983)
At 31 December	**3,751,318**	**9,450,438**	**17,810,185**	**6,455,824**	**6,086,022**	**13,824,458**	**57,378,245**
Accumulated Depreciation							
At 1 January	361,765	4,484,944	11,065,600	4,563,645	3,417,902	-	23,893,856
Charge for year	79,114	364,929	1,626,875	651,799	527,559	-	3,250,276
Disposal	-	-	108,887)	(30,808)	(2,448)	-	(142,143)
Transfers between classes	-	-	707	(707)	-	-	-
Transfers from intangible assets	-	-	-	-	84,350	-	84,350
At 31 December	**440,879**	**4,849,873**	**12,584,295**	**5,183,929**	**4,027,363**	**-**	**27,086,339**
Net book value	**3,310,439**	**4,600,565**	**5,225,890**	**1,271,895**	**2,058,659**	**13,824,458**	**30,291,906**

31 December 2018	Land and buildings	Leasehold improvements	Furniture and fittings	Motor vehicles	Computers	Capital work in progress	Total
Cost							
At 1 January	3,725,458	7,671,725	14,409,515	6,240,896	4,400,275	14,049,142	50,497,011
Additions	25,004	112,659	704,884	69,848	154,376	1,596,353	2,663,124
Disposal	-	(512)	(166,241)	(631,007)	(74,776)	-	(872,536)
Transfers between classes	-	1,539,861	644,985	-	161,268	(2,346,114)	-
Write offs	-	-	-	-	-	(43,246)	(43,246)
At 31 December	**3,750,462**	**9,323,733**	**15,593,143**	**5,679,737**	**4,641,143**	**13,256,135**	**52,244,353**
Accumulated Depreciation							
At 1 January	283,333	4,171,732	9,668,188	4,504,465	3,018,971	-	21,646,689
Charge for year	78,432	313,724	1,563,653	690,187	473,707	-	3,119,703
Disposal	-	(512)	(166,241)	(631,007)	(74,776)	-	(872,536)
At 31 December	**361,765**	**4,484,944**	**11,065,600**	**4,563,645**	**3,417,902**	**-**	**23,893,856**
Net book value	**3,388,697**	**4,838,789**	**4,527,543**	**1,116,092**	**1,223,241**	**13,256,135**	**28,350,497**

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

23. Property and equipment (continued)

(c) Disposal

The profit on disposal is as follows:

	2019	2018
Cost	**144,067**	872,536
Depreciation	**(142,143)**	(872,536)
Net book value	**(1,924)**	-
Proceeds	**29,096**	337,444
Profit on disposal	**27,172**	337,444

24. Intangible assets

Intangible assets represent computer software purchased by the Bank. The movement during the year is as follows:

	2019	2018
Cost		
At 1 January	**4,394,184**	3,707,623
Additions	**8,819**	686,561
Transfer to property and equipment	**(674,801)**	-
At 31 December	**3,728,202**	**4,394,184**
Amortisation		
At 1 January	**3,102,796**	2,572,047
Charge for the year	**518,242**	530,749
Transfer to property and equipment	**(84,350)**	-
At 31 December	**3,536,688**	3,102,796
Net book value	**191,514**	1,291,388

25. Customer deposits

	2019	2018
Analysis by type of customer		
Savings deposits	**144,498,354**	113,091,040
Demand and call deposits	**1,707,719,710**	1,619,229,731
Fixed deposits	**486,581,941**	382,397,108
	2,338,800,005	2,114,717,879
Current	**2,336,271,011**	2,112,076,016
Non-current	**2,528,994**	2,641,863
	2,338,800,005	2,114,717,879
Analysis by sector		
Retail customers	**1,092,209,861**	950,282,225
Corporate customers	**1,246,590,144**	1,164,435,654
	2,338,800,005	2,114,717,879

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

26. Deposits from banks

	2019	2018
From local banks	**424,909,361**	428,277,013
From foreign banks	**813,453,900**	153,269,984
	1,238,363,261	581,546,997

All deposits from banks are current.

27. Borrowings

	2019	2018
Due to International Finance Corporation (IFC)	**-**	120,909,248

The borrowings represent USD 25 million term loan facility granted by the International Finance Corporation (IFC) in February 2018. The facility was for a tenor of five (5) years. Interest rate was six months USD LIBOR plus 525 basis points and payable quarterly. The facility was fully paid down during the year.

The movement in the borrowing during the year is as follows:

	2019	2018
Balance as at 1 January	**120,909,248**	-
Proceeds from borrowings	**-**	110,453,750
Interest accrued	**12,183,981**	8,572,593
Interest payment	**(13,174,197)**	(7,582,377)
Repayment of borrowings	**(127,202,500)**	-
Exchange difference	**7,283,468**	9,465,282
	-	120,909,248

28. Other liabilities

Financial liabilities	2019	2018
Accounts payable	**5,101,615**	4,772,594
Customers' deposits for foreign trade (i)	**202,460**	27,142,455
Foreign cheques for collections	**244,404**	860,740
Sundry liabilities (ii)	**6,995,598**	8,002,445
Lease liabilities (iv)	**9,416,081**	-
	21,960,158	40,778,234
Non-financial liabilities		
Accrued expenses	**62,648,243**	53,722,991
Provisions for legal claims	**119,146**	313,706
Deferred income	**4,105,717**	737,373
Allowance for credit loss on contingents (iii)	**1,719,150**	9,163,702
	68,592,256	63,937,772
Total	**90,552,414**	104,716,006
Current	**81,136,331**	104,716,006
Non- current	**9,416,083**	-
	90,552,414	104,716,006

(i) Customers' deposit for foreign trade represents funds held to cover letter of credit transactions.
(ii) Items under sundry liabilities include banker's drafts and managers cheques, outstanding inward remittance and withholding tax payable.
(iii) This represents allowance for credit loss for off balance sheet loan commitments and financial guarantees.

Notes

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

28. Other liabilities (continued)

(iv) Lease liabilities	2019
Balance - 1 January 2019	13,855,632
Additions (new lease contracts during the year)	3,122,108
Repayments during the year	(8,554,490)
Interest accrued	992,831
Balance - 31 December 2019	**9,416,081**

29. Stated capital

	2019	2018
Issued :		
Authorised Shares (number)	**9,000,000,000**	9,000,000,000
Issued shares (number)	**7,400,500,000**	7,400,500,000
Share capital (in GHS)	**400,000,000**	400,000,000

The movement in the issued shares account during the year is as follows:

Number of shares in issue at the start of the year	**7,400,500,000**	3,700,250,000
Additional number of shares from bonus issue	-	3,700,250,000
Number of shares in issue at the end of the year	**7,400,500,000**	7,400,500,000

30. Reserves

a. Statutory reserve

Statutory reserve represents transfer of 25% of profit after tax to reserve in compliance with Bank of Ghana's regulatory requirement. The statutory reserve is not distributable.

b. Income surplus

This is the carried forward recognised income out of expenses plus current year's profit attributable to shareholders.

c. Fair value reserves

This includes the net cumulative change in the fair value of investments at fair value through other comprehensive income. Such fair value charges are maintained until the investment is derecognised or impaired.

31. Dividend Propsed

During the year, the Board proposed a dividend of GHS 0.01 per share amounting to GHS105,070,000 (2018: nil). This proposal is subject to the approval of shareholders at the next Annual General Meeting. The payment of dividend is subject to withholding tax of 8%.

32. Contingent liabilities and commitments

a. Legal proceedings

There were legal cases proceeding against the Bank at 31 December 2019. Beside provision of GHS 165,707 (December 2018: GHS 313,706) made in respect of these cases, no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

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

32. Contingent liabilities and commitments (continued)

b. Loan commitments, guarantee and other financial facilities

At 31 December 2019, the Bank had contractual amounts of off-balance sheet financial instruments that commit the Bank to extend credit to customers, guarantee and other facilities as follows:

	2019	2018
Letters of credit	**40,700,870**	46,961,322
Guarantees and indemnities	**761,311,311**	682,428,125
Loan commitments	**24,168,562**	37,638,996
Gross amount	**826,180,743**	767,028,443
Allowance for credit losses	**(1,719,150)**	(9,163,702)
Carrying amount	**824,461,593**	757,864,741

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

33. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is a subsidiary of UBA Plc which owns 90.77% of the issued ordinary shares. UBA Plc is also the ultimate controlling party of the Bank. All transactions with related parties are done in the normal course of business and at arm's length. Details of related party transactions and balances are as follows:

(i) Related transactions

	2019	2018
Assets		
Loans to key management staff	**943,032**	818,431
Placements with UBA Plc and other subsidiaries/associates	**55,726,280**	66,002,638
Nostro balances with UBA Plc and other subsidiaries/associates	**16,286,557**	32,352,820
Total	**72,955,869**	99,173,889
Interest income - key management staff	**11,375**	24,827
Interest income on placement with UBA Plc and its subsidiaries/associates	**9,779,993**	5,944,716
	9,791,368	5,969,543
Liabilities		
Deposits from key management staff	**366,551**	689,214
Due to Parent (UBA Plc)	**45,495,351**	41,363,306
Deposits from UBA Plc and its subsidiaries/associates	**813,453,900**	151,830,000
Total	**859,315,802**	193,882,520
Interest expense - key management staff	**27,234**	40,216
Interest expense on takings from UBA Plc and its subsidiaries/associates	**4,051,752**	3,756,102
Other expenses	**6,670,032**	5,741,678
	10,749,018	9,537,996

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

33. Related party transactions (continued)

a) Details of deposits from related parties for the year

Sn	Name of related party	Nature of relationship	Amount
1	UBA PLC	Parent	332,022,000
2	UBA Uganda	Affiliate	22,134,800
3	UBA New York	Affiliate	459,297,100
	Total		**813,453,900**

b) Details of placements and nostro account balances with related parties for the year

Sn	Name of related party	Nature of relationship	Amount
1	UBA PLC	Parent	5,888,558
2	UBA UK	Affiliate	55,337,000
3	UBA Benin	Affiliate	6,582,021
4	UBA Cote D' Ivoire	Affiliate	3,889,719
5	UBA Burkina Faso	Affiliate	288,006
6	UBA Cameroon	Affiliate	17,776
7	UBA Gabon	Affiliate	4,131
8	UBA Congo Brazza-ville	Affiliate	3,401
9	UBA Liberia	Affiliate	1,606
10	UBA Chad	Affiliate	619
	Total		**72,012,837**

(ii) Key management compensation
Key management staff constitutes members of the Bank's Executive Committee. The remuneration of key management staff during the year were as follows:

	2019	2018
Salaries and other short-term employment benefits	**4,526,843**	5,836,959
Defined contribution for key management staff	**172,285**	230,883
	4,699,128	6,067,842

(iii) Directors' remuneration

	2019	2018
Directors' fees and allowances	**1,347,500**	1,324,703

The total amount paid as emoluments to Executive and Non-Executive Directors, during the 2019 financial year is as disclosed below:

Sn	Name	Designation	Annual Fees	Sitting allowances	Salaries and Wages	Pension contributions	Other Benefits	Total
1	Honourable Kwamena Bartels	Non-Executive Director	165,000	165,000	-	-	-	330,000
2	Mr. Isong Udom	Managing Director/ Chief Executive Office	-	-	765,110	21,950	593,819	1,380,879
3	Mr. Oliver Alawuba*	Non-Executive Director	165,000	110,000	-	-	-	275,000
4	Mr. Ebele Ogbue*	Non-Executive Director	165,000	110,000	-	-	-	275,000
5	Mrs. Abiola Bawuah*	Non-Executive Director	41,250	27,500	-	-	-	68,750
6	Mr. Samuel Ayim	Non-Executive Director	82,500	82,500	-	-	-	165,000
7	Mr. Ivan Avereyireh	Non-Executive Director	82,500	82,500	-	-	-	165,000
8	Mr. Kenneth Orji	Non-Executive Director	41,250	27,500	-	-	-	68,750
	Total		**742,500**	**605,000**	**765,110**	**21,950**	**593,819**	**2,728,379**

*Fees and sitting allowances for these Non-Executive Directors are paid directly to UBA Plc.

33. Related party transactions (continued)

(iv) Loans and advances to directors related entities

Loans and advances directors related persons and entities as at December 2019 were as follows:

Sn	Name of company	Name of Director	Type of facility	Amount(GHS)	Rate	Security	Status	Maturity date
1	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Term Loan	16,356,055	17.39%	24,534,083	Performing	15/08/2022
2	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Term Loan	13,895,849	17.39%	20,843,773	Performing	29/10/2022
3	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Term Loan	27,166,293	17.99%	40,749,440	Performing	29/09/2024
4	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Overdraft	3,228,407	17.96%	15,000,000	Performing	08/07/2020
5	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Term Loan	18,814,218	17.99%	28,221,327	Performing	08/11/2024
6	Ghana Oil Company Ltd	Honourable Kwamena Bartels	Overdraft	1,038,726	17.99%	1,558,089	Performing	29/09/2024
	Total			**80,499,548**		**130,906,712**		

34. Significant events after the year end

As at the date of the approval of the financial statements, Management was in the process of assessing the impact of COVID-19 on Expected credit loss (ECL) calculations and other aspect of its operations. One of the key elements of the ECL is the consideration of forward looking information, which include the impact of COVID-19. Because of the high uncertainty and unpredictability of this pandemic, Management has not been able to reliably estimate the impact of COVID-19 on its ECL model as of 31 December 2019. Management is of the view that a full understanding and reliable estimation of credit loss ratings and resultant impairment will be reported in the interim reports of 2020.

35. Compliance with prudential regulations

During the year, the Bank complied with all statutory liquidity requirements as stipulated by the Bank of Ghana. However, the Bank was sanctioned for breaches of other prudential requirements as follows:

Sn	Description	Amount (GHS)
1	Penalty for appointing a Senior Management personnel without prior written approval from the Bank of Ghana	12,000.00
2	Inappropriate classification of account in accordance with the requirements of the Bank of Ghana's Guide for Reporting Institutions.	24,000.00
3	Penalty for exceeding the regulatory limit on intercompany exposures	30,000.00

Notes

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

Other disclosures

1. Shareholder Information 2019

Shareholders	Shareholding	% holding
United Bank for Africa Plc	**6,717,433,850**	90.77%
Gold Coast Investment Project Ltd	**496,573,550**	6.71%
Teachers Fund	**127,288,600**	1.72%
Consortium Investment Trust	**22,941,550**	0.31%
Unique Insurance Co Ltd	**22,941,550**	0.31%
Labour Enterprises Trust Co. Ltd	**13,320,900**	0.18%
Totals	**7,400,500,000**	**100%**

2. Quantitative disclosures

	2019	2018
Capital adequacy ratio	**22.3%**	15.4%
Liquid ratio	**77.4%**	85.4%
Gross non-performing loans ratio	**55.0%**	72.0%
Gross non-performing loan amount (GHS)	**678,104,102**	693,097,797

3. Value Added Statement

	2019	2018
Interest and other operating income	**519,748,591**	561,873,859
Direct cost of services	**(235,734,836)**	(238,605,272)
Value added by banking services	**284,013,755**	323,268,587
Non-banking income	**55,421,142**	42,760,966
Impairments	**(5,594,973)**	(97,673,110)
Value added	**333,839,94**	268,356,443
Distributed as follows:		
To employees:		
Directors (excluding executives)	**1,347,500**	1,324,703
Executive directors	**1,380,879**	1,525,226
Other employees	**43,159,847**	48,472,087
To government:		
Income taxes	**93,467,646**	61,473,751
To providers of capital:		
	-	-
To expansion and growth		
Depreciation	**5,880,702**	3,119,703
Amortisation	**518,242**	530,749
	188,085,108	151,910,224

Other disclosures (continued)

4. Related Party disclosures

a. Related entities

The Bank is a subsidiary of UBA Plc which owns 90.77% of the issued ordinary shares. UBA Plc is also the ultimate controlling party of the Bank. As a result, the parent (UBA Plc) and all subsidiaries/associate within the UBA Group are related parties to UBA Ghana. The list of the related parties are as follows:

Sn	Name of related party	Nature of relationship
1	UBA PLC	Parent
2	UBA Liberia	Affiliate
3	UBA Cote D' Ivoire	Affiliate
4	UBA Senegal	Affiliate
5	UBA Kenya	Affiliate
6	UBA Guinea	Affiliate
7	UBA Gabon	Affiliate
8	UBA Benin	Affiliate
9	UBA Sierra Leone	Affiliate
10	UBA Burkina Faso	Affiliate
11	UBA Chad	Affiliate
12	UBA Uganda	Affiliate
13	UBA Congo Brazza-ville	Affiliate
14	UBA Mozambique	Affiliate
15	UBA Cameroon	Affiliate
16	UBA Mali	Affiliate
17	UBA Tanzania	Affiliate
18	UBA Congo DRC	Affiliate
19	UBA Zambia	Affiliate
20	UBA UK	Affiliate
21	UBA New York	Affiliate
22	UBA Paris	Affiliate

b. Key Management Personnel

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of UBA Ghana (directly and indirectly) and comprise the Executive Directors and Senior Management of the Bank. The list of key management personnel as at year end were as follows:

Sn	Key Management Personnel	Designation
1	Mr. Isong Udom	MD/CEO
2	Mr. Adedayo Adesipo	Chief Operating Officer
3	Mr. Kwadwo Addai	Chief Risk Officer
4	Mr. Ugochukwu Abanum	Chief Finance Officer
5	Mr. Chiedu Okonta	Country Chief Inspector
6	Mrs. Jocelyn E. Ackon	Country Head of Resources
7	Mr. Evans Amenyo Sallah	Country Head, Internal Control
8	Mr. Peter Dery	Head, Wholesale Banking
9	Mr. Kenneth Ugwuanyi	Head, Digital Banking
10	Mr. Philip Odoom	Head, Compliance/AMLRO
11	Mr. Emmanuel Dzakpasu	Head Marketing and Corporate Communications
12	Nkechi Akunyili	Regional Treasurer, WAMZ
13	Kwame Aduansere	Head, IT Operations
14	Mr. Michael Narh	Head, Legal and Company Secretary

Transactions with related parties are disclosed in the Note 33 of the financial statements.


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Corporate Information

Directory of the Bank's offices, ATM locations and international network

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CORPORATE INFORMATION

Board of Directors	
Honourable Kwamena Bartels	Non-Executive Director
Mr. Isong Udom	Managing Director/Chief Executive Officer
Mr. Oliver Alawuba	Non-Executive Director
Mr. Ebele Ogbue	Non-Executive Director
Mrs. Abiola Bawuah	Non-Executive Director Appointed 29 November 2019)
Mr. Samuel Ayim	Non-Executive Director (Appointed 13 May 2019)
Mr. Ivan Avereyireh	Non-Executive Director (Appointed 06 June 2019)
Mr. Francis Koranteng	Non-Executive Director Appointed 31 December, 2019
Mr. Kenneth Chikezie Orji	Non-Executive Director (Resigned 26 March 2019)
Company Secretary	Michael Terkpetey Narh Esq. Heritage Towers, Ambassadorial Enclave, PMB 29, Ministries Accra
Auditor	Deloitte & Touche Chartered Accountants The Deloitte Place, Plot No 71 Off George Walker Bush Highway North Dzorwulu Box GP 453, Accra Ghana
Registered Office	United Bank for Africa (Ghana) Limited Heritage Towers, Near Cedi House, Ambassadorial Enclave, Off Liberia Road, PMB 29, Ministries Accra
Bankers	United Bank for Africa Plc UBA House 14th floor 57, Marina P. O. Box 2406 Lagos- Nigeria Citibank New York. Citibank N. A, 111 Wall Street NY 10043 New York, US

UBA
United Bank for Africa

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of United Bank for Africa (Ghana) Limited will be held at 4.00p.m. prompt on Monday, 20th April, 2020 at Heritage Tower, Ambassadorial Enclave, Off Liberia Road, West Ridge, Accra to transact the following business:

1. To receive the Audited Accounts for the year ended 31st December, 2019 together with the reports of the Directors and Auditors thereon.
2. To elect Directors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To transact any other business to be dealt with at an Annual General Meeting.

Thank you.

Dated this 30th day of March, 2020
By Order of the Board

Michael Terkpetey Narh
COMPANY SECRETARY

A proxy form is enclosed.

United Bank for Africa

PROXY FORM

ANNUAL GENERAL MEETING to be held at 4.00pm on Monday, April 20, 2020 at Heritage Tower, near Cedi House, Ambassadorial Enclave, West Ridge, Accra.

I/We .... being a member of United Bank for Africa (Ghana) Limited hereby appoint .... name of proxy) or failing him/her the Chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on April 20, 2020.

Signed this .... day of 2020

....
Shareholder's signature/Common Seal

No.	Resolutions from the Board	For	Against
1.	To receive the Audited Accounts for the year ended 31st December, 2019 together with the reports of the Directors and Auditors thereon.		
2.	To elect Directors. i) Mrs. Abiola Bawuah ii) Mr. Francis Koranteng		
3.	To elect Directors.		
4.	To authorize the Directors to fix the remuneration of the Auditors.		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his/her discretion.

THIS PROXY FORM SHOULD NOT BE SENT TO THE SECRETARY IF THE MEMBER WILL BE ATTENDING THE MEETING.

Notes.

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you to exercise your vote if you cannot personally attend.
2. Provision has been made on the Form for the Chairman of the meeting to act as your proxy, but if you wish, you may insert in the blank space marked "name of the proxy" the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.
3. If executed by a Company/Trust, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director/Trustees of the Company/Trust.
4. Please execute the Proxy Form and deliver it so as to reach the Company Secretary not later than 9.00am on Monday, April 20, 2020.

BUSINESS OFFICES NETWORK

GREATER ACCRA

CORPORATE BUSINESS OFFICE
Address: Heritage Tower, Ambassadorial Enclave, Near Cedi House, Off Liberia Road, Ridge.
Tel.: 0302680094 / 0302681224 / 302681224 / 0302689000

LABONE
Address: Hse. No. 96B
Sithhole St., 5th
Circular Road – Opp. Bosphorus Restaurant & Café, Labone
Tel.: 0302 783015 / 6 / 782234

ABEKA LAPAZ
Address: Abeka Lapaz,Akro-Gate Towers, Off Akweteyman, Lapaz Road, Accra - Ghana
Tel.: 03024 14474 / 407547 / 416682

ABOSSEY OKAI
Address: Urban Rose Plaza,13 Winneba road, Pamprom Traffic Light, Abossey Okai
Tel.: 0289 555189 / Fax.: 302661108

ACCRA CENTRAL
Address: No. 507 Cerby Avenue, White Chapel Building, Okaishie
Tel.: 0302 674085 / 674056 / 674112 / 674099 / 89

KANTAMANTO
Address: Tarzan Building Complex, Kantamanto
Tel.: 0302 681319 / 674112

RING ROAD CENTRAL
Address: Ring Road, Opposite Swiss School
Tel.: 0302 246066 / 8

NORTH INDUSTRIAL AREA
Address: NIA No. 612
Dadeban Road NTC
Tel.: 0302 2581778 / 257177 / 258177

ACHIMOTA
Address: Achimota Banking Farm, Mile 7, ABC Junction
Tel.: 0303- 976099/ 0303976100

AIRPORT
Address: 59 Patrice Lumumba Road, Airport Residential Area.
Tel.: 0302 766172 / 3

DZORWULU
Address: No. 47 Blohum Street, Near Medi-fem Clinic, Dzorwulu
Tel.: 0302 774038

EAST LEGON - AMERICAN HOUSE
Address: 4 Boundary Road East Legon, (Near America House)
Tel.: 0302 520497 / 8 / 520493

EAST LEGON - LAGOS AVENUE
Address: Plot 85, Lagos Avenue, East Legon (Adjacent Mensvic Hotel)
Tel.: 0289 532533 / Fax.: 509038072

MADINA
Address: Hollywood Shopping Complex - REDCO, Madina
Tel.: 0302 520770 / 4 / 520778 / 9 / 0201352992
Fax.: 302520772

TESHIE
Address: Lascala junction,Near KAIPC,Teshie
Tel.: 0289549669 / 0289549889

SPINTEX
Address: 120B Spintex Road, Agapet Filling Station
Tel.: 0289 549821 / 0289 549838

TEMA COMMUNITY 4
Address: Konadu Shopping complex, Near Chemu Sec School, Comm. 4
Tel.: 03032 00847

TEMA COMMUNITY 1
Address: Greenwich Tower, Opp. former Black Star Line, Meridian Road,Community
Tel.: 03032 12162 / 65
Fax.: 303212180

ASHANTI

ADUM
Plot 2, Block II A Palace Road, OTA Adum-Kumasi
Tel.: 03220 41006 / 8

KEJETIA
Opposite Unicom House,Kumasi Station,Kejetia, Kumasi
Tel.:03220 43898
Fax.: 322043898

ALABAR
ZE 66 Manhyia Road, Alabar - Kumasi
Tel.: 03220 31130

TANOSO
University of Education-Winneba (Kumasi campus)
Tel.: 03220 52490 / 52495 / 52489

SUAME
Address: Plot 3 Block A, Suame Takwa Layout
Tel.: 03220 49101 / 3

KNUST
Opp. Old administration block, KNUST campus, Kumasi
Tel.: 03220 64400
Fax.: 322064403

VOLTA

AFLAO
Aflao Border, Exit gate, Southern–end, Aflao
Tel.: 0362099821 / 036099822
fax.: 96230906

WESTERN

TAKORADI
Address: No. 52/1 John Sarbah Road, Former BHC Building, Market Circle.
Tel.: 03120 26330 / 26437 / 25787

TARKWA
Address: St. Matthew Catholic Church, Obuoso Road, Tarkwa.
Tel: 0312 292952/

NORTHERN

TAMALE
Address: Ward M, Plot C4, North Lamashegu Res. Area.
Tel: 0372099002