Stanbic Bank

STANBIC BANK GHANA LIMITED

ANNUAL REPORT 2019

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ANNUAL FINANCIAL STATEMENTS

Our values

Our success and growth over the long term is built on making a difference in the communities in which we operate.

Stanbic Bank is one of Ghana's topmost banks. The bank's original vision was to understand its customers better, have people with strong knowledge of local business conditions and to do a better job of connecting borrowers with lenders. This vision created the platform for the kind of bank it would become and the qualities on which its customers and clients would come to rely. Over its history, Stanbic Bank has grown from a mere few staff members to over 827 today, and extended its roots deep into the fabric of Ghanaian society. We have evolved and adapted along with our customers and clients, growing a rich heritage while nurturing and protecting our reputation.

- **Serving** our customers
- **Growing** our people
- **Delivering** to our shareholders
- **Being** proactive
- **Working** in teams
- **Constantly** raising the bar
- **Respecting** each other
- **Upholding** the highest levels of integrity

Review of performance

GHS 280.65 million ⬆ 24%

PAT
2018: GHS 226.02million

GHS3.95 billion ⬆ 53%

Loans and advances to customers
2018: GHS 2.58 billion

GHS 2.17 million ⬇ 4%

Total expenditure on corporate social interventions
2018: GHS 2.27 million

Awards

AWARD	DESCRIPTION
CIMG Awards	National Marketing and Performance Awards – Bank of the Year
EMEA Finance Magazine Awards	• Best Foreign Bank • Best Local Investment Bank • Best Foreign Investment Bank • Best Bond House
Institute of Directors Awards	• Best in Corporate Governance for the Universal Banking Category • Overall Best in Corporate Governance • Most Influential Director of the Year (Chief Executive, Alhassan Andani) • Overall Director of the Year (Chief Executive, Alhassan Andani)
Global Finance Award for Innovation	MobyCash- Most Innovative Digital Product in Cash Management sector
Citibank	STP Excellent Award

Employees ⬇
827
2018: 831

Personal and business banking customers ⬆
329,435
2018: 292,333

Branches ⬆
40
2018: 39

Cost-to-income ratio ⬇
52.35%
2018: 53.05%

1.31% ⬆
credit loss ratio
2018: 1.28%

ATMs ⬆
123
2018: 115

CHAIRMAN'S REPORT

Professor Ernest Aryeetey
Chairman

"Total assets of the Bank reached GHS9.3 billion, a growth of 50% over the previous year; and total equity of the business ended at GHS1.3billion a 26% year-on-year growth."

50%

GHS 9.3 billion

TOTAL BANK ASSETS

2018: GHS 6.2 billion

23.09%

RETURN ON EQUITY

2018: 22.70%

Executive summary

As I reflect over the past few years, a period of relative macro-economic stability, it is remarkable how much the Bank has achieved. The commendable financial performance of the Bank's business in 2019 reflects the critical role it plays in financial intermediation and demonstrates the strong position of the Bank in the industry.

The Bank experienced another excellent year in 2019, recording a profit after tax of GHS281 million which represented a year-on-year growth of 24%. Total assets of the Bank reached GHS9.3 billion, a growth of 50% over the previous year; and total equity of the business ended at GHS1.3billion a 26% year-on-year growth.

Political review

Ghana has had a vibrant political environment which has been further deepened over the last four years. Overall the country has maintained a favourable country risk profile and an improved economic outlook which have engendered confidence in its prospects. The country continues to maintain friendly relationships with neighbouring countries and the international community, while championing improved trade ties on the African continent. In the sub-region Ghana is considered as the preferred investment destination for its very favourable investment climate.

In December 2020, Ghana is due to hold its next Presidential and Parliamentary elections. While it is expected to be very competitive, the country is expected to remain peaceful as the confidence in the democratic institutions of the country improves. The leadership of the two main political parties in Ghana have continued to demonstrate commitment to a peaceful political climate. We do expect that political parties will be mature in their discourse and avoid acts that could lead to violence.

Economic Review

Major economic and political events across the globe continue to shape the economic and business landscape in important ways. Among them, on-going trade disputes, geopolitical tensions and the continuous attempts by governments across the globe to grapple with climate change do have a material effect on the business environment.

Despite the concerns about the global economy, the Ghanaian economy remains resilient and is growing strongly, while business and consumer confidence remain high. The Ghanaian economy continued its solid growth in 2019 with real GDP growth estimated at 7.0%, mainly supported by increased production in the oil and mining sectors. Improvements in the macroeconomic environment have been accompanied by growth in domestic demand due to increased private consumption. The industrial sector, with average annual growth exceeding 10%, has been a major driver of growth in the past three years, while agriculture remains the second fastest-growing sector in the economy.

In 2019, Ghana reported moderate fiscal and current account deficits, single-digit inflation, and a relatively stable exchange rate. While the fiscal deficit improved from 3.5% of GDP in 2018 to 3.4% in 2019, the current account deficit rose from 3.1% of GDP to 3.5% as net flows in the income account outweighed gains in the trade account.

Amid a steady drop in non-food inflation, tight monetary policy and the passthrough effects of currency depreciation, headline inflation generally trended downwards from 9.4% in December 2018 to 7.9% at the end of December 2019, well within the medium-term target of 8 +/- 2%. This result was achieved following adjustments for base-effects and modifications for the inflationary basket in August 2019.

The Monetary Policy Committee maintained the Monetary Policy Rate (MPR) at 16% for most of the year, in line with other macroeconomic indicators. Interest rates on the short end of the curve (91-Day) averaged 14.7% in the year, with the Ghana Reference Rate (GRR) around an average of 16.18% throughout the year. Government debt sustainability strategies, including debt reprofiling aims to reduce financing cost at the short end to avoid raising the Ghana Reference Rate which is linked to Bank's base rates. At the long end of the curve, rates recorded a low of 15.50% earlier in 2019 and a high of 22% in the last quarter of the year, mainly accounted for by partial selloffs by portfolio investors. The market however stabilised between 17.5% and 19% for most of 2019.

The Ghana Cedi depreciated by 13.5% against the major currencies during the year and was characterised by periods of volatility as concerns about the levels of foreign exchange reserves increased. By the end of the year, the Gross International Reserves increased to US$8.4 billion, providing cover for 4.2 months of imports as against US$7.0 billion (3.6 months import cover) at end-December 2018.

It is expected that the current robust economic growth will continue into 2020 driven by growing domestic demand, strengthening public expenditure, and strong recovery of private sector growth. Volatile commodity prices and the risk of fiscal slippage amid impending elections could, however, cloud the outlook. While shortfalls in domestic revenue will pose some challenges to macroeconomic stability, the government remains committed to a deficit ceiling of no more than 5% of GDP, as required by the new Fiscal Responsibility Act.

The Banking environment

Bank of Ghana (BoG) has made significant progress reforming the banking sector with new regulations to strengthen the asset quality of banks, supervisory oversight, corporate governance and capitalisation of banks. The sector remains attractive as it recorded strong growth rates and improving credit quality in 2019. According to Bank of Ghana, the sector's clean-up exercise has extensively strengthened the regulatory and supervisory framework for a more resilient sector as all the financial soundness indicators, measured in terms of earnings, liquidity, and capital adequacy remained strong.

Total assets in the industry increased by 22.8% year-on-year, while deposits were up by 22.2%, underscoring renewed confidence in the industry. Capital Adequacy Ratio exceeded the 13% minimum regulatory benchmark and stood at 17.5% at the end of December 2019. Asset quality has also improved significantly as the NPL ratio declined sharply from 18.2% in December 2018 to 13.9% in 2019, a reflection of improved loan recoveries, write-offs, and credit growth.

Riding on stability in the economy and the banking industry, Stanbic Bank delivered strong results in 2019, generating a record revenue of GHS532 million in net interest income out of a total revenue of GHS975 million, reflecting strong underlying performance across our three major three businesses. Each line of business grew revenue and net income for the year while continuing to make significant investments in technology, people and banking products. We grew core loans by 53% from GHS2.5 billion in 2018 to GHS3.9 billion in 2019, increased deposits in total by 58% while maintaining credit discipline and built an efficient balance sheet. These results align well with our core strategic focus areas of Client Centricity, Digitization and Integrated Financial Services Organisation and we are confident that we will continue to deliver strong results in the future.

Corporate governance

Stanbic Bank is committed to the Bank of Ghana Corporate Governance Directive and the principles of the King's Code of Corporate Practices and Conduct to uphold the best corporate governance practices. In doing so, the bank aims to strengthen the confidence reposed in it by its customers, shareholders, regulators and other stakeholders. Our good corporate governance practices have ensured maximum value creation over time for all stakeholders.

Strategy and oversight

Technology is increasingly transforming financial services and changing the way clients and banks interact. In that regard, the Bank continues to provide digital access for everyday banking and enhanced customer experience by leveraging on various digital platforms including inhouse solutions such as MobyCash, Instant Pay, Stop Card, Fixed Depos Management, EVA, Moby. Our efforts with regards to the digital agenda of the Bank led to several awards received by the Bank such as the Global Finance Innovators award for the most efficient cash collection solution.

The Bank has also deepened its focus on client centricity and organising the business as an integrated financial services organisation. Alongside enhancing our digital offering, ATMs and technology across the branch network to support digital and mobile growth, we are investing heavily in upskilling our human resource base.

These efforts combined with continuous investments over time to provide top notch client service in the industry will continue to make the Bank a competitive player in the banking industry.

Board Changes

Stanbic Bank has a strong Board with the appropriate mix of skills, expertise and experience to adequately and confidently address current and emerging opportunities and issues.

In June 2019, Mr Charles Egan, an independent non-executive director, retired on attaining the compulsory retirement age of 70 years. Mrs. Merene Benyah, retired in December 2019, as an independent non-executive after serving the regulatory period. On behalf of the shareholders, and other Board members and the entire staff of the Bank, I express our deep gratitude for their professionalism and sterling contribution to the Board and the Bank's businesses. The Board remains diversified and the Bank is well placed to further develop leading positions across the banking industry. We wish Charles and Merene continued success in all their future endeavours.

Outlook for 2020

The outlook for the banking industry is positive and sustaining a competitive edge in 2020 means being able to effectively navigate the changing dynamics of the banking industry and maintaining focus on executing our strategy. We will continue to invest significantly in our digital initiatives to build the bank of the future.

The macroeconomic environment is expected to continue to be conducive. This will be characterised by a stable interest rate environment, strong government revenue flows and fiscal discipline. We will, however, adopt a cautionary approach to risk and ensure that the business is able to successfully cope with any post-election outcomes.

Stanbic Bank is committed to investing in its people. Our senior leadership team is competent and, where required, we will continue to strengthen it. We expect that our relationship with Standard Bank Group will continue to assist the business to deliver superior products to our customers with exceptional customer experiences which will sustain the excellent business results recorded.

Acknowledgement

On behalf of the Board, I would like to express my appreciation to the Management and staff of Stanbic Bank for their commitment and dedication throughout the year, going the extra mile in 2019 to grow the business and ensuring that we deliver value to our customers, shareholders and the communities in which we serve.

To our customers who are the reason why we remain in business and who continue to sustain the growth of the Bank, we wish to say thank you for your custom in the past year.

Professor Ernest Aryeetey

Chairman

CHIEF EXECUTIVE'S REPORT

Alhassan Andani

Chief Executive

"Profit after tax for 2019 of GHS281 million was 24% higher than prior year whilst total income of GHS975 million in 2019 was 7% above prior year. "

↑24%

GHS281 million

PROFIT AFTER TAX

2018: GHS 226 million

↑24.39%

PROFIT AFTER TAX GROWTH

2018: 4.8%

Operating environment

The country continues to enjoy a stable plural democracy which has underpinned peace, social cohesion and steady economic progress. The media and civil society groups continue to be vibrant and focused on keeping government accountable and putting critical development issues such illegal mining and pollution of water bodies at the center of national discourse.

Ghana continues to develop fruitful bilateral and multilateral relations at the sub regional, pan African and global levels with governments and development partners to foster domestic socio-economic and political developments and to facilitate international cooperation.

Our overall assessment of the ease of doing business in Ghana is good in the context of no political interference, independence of the judiciary and enforceability of commercial contracts, regulatory oversight and controls, availability of local talent and skills and free and independent media.

Economic Performance

The overarching global trends that impacted the global economy in 2019 include, the US-China trade disputes underpinned by rising economic protectionism by the US. This had a dampening effect on global economic performance. Interest rates in the OECD countries were consequently kept low to spur domestic growth.

Developments in the external market for the country's major trading commodities (gold and cocoa) marked by increase in prices made a positive impact on the economy in the year under review.

The key domestic challenge remained government's inability to widen the domestic tax base and to ensure compliance in tax payments, which adversely affects revenue mobilization. The rescue of the failed banks by guaranteeing hundred percent repayment of customer deposits coupled with the significant payments to fund the newly introduced free Senior High School education and other initiatives promised in the 2016 elections put significant strain on government expenditure.

In spite of the constraints, the Ghanaian economy continues to outperform the growth targets of sub-Saharan countries building on macroeconomic recoveries from 2017.

During the 2019 fiscal year, Ghana successfully completed the IMF's Extended Credit Facility (ECF) program which started in 2015, and in the process consolidating the macroeconomic stability and improvements in fiscal performance achieved in the past couple of years. The economy has become more diversified and resilient with strong growth across the keys sectors of Services, Mining, Oil & Gas, Industry and Agriculture.

Projected GDP growth of 7% in 2019 presented expansionary opportunities for the Bank's key areas of deposit mobilization, risk asset growth and transactional volumes.

A fiscal deficit of 4.8% of GDP at the end of 2019 was in compliance with the Fiscal Responsibility Act, 2018 (Act 982), which places a 5% cap on the fiscal deficit in any given year. Continued adherence to the requirements of Act 982 bodes well for Ghana's fiscal consolidation efforts and it is expected that the fiscal discipline and prudence will therefore be critical in the run-up to the 2020 general elections in order not to undo the gains made so far.

Developments in the external market for the country's major trading commodities made a positive impact in the year under review. Increases in commodity prices year on year, coupled with, increased volumes of exports mainly oil, gold, cocoa and cocoa products resulted in total exports growing by 4.6% on prior year to US$15.6billion. Conversely, imports increased at a much slower pace at 1.5% to close the year at US$13.3billion. Non-oil imports increased by 4.2% while oil and gas imports dipped by 9.2% culminating in an overall trade surplus of US$2.3 billion (3.4% of GDP) in 2019 as against US$1.8 billion (2.8% of GDP) in 2018.

The improvements in net current transfers and the trade surplus led to further reduction in the current account deficit from a deficit of US$2.0 billion (3.1% of GDP) in 2018 to US$1.7 billion (2.5% of GDP) in 2019.

The current account deficit was financed by significant inflows into the financial account, mainly due to foreign direct investments and portfolio investments. As a result, the overall balance of payments recorded a surplus of US$1.3 billion (2% of GDP) in 2019, compared with a deficit of US$671.5 million in 2018. The surplus position improved the Gross International Reserves as at the close of December 2019 to US$8.4 billion, (4-month imports cover) as opposed to US$7.0 billion, (3.6 months of import cover) as at the close of December 2018.

The Ghana cedi depreciated in 2019 by 12.9% against the US dollar in 2019, compared with 8.4% in 2018. The local currency ended the year at GHS5.53:US$1. The rapid depreciation was partly due to external factors such as US protectionism and vulnerabilities in emerging markets on the back of worsening relations between the US and its trading partners. There was also the factor of offloading of bonds held by non-residents as a result of emerging security challenges from the Sahel region which placed pressure on the local currency against the dollar.

Headline inflation has remained in single digits since June 2018 and more recently remained steady around mid-portions of 8.0%. However, it declined to 7.9% in December 2019 on the back of lower food prices amidst stable non-food prices. Alongside these trends, the various measures of underlying inflation remained well-contained.

Money market interest rates increased marginally across the various maturities of the yield curve. The 91-day Treasury bill rate increased marginally to 14.7% in December 2019 compared with 14.6% in December 2018. Interest rates on the 182-day instrument also increased by 20 bps to 15.2%, from 15.0% in 2018. Conversely, secondary market rates for bonds stayed flat or slightly reduced. Yields on the 7-year bond stayed flat at 21% whilst those of the 15-year bonds dipped from 21.4% in December 2018 to 19.9% in December 2019. Interbank average lending rate dropped from 16.1% in December 2018 to 15.2% in December 2019. Likewise, banking sector average lending rates dipped slightly from 23.9% in December 2018 to 23.6% in December 2019.

In the 2020 budget statement read in 2019, the following medium-term goals were outlined to continue the stabilization and transformation of the economy:

- Ensuring a clean and robust financial sector;
- Maintaining macroeconomic stability;
- Modernizing agriculture;
- Private sector growth and entrepreneurship;
- Provision of efficient infrastructure;
- Industrialization; and
- Social intervention policies.

The Bank's business is firmly anchored in the medium-term goals outlined above and we will track budget performance to guide the implementation of our business goals strategies.

Key Developments in the Banking industry

After the banking sector clean-up, the number of banks reduced from 39 banks to 23 in 2018 and the Ghana Amalgamated Trust (GAT) was created in January 2019 to raise funds to support the capital requirement of certain local banks. During the year under review, the central bank commenced a second round of financial sector clean up to deal with governance and operational delinquencies in the Savings and Loans and Finance House sub-sectors. This exercise resulted in 192 insolvent microfinance companies' licences revoked on 31 May 2019. Furthermore, the licences of another 155 insolvent microfinance companies that had ceased operations were also revoked. 23 insolvent savings and loans companies and finance houses also had their licences revoked on 16 August 2019.

A new Capital Requirement Directive (CRD) issued in June 2018 was implemented on 1 January 2019. Under the new directive, the minimum Capital Adequacy Ratio required for Banks was increased from 10% to 13%. The new directive also required a minimum leverage ratio of 6%. As part of the reforms in the banking industry, new Corporate Governance Directives were issued by the Central Bank to set the maximum term limits for Board members (to serve a maximum of 9 years) and Chief Executives of banks (to serve a maximum of 12 years).

The on-going financial services sector reforms also saw the implementation of a new deposit insurance scheme all aimed at ensuring further strengthening of regulatory and supervisory systems and to avert recurrence of any weaknesses in the financial sector.

The outcome of the reforms in the banking sector is a stronger balance sheet for the sector, an impressive increase in asset creation, higher quality of loans and advances as well as improved profitability in 2019. The critical financial metrics including earnings, liquidity, and capital adequacy were resilient. The banking sector total assets was up by 22.8% on prior year to close 2019 at GHS129.06 billion. This was supported by a marked improvement in customer deposits which grew by 22.2% to GHS83.46 billion in the period under review, indicating a resurgence of confidence in the banking sector after a temporary dip when the sector clean-up exercise commenced.

The industry's Capital Adequacy Ratio, computed under the Basel II/III capital framework, was 17.5% as at the close of 2019, representing 450 bps above the 13% minimum regulatory benchmark. There was also a significant improvement recorded in asset quality as non-performing loans (NPL) ratio dipped sharply from 18.2% in 2018 to 13.9% in 2019, reflecting higher loan recoveries and growth in quality credit.

Mobile money transactions continued to increase in support of financial inclusion policies. Total active mobile money accounts stood at 14.5 million in December 2019 compared with 13.1 million in December 2018 representing an increase of 10.7% year on year.

Our vision and strategy

Consistent with Standard Bank Group's vision to be the leading financial services organization within and across Africa whilst delivering exceptional client experiences and superior value, our strategy was driven by the three focus areas of Client Centricity, Digitization and building an Integrated Financial Services Organization. Consequently, our processes were streamlined in line with the needs of our clients and our service delivery were solutions-based using enhanced digital platforms. Business units collaborated well to bring more efficiency to the way we serve our clients. In building a bank for the future, the Bank's digital platforms were enhanced bringing greater flexibility and accessibility to the client. The Bank's performance metrics and value drivers for monitoring our strategy remained unchanged as follows:

- Client focus;
- Risk and conduct;
- Financial outcomes;
- Employee engagement; and
- Social, economic and environmental outcomes.

2019 Performance

During the year, our resolve to identify the key issues of importance to our clients and address them and the strategic initiatives deployed to improve our client experience resulted in a significant growth in the client base and transactional business. In addition, our centralised data team of world class experts developed deep client insights to enable the Bank to make informed decisions on client service delivery. In doing this, the business ensured adherence to the highest levels of governance and risk management consistent with Standard Bank Group and Bank of Ghana requirements.

Profit after tax for 2019 of GHS281m was 24% higher than prior year whilst total income of GHS975m in 2019 was 7% above prior year. Net customer risk assets closed the year at GHS3.93billion representing 52% above prior year of GHS2.58billion. Total customer deposits increased by 57% from GHS4.28billion to GHS6.74billion. Notwithstanding the strong increase in risk assets year on year, our improved credit risk management ensured that there was no deterioration in the credit loss ratio which ended the year at 1.37%. The improvement in the financial performance was premised on increase in the volume and value of transactions with our customer base as well as increase in the total number of customers year on year.

Personal and Business Banking

In 2019 the PBB business continued

to operate along the three main strategic pillars of the bank (i.e. Client centricity, Integrated financial services organization and Digitization).

Client Centricity

We continued to place our clients at the heart of our business and helped them to realise their financial objectives. During the year we introduced a new dimension in our business development by helping our clients establish opportunities within the country and across the various countries where Standard Bank has footprints including China, which has increasingly become an important trading partner for Ghana and the African continent. Securing diverse markets for our clients enhanced their businesses and positioned the Bank as the preferred partner for meeting their strategic objectives.

Our client experience and transactional efficiency were enhanced by the increased availability of our client management teams and senior management to provide timely advisory and bespoke client solutions.

We increased our business advisory and lending support to the SMEs sector, which enabled us to expand our portfolio in this critical sector of the economy.

Integrated Financial Services Organization

Delivering the Bank as an Integrated Financial Service Organization (IFSO) enhanced our ability to provide unique client solutions on a holistic basis by bringing all aspects of our financial expertise to the service of the clients in a growing complex and integrated financial ecosystem.

Digitization

Developments in technology have made it possible for us to bring a significant part of our value proposition to our clients through digital platforms thereby offering greater access, convenience and hassle-free banking services. We continued to encourage the use of our digital platforms including online banking and online payment platforms.

Our digitization efforts have also enhanced our lending solutions thereby reducing the turnaround times in meeting customer requests. The payment solutions team delivered a till integration solution to key customers to provide them with a simplified platform for reconciling their sales.

We also commenced initiatives to co-create tailored products such as Mobile Insurance, Loans, Advisory, Savings & Investments with MNOs on Mobile Money in order to make these products accessible to the larger portions of the unbanked population. We continue to partner and build strategic relationships with Mobile Network Operators, Fintechs and the Ghana Interbank Payment and Settlement Systems limited (GhIPSS) to create a cashless economy to accelerate financial inclusion for the unbanked. Stanbic Bank's contribution in this area was recognised by Global Finance (an international finance magazine) which adjudged our 'MobyCash' solution as the Most Innovative Digital Product in Cash Management sector.

Corporate and Investment Banking

We are a leading Corporate & Investment Banking ("CIB") franchise in Ghana. We focus on developing long-term partnerships with clients, the majority of which operate in sectors that drive Ghana's economy. Our client universe comprises market-leading local corporates, multinationals with operations in multiple geographies, the government and strategic parastatals. We unlock value for our clients by providing a comprehensive range of financial solutions under a unified offering.

The robust and resilient economic conditions highlighted earlier, provided CIB an opportunity to increase our client base, further accelerating the portfolio transformation embarked on in 2017. CIB generated record revenues which translated into strong headline earnings. The financial outturn attests to a well-diversified client centric business with strong team cohesion.

Our clients continue to rate us highly, scoring us 8.6 out of 10 in our customer survey indices, which is an improvement over the 2018 high standard of 8.1. CIB's balance sheet remains healthy, with customer assets and liabilities growing steadily in line with our client strategy. This will provide a strong base to grow annuity income to reduce earnings volatility. We also recorded a good mix of non-funded income on the back of good positioning of markets portfolios and solutioning for clients.

We however need to keep operating costs contained by leveraging the client ecosystem and value chain. This will require constant innovation and digitising our processes. The need to invest in the right platforms to provide excellent consistent customer experience across all clients touch points cannot be overemphasised. We have also stayed alert to recent cyber risk trends to ensure we don't unduly expose ourselves. We expect more regulatory scrutiny after the financial industry clean-up. Forex trading, in particularly, has received heightened scrutiny. Ensuring that we are resolute in adhering to our robust risk and conduct framework should set us above par.

Wealth

The Wealth business in 2019 also maintained focus on the Banks' overarching strategic pillars; Client Centricity, Integrated Financial Services Organization and Digitization.

Client Centricity

Clients remain the core of everything we do in Wealth, and in 2019 we set out to provide more clarity on the value we bring to our clients by clustering our solutions under **Advise, Insure and Invest**. This clarity allows us to focus on what matters most to our clients.

During the year, the business continued to provide not only bespoke onshore solutions, but also best of breed offshore banking, investment, lending as well as fiduciary solutions to our High Net Worth clients. Several measures have been implemented to further improve our onshore-offshore value proposition and to seamlessly provide a one stop shop to meeting our client's global needs.

To recognise our strides to serve our clients, the Bank was named by the prestigious Global Finance Magazine as the Best Private Bank in Ghana for 2020. They stated among others that "The winners are those banks that best serve the specialized needs of high-net-worth individuals as they seek to enhance, preserve and pass on their wealth. The winners are not always the biggest institutions, but rather the best—those with qualities that individuals rate highly when choosing a provider"

As part of enhancing the transactional experience of clients, we launched the Visa Infinite Credit card during the year, a Visa premium card, which provides a host of lifestyle benefits for users.

Holding true to our quest to help clients achieve their unique aspirations, our Bancassurance business paid out the first set of claims as well as maturing Education Savings Plans (Eduplan) to clients. The product which is a high earning savings vehicle coupled with a life cover is meant to ensure that the promise of an education is fulfilled even when unfortunate events occur. The pay-outs provided vital support to beneficiary families ensuring minimal disruption to their lives.

Integrated Financial Services Organization

A key milestone for the business in the year was the launch of the Wealth Customer Value Proposition which was successfully held in March. Dubbed 'Grow Together' this program saw over 300 staff from all business units and corporate functions within Stanbic and STANLIB being introduced to the Wealth Framework, and a unique sales process to guide client-centric conversations structured around the bank's Integrated Financial Services offering.

Digitization

In keeping with the Bank's Digitization strategy, we rolled out a number of initiatives in the year with the aim of increasing the use of our existing digital platforms, enhance customer satisfaction and improve turnaround times across various processes. Ghana's Digital team, working with a Wealth Africa Regions workgroup developed a Financial Fitness App modelled after the Financial Fitness Academy. Also, innovative internal solutions such as the Wealth Leads Referral System was successfully rolled out and is being deployed to all business units within the bank to help track and assign sales leads to the relevant business units.

Corporate Functions

The corporate functions of Finance, Legal, Human Capital, Risk Management, Marketing, Information Technology, Compliance, Internal Audit and Operations worked efficiently together to support our business units (CIB, PBB and Wealth) in delivering superior services to our clients and value to our shareholders. They ensured regulatory requirements were complied with, our license and capital were protected, resources were efficiently deployed, and the brand image was protected and well projected.

Looking Ahead

Global growth is expected to average around 2.5% in 2020 marginally higher than the 2.4% registered in 2019 on the back of weakening trade and investment amidst escalating US-China trade tensions. Monetary policy stance in most advanced economies have been generally accommodative to support growth in the medium-term, while at the same time inducing favourable financing conditions.

Growth in sub-Saharan Africa in 2020 is expected to average 2.9% in 2020 and improve further to 3.2% in 2021-2022. The increase in growth is premised on increased investor confidence in the larger economies in the region, easing of energy bottlenecks and resurgence in oil production. However, lower demand from key trading partners is expected reduce the rate of growth in the medium term.

As the country prepares for the presidential and parliamentary elections for the first time under the requirements of the Fiscal Responsibility Act, Government is expected to remain focused on synchronizing fiscal and monetary policies to ensure that we achieve the right policy mix ahead of and during the 2020 elections. This will curb the perennial cycle of election-year fiscal excesses and maintain the gains realised in managing the public purse.

Primary Balance targets will continue to remain the primary fiscal anchors for 2020 and the medium-term. The fiscal stance, while relatively more expansionary in relation to the projected 2019 outturn, is expected to fund some one-off expenditures related firstly, to the upcoming 2020 Presidential and Parliamentary elections without jeopardising the gains made. However, there is increasing concerns about the mounting debt stock, notwithstanding Government's debt management measures that have slowed the pace of debt growth in recent times.

The overall balance of payments surplus for the medium term is projected to reach at least US$500 million. The surplus will be achieved through a projected current account deficit of about 3.3% of GDP and capital & financial account net inflow of 3.8% of GDP. These projections have considered the trends in international commodity prices, inflows from donors, Cocobod's external facility, Euro bond of US$2.0 billion and the revamping of the Obuasi Gold Mines.

The 2020 fiscal deficit is projected at 4.7% of GDP but will taper down to 4.5% of GDP in 2021, and further to 3.5% of GDP in 2022 to stabilize at 3.0% by 2023. The Primary Balance is projected to record a surplus of 0.7% of GDP in 2020 and remain positive through 2023.

In 2020, the bank has programmed to focus more on achieving cost and operational efficiency to maximise shareholder value by honing our core strategies of customer centricity, integrated financial services organisation and digitisation. We will continue to maintain the momentum on sales across all segments and key products and intensify loan portfolio management strategies.

Acknowledgements

I want to thank the Chairman and members of the board of directors for their insightful contributions and stewardship. I also want to thank the Management team and all staff members for their resilience and tenacity in 2019 and hope that this commitment will remain strong as we continue to build a bank of the future. To our clients, my gratitude is profound and can assure you that we will continue to invest in our people, systems and processes to serve you better now and into the future.

Alhassan Andani
Chief Executive

Financial Review

Economic environment

Ghana's economy continued to show robust growth reflecting a sustained period of healthy fundamentals and a drive towards more inclusive growth. This has been anchored on following prudent macroeconomic policies, ensuring debt sustainability and pressing ahead with structural reforms.

Economic growth interventions have been geared towards boosting export competitiveness, increasing economic diversification (Planting for Food and Jobs, One-District One-Factory,etc), accelerating productivity growth, improving the business environment, and promoting digitization. Real GDP growth continue to be extractive sector led but with services sector contributing the highest to GDP in absolute terms. 2019 GDP is projected to grow at 7% as against 6.3% in 2018. The trade balance remains strong as surpluses have been recorded for three consecutive years occasioned by lower imports growth relative to exports. This has contributed to reserve build-up to improve resilience against external sector vulnerabilities. Consequently, the gross international reserves increased to US$8.4 billion in December providing cover for 4.0 months of imports against U$7.0 billion of 3.6 months import cover for same time in 2018.

However, our structural rigidities particularly commodity dependence, limited import substitution and level of participation of external investors in our bond market, expose us to geopolitical and trade pressures. As result, as experienced in the first quarter of the year under review, the economy was exposed to offshore sell-offs and its impact on the exchange rate. In 2019 the Cedi depreciated by 12.9% against the US dollar compared with 8.4% in 2018. Since then policy rate stance has been kept at 16% even though year-end inflation was at 7.9% and remains within the inflation target band.

Government has generally committed to the 2018 Fiscal Responsibility Act which cap fiscal deficit at 5% of GDP and ensure a positive primary balance. Over the last 2 years the fiscal cap has been respected. Even though election years have experienced fiscal slippages, it is anticipated that the necessary disciplines will be maintained during 2020.

Financial Overview

The financial performance presented below was achieved in a supportive business environment where the outlook for the banking sector was more positive and in concert with progress made with the banking sector clean-up. Changes in International Financial Reporting Standard (IFRS) on leases adopted in 2019 impacted the way we report on leases. This new standard treats operating leases as finance leases, leading to an increase in the balance sheet size.

In 2019, the business recorded another robust performance delivering profit after tax (PAT) of 281million compared to 2018 of GHS 226million, representing an increase of 24%.

Total Income grew strongly and remained diversified supporting the strategic objective of building an Integrated Financial Services Organization. Impairment charges reflect growth in the asset book and the regulatory push for asset write offs in loss category with full prudential provision. Total income for 2019 was 975million, 22% up on prior year of GHS 798million. This is fairly distributed between Net interest income and Non-Interest revenue.

Net Interest income grew by 14% to 532million on the back of a growth in interest bearing assets. Asset yields however experienced continuous pressure leading to significant margin compression by almost 300bp. Increased competition for quality assets and an overall improvement in the operating environment continue to impact negatively on asset yields.

Non-interest revenue of GHS443million was ahead of 2018 by 34%.

Net fees and commissions revenue increased 14% to GHS 221million. The annual growth is as a result of improved clients' transactional volumes and increased wallet share of clients' business. Transactional volumes increased in response to the client focused strategy, investments in digital channels and support for the inclusive financial services agenda. Additionally, historical investments in resources to deliver superior execution capabilities yielded the benefit of an increase in trade and knowledge-based fees, and well-structured funding solutions.

Net trading income increased by 61% to GHS 222million mainly driven relative market volatility, good portfolio positioning strong levels of liquidity, and improved fx flows to fulfil clients demands.

Credit impairments increased by GHS 15milion to GHS 54million representing a 39% increase. Increased recoveries driven by successful account management led significant recoveries in prior year. Adjusting for the impact of prior year's recoveries, impairment would have been flat year on year despite the significant growth in the risk asset book and an increase in IFRS provision coverage to 100% to facilitate write offs.

Operating expenses increased to GHS 511million representing a 21% increase. The bank continues to make targeted expenditure in support of the broader strategic objectives. Additionally, operating cost was impacted currency depreciation and depositor insurance costs.

During the last quarter of the year, a new cost item for depositor Insurance was introduced into the Industry. This impacted on overall cost growth. Other key drivers of the annual cost growth include occupancy and maintenance cost. Notwithstanding these, bank continues to explore alternatives to be cost efficient without compromising on quality service delivery and maintaining a competitive employee remuneration structure.

Total assets of GHS9.26 billion at the end of 2019 was higher than prior year by 49%. The increase was mainly as a result of a rise in customer loans and advances by GHS1.35 billion to close at GHS 3.94 billion, and an increase in cash and cash equivalents from GHS1.71 billion to GHS 2.93 billion. The significant growth in assets was mainly funded by growth in customer deposits which increased by 57% to GHS 6.75 billion.

Indicator	2019	2018
Return on equity	23.09%	22.70%
Profit after tax (GHS'million)	280.65	226.02
Profit after tax growth	24.39%	4.8%
Earnings per share GHp	127.00	128.77
Earnings per share growth	-1.54%	-6.79%
Net interest margin	5.75%	8.27%
Cost-to-income ratio	52.35%	53.05%
Credit loss ratio	1.31%	1.28%

Business unit performance

Stanbic Bank categorizes customers under 3 many business units:

- Personal & Business Banking (PBB);
- Wealth and;
- Corporate and Investment Banking (CIB).

PBB and Wealth performance

The retail business comprising of PBB witnessed an impressive growth in volumes of transactions leading to stronger income while keeping credit impairment subdued. This resulted in an improved performance over previous year. Business delivered profit after tax of GHS54million representing an increase of 30% from 2018 profit of GHS41million.

Total income for the year was GHS455million compared to prior year of GHS382million also increasing by 19% year on year.

Net interest income increased by 21% to GHS296million on the back of asset growth. A strong growth in risk asset volumes driving net interest income was partly muted by a reduction in net interest margins as asset yields dwindled and liability cost inched up marginally.

Non-interest revenue of GHS158million was higher than prior year of GHS136million representing 16% increase above prior year. Factors responsible for the increase in fees are uptick in customer transactional volumes particularly on card and trade services transactions while onboarding of new clients shored up account management fees.

Total credit impairment provisions of GHS36million was lower by 9% reflecting the success in ongoing monitoring as well as improvement in the quality of credit origination. In addition, there were some significant post write-off recoveries realized in during the year.

Operating expenses of GHS341million inched up by 21% compared to prior year. This was driven by targeted expenditure in support of strategic objectives aimed at positioning the retail business to efficiently support clients' business.

Gross average risk assets of GHS1.83 billion was 27% up on prior year of GHS1.43 billion. An aggressive customer acquisition strategy is yielded the benefit of the asset book growth. The impact of the risk asset growth was moderated by a reduction in the non performing book following write offs.

Average customer liabilities of GHS2.95 billion was 40% higher than prior year of GHS2.11 billion. The year-on-year increase is due to the initiative to drive in cheaper customer deposit in 2019.

CIB performance

CIB's focus on its client while delivering value in a commercially viable manner to customers translated into strong performance outcomes. This was characterised by improvements in asset quality and a strong deposit growth.

CIB closed the year with a profit after tax of GHS204million, 40% higher than prior year on account of higher operating income underpinned by good positioning of market portfolios and increased client activities across various products.

Total income for the year of GHS500million was 37% up on prior year of GHS 364million driven by both annuity and non-funded sources. While cost of funding also increased underlined by increased competition of customers, interest income benefited from an increase in the volume of earning assets.

Trading revenue rode on the back of relative market volatility, improved liquidity to support turnover and positioning of portfolios, and improved flows, to post an outturn which was 61% above 2018.

Net fees and commissions of GHS62million witnessed an increase of 8% above prior year performance of GHS57million. The fee performance was supported by big ticket transactions, and improved trade and other transactional volumes in response to enhanced service delivery.

The credit impairment charge of GHS17million emanated from the growth in risk assets and an increase in IFRS provisions for legacy delinquent accounts. The growth in impairment charges over prior year must to considered by taking account of the significant post write-off recoveries made then.

Total cost for year increased to GHS 184million representing a 21% annual growth mainly due to depositor insurance costs combined with inflationary and exchange rate pressures.

Average customer assets increased from GHS1.45 billion in 2018 to GHS2.28 billion representing an increase of 58% driven by improved collaborative execution within risk appetite levels. This was funded by growth in customer deposits. Customer liabilities increased by 62% to GHS3.79 billion in 2019 from GHS2.35 billion in prior year as the business continue to deepen relationships with clients.

Capital Management

The new Capital Requirement Directive (CRD), under the Banks and Special Deposit-taking Institutions Act 930, became effective from January 2019. Under the new directive, the minimum Capital adequacy ratio (CAR) required for Banks increased to 13% as compared to 10% under the previous dispensation. The new directive also requires a minimum leverage ratio of 6%.

The CRD has more capital deductible rules such as software cost, intragroup exposures, non -addition of unaudited profit after tax (PAT) to tier one capital base as well as restriction of tier 2 to 2% of risk weighted assets as compared to the Basel 1 rules.

Risk weighted assets have also seen major changes namely: additional 20% risk on customer loans without primary source of business income in foreign currency; risk weighting of 20% on other foreign currency related assets such as notes and coins, balances with central bank, government bills and bonds, etc; and an increase of 20% to 50% for nostros to foreign banks.

Additionally, the methodology for the computation of operational and market risks has changed significantly leading to higher capital consumption under CRD as compared to Basel 1.

The bank's CAR ended at 14.40% in December 2019(2018: 20.54%; 2018 CAR was under the earlier capital framework) as against the regulatory minimum of 13%.

The explanations for the CAR movement are presented below.

1. Total capital base for the Group increased over the year by GHS43.7million. The capital base improved by:

- GHS46.03million reduction in statutory credit risk reserve on the back of loan recovery from customers
- GHS78.53million adjustment of prepaid rent from capital deductible to risk weighted assets due to adoption of IFRS 16
- GHS12.40million representing year on year impact of the capping of tier 2 to 2% of risk weighted assets

but was moderated by:

- GHS78.11million banking software cost
- GHS15.15million intra group exposure in off balance sheet

2. Risk weighted assets increased by GHS2.38billion to GHS7.25billion in 2019 as a result of the following:

- Growth in balance sheet risks from loans and advances by GHS2.36billion
- Significant increase in operational and markets risks by GHS734.08milion and GHS113.79million respectively

but mitigated by

- Decline in off-balance sheet risk by GHS836.49million due to introduction of credit conversion factors for guarantees and letters of credit at 20% and 50% respectively, and allowance for cash collateral deductions GHS246.94million).

Looking ahead

Ghana's growth outlook is positive given the rising output in the industrial, extractive and services sectors into the medium term. The full year macro performance as per the budget statement presented by the state is expected to be as follows: GDP growing at 6.8%, year-end inflation at 8%, fiscal deficit of 4.7% and gross international reserves of 3.5 months of imports cover. With the government going into a re-election bid, analysts foresee a risk of fiscal slippage given the temptation to undertake politically-popular but fiscally expansionary policies altogether, the economy is expected to remain strong, resilient and stable on the back of strong business and investor confidence.

In 2020, the bank will focus on improving cost and operational efficiencies while driving shareholder value. We will continue to maintain the momentum on growth across all segments while increasing transactional businesses from our esteemed clients.

Corporate Governance Overview

The group's corporate governance approach promotes strategic decision- making that combines long- and short-term outcomes to reconcile the interests of the group, our stakeholders and society to create sustainable shared value.

Corporate governance is integrated across the group's operations. Through the group's subsidiary governance framework, the board fulfils an oversight role and deliberates with executive management over strategic direction, financial goals, resource allocation and risk appetite. Management applies the tone set by the board and the governance philosophy, based on the bank's values, as a set of principles and structures that enable the bank to create shared value for all our stakeholders.

Our approach to corporate governance extends beyond compliance. We see corporate governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

In line with this ambition, the King Report on Corporate Governance (King Code) has formed the cornerstone of our approach to governance. We support the overarching goals of King IV, being the creation of:

- ETHICAL CULTURE
- GOOD PERFORMANCE
- EFFECTIVE CONTROL
- LEGITIMACY

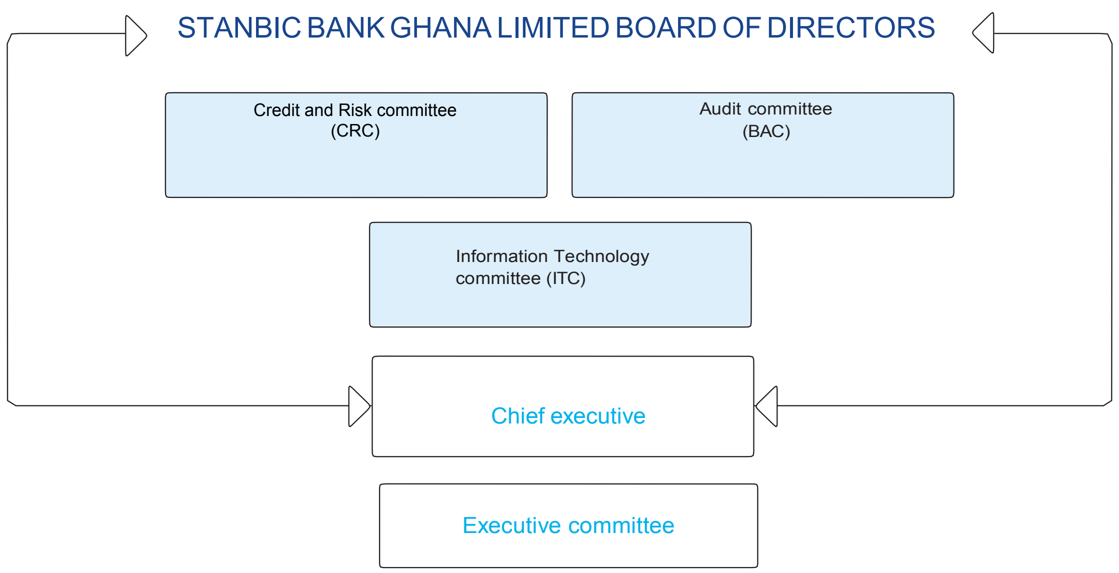
The board is satisfied with the group's application of the principles of King IV, and the group's application register is available online at
www.standardbank.com .

OUR GOVERNANCE FRAMEWORK

The bank operates within a clearly defined board-approved governance framework, which outlines mechanisms for the bank to implement robust governance practices and provides clear direction for decision-making across all disciplines. Through this framework the board has delegated the day-to-day management of the bank to the chief executive without abdicating the board's responsibility.

The delegation of authority is reviewed annually in consultation with the finance function to ensure that financial limits remain appropriate.

The chief executive engages the board on all critical decisions of the bank. These engagements take place with mutual respect and candour. All board decisions are consistently based on ethical foundations.



BOARD OF DIRECTORS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7 MALE 2 FEMALE

1. PROFESSOR ERNEST ARYEETEY

Chairman
Appointed 2010
Appointed chairman 2018

- BA (Hons.) (University of Ghana),
- MSc. (KNUST, Ghana)
- PhD (University of Dortmund, Germany)

Ernest Aryeetey is a professor of Economics and a former Vice-Chancellor of the University of Ghana.

Other appointments

- African Research Universities Alliance

2. ALHASSAN ANDANI

Chief Executive

Appointed 2006

- BSc. (University of Ghana)
- MB&F (FINAFRICA, Italy)
- International Management Certificate, INSEAD, France

Alhassan Andani is a seasoned banker and the Chief Executive of Stanbic Bank Ghana.

Other appointments

- STANLIB Ghana Limited
- SBG Securities Ghana Limited
- Council for Scientific and Industrial Research PLUS
- Gold Fields Limited and related entities
- Ghana Bankers Association

Board Committee

IT Committee

3. OLAYINKA OMOTOSHO SANNI

Non-Executive Director

Appointed 2019

- BSc (Hons.) Agricultural Economics (University of Nigeria, Nsukka)
- MBA (Obafemi Awolowo University)
- Advanced Management Programme (Harvard Business School)

Yinka is a seasoned banker and the West Africa Regional Chief Executive for Standard Bank Group.

Other appointments

- Stanbic IBTC Pension Managers Limited
- Stanbic IBTC Bank Limited
- Stanbic IBTC Capital Limited
- Stanbic IBTC Asset Management Limited

4. MRS. MERENE BENYAH

Independent non-executive director
Chairperson, IT committee
Appointed 2010
Retired December 2019

- LLB (LSE, London),
- BL (England & Wales)
- BL (Ghana)
- Executive MBA (CEIBS)

Mrs. Merene Benyah is a senior legal practitioner and a partner of JLD & MB Legal Consultancy, a top tier law firm in Ghana.

Other appointments

- BP Ghana Limited
- Merton Group of Schools Limited

Board Committees

IT Committee
Audit Committee

5. KODWO SAM ATTA MILLS

Independent non-executive director
Chairman, Audit committee
Appointed 2011

- BA (Georgetown)
- MBA (Harvard)

Kodwo Mills was a Founding Director of Shanduka Group (Pty) Ltd and is currently the Managing Partner of Invictus Africa Group.

Other appointments

- Invictus Investments Ghana
- Invictus Africa Group

Board Committees

Credit & Risk Committee
Audit Committee

6. MS. ESTELLE AKOFIO-SOWAH

Independent non-executive director
Appointed 2018

- BA (Hons.) (Sussex)
- Fellow, West African Leadership Initiative (Aspen, Colorado)

Ms. Estelle Akofio-Sowah is country manager of CSquared, an infrastructure company building wholesale internet infrastructure across Africa.

Other appointments

- Databank Epack
- Zawadi Educational Fund
- Ghana International School

Board Committees

Credit & Risk Committee
IT Committee

7. KWAMINA KOANTENG ASOMANING

Executive director
Appointed 2010

- BSc. Business Admin. (University of Ghana)
- MBA (Wharton School, University of Pennsylvania)
- Chartered Certified Accountant

Kwamina Asomaning is chartered certified accountant and a seasoned banker. He is the head of Corporate and Investment Banking.

Other appointments

- STANLIB Ghana Limited
- SBG Securities Ghana Limited
- Chirano Gold Mines
- University of Ghana Business School

8. ASHOK MOHINANI

Independent non-executive director
Appointed 2013

- ACCA (England & Wales) Part

Ashok Mohinani is an accomplished entrepreneur and an executive director of the Mohinani Group of Companies.

Other appointments

- Mohinani Group of Companies

Board Committees

Credit & Risk Committee
Audit Committee

9. NANA KWADWO DWEMOH BENNEH

Executive director
Appointed 2014

- BA (Hons.) (University of Ghana)
- Executive MBA (London Business School)
- Chartered Institute of Bankers Diploma (UK)

Nana Benneh is a banker and head of Personal and Business Banking in Stanbic Bank Ghana Limited.

Other appointments

- Bora Capital Limited

10. CHARLES EGAN

Independent non-executive director
Chairman, audit committee
Appointed 2013
Retired June 2019

- FCCA (England & Wales)
- CA (Ghana)
- MCIT (Ghana)

Charles Egan is a chartered accountant and a past Country Senior Partner of PricewaterhouseCoopers Ghana from which he retired. He is currently the managing partner of CFY Partners.

Other appointments

- Internal Audit Agency of Ghana
- IFS Financial Services Limited
- African University College of Communications Limited
- Metropolitan Life Ghana Limited and related entities
- CFY Partners

Board Committees

Audit Committee
Credit & Risk Committee

EXECUTIVE COMMITTEE














1. **Alhassan Andani**
   Chief Executive
2. **Kwamina Asomaning**
   Head, Corporate and Investment Banking
3. **Nana Dwemoh Benneh**
   Head, Personal and Business Banking
4. **Victor Yeboah-Manu**
   Chief Financial Officer
5. **Benjamin Mensah**
   Head, Wealth
6. **Lucy Alando**
   Head, Risk
7. **Doreen Iliasu**
   Head, Legal/Company Secretary
8. **Mawuko Afadzinu**
   Head, Marketing and Communications
9. **Emmanuel Martey**
   Head, Information Technology
10. **Doris Dzeha**
    Head, Operations
11. **Samuel Botchway**
    Head, Business Development
12. **Benjamin Ahulu**
    Head, Internal Audit
13. **Samuel Teye**
    Head, Human Capital
14. **Akosua Yelbert**
    Head, Compliance and Anti - Money Laundering

10 MALE 4 FEMALE

Corporate governance statement

Standard Bank Group Limited - overview

The Standard Bank Group complies with the principles of the Code of Corporate Practices and Conduct (King Code). The principles of the King Code determine the standards for the Group's governance framework and practices.

Stanbic Bank Ghana (the Bank) is guided by these principles in establishing our governance frameworks, which are aligned to Standard Bank Group standards in addition to meeting the legal and regulatory requirements in Ghana.

Standard Bank Africa is a division of The Standard Bank of South Africa Limited, which oversees the Group's operations in Africa outside of South Africa, including Ghana.

Codes and regulations

Compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of the Bank's culture. The Board of Directors monitors compliance with these by means of management reports. Information on the outcomes of any significant interaction with key stakeholders, such as the Bank's regulators, is also provided to the Board.

The Bank complies with all applicable legislation, regulations, standards and codes in Ghana.

In particular, the Bank is largely compliant with the Corporate Governance Directives, 2018 issued by Bank of Ghana which came into effect in March 2019.

Board and Directors

Ultimate responsibility for governance rests with the Board of Directors (Board). The Bank has a unitary board structure and the roles of the chairman and managing director are separate and distinct. The chairman is a non-executive director. The number and stature of independent non-executive directors ensures that sufficient independence is brought to bear on decision making.

Directors Declarations

Directors declare their professional and business interests to the Board before assumption of office and this declaration is reviewed quarterly at each Board meeting.

A Director with an interest in any matter being considered by the Board would declare the interest to the Board and then recuse himself from the discussions of the Board on that matter.

Board composition

The Board is constituted in accordance with the Regulations of the Bank. Currently, it is composed of four independent non-executive directors, one non-executive director and three executive directors.

Mr. Yinka Sanni, the Regional Chief Executive for Standard Bank West Africa, was appointed as a non-executive director of the Bank in June 2019.

Mr. Charles Egan and Mrs. Merene Benyah resigned as directors in June 2019 and December 2019, respectively.

No director has shares in the Bank.

Board Supervision of Management

It is the Board's responsibility to ensure that adequate management is in place to implement the Bank's strategies, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Bank and ongoing work to deepen the talent pool provides adequate succession depth in both the short and long term.

There is appropriate communication between the Board and executive management. Employees are invited as required to make presentations to the Board on material issues under consideration. At the close of each board meeting non-executive directors meet without the executive directors at a closed session led by the Chairman. The primary objective of these sessions is to provide non-executive directors with the opportunity to test thoughts among peers. The Chairman, as the primary link between the Board and executive management, provides feedback from the closed sessions to the Chief Executive.

Directors have unrestricted access to management and company information, as well as resources required to carry out their responsibilities, including external legal advice, at the bank's expense.

Skills, knowledge, experience and attributes of directors

The Board possess the skills, knowledge and experience necessary to fulfil their obligations. The Directors bring a balanced mix of attributes to the board, including:

- international and domestic work experience
- management experience
- knowledge and understanding of both macroeconomic and microeconomic factors affecting the bank and
- financial, legal, entrepreneurial and banking skills.

Corporate governance statement

Corporate governance statement

Board responsibilities

The key mandate of the Board, which forms the basis for its responsibilities, is to ensure that the Bank is a sustainable organisation capable of fulfilling its stated objectives.

Strategy

Setting the Bank's strategy is the responsibility of the Board. This is considered and approved by the Board at a meeting dedicated for that purpose.

Once the financial and governance objectives for the following year have been agreed, the Board monitors performance on an ongoing basis. Performance against financial objectives is monitored by way of quarterly management reports and presentations at Board meetings.

Board effectiveness and evaluation

The Board and its Committees conduct annual self-evaluations to assess themselves against their objectives. The aim of the evaluation is to assist the Board in improving its effectiveness. The outcome of the evaluation is discussed at a board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation.

The performance of the Chairman, the Chief Executive and the Company Secretary are assessed annually.

Board meetings and attendance

Meetings of the Board are held once a quarter with an additional full day meeting to consider the Bank's strategy and to shape the budget. The Board of Directors is provided with comprehensive documentation at least four days prior to each of the scheduled meetings.

In 2019, attendance by Directors at the meetings of the Board was as follows:

Director	Mar.	Jun.	Aug.	Oct.	Nov.
E. Aryeetey (Chairman)	√	√	√	√	√
A. Andani	√	√	√	√	√
[1]Mrs. M. B. Benyah	√	√	√	√	√
Nana D. Benneh	√	√	A	√	√
K.K. Asomaning	√	√	√	A	√
K.S.A. Mills	√	√	√	√	A
A.R. Mohinani	A	√	A	√	√
*C.B. Egan	A	√	-	-	-
Ms. E. Akofio-Sowah	√	√	√	√	√
[2]O.O. Sanni	-	√	√	√	√

***** Resigned 12 June 2019

1 Resigned 31 December 2019

2 Appointed 11 June 2019

√ Attendance

A Apology

Board Committees

The role played by Board Committees is key in facilitating the discharge of the Board's responsibilities.

Board Committees are established to assist the Board in discharging its responsibilities. The Committees have Board approved mandates that are reviewed at least, annually. These mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board. Details of these committees are provided below:

Audit Committee

The Board Audit Committee comprises only of independent non-executive directors. It has a mandate to assist the Board of Directors discharge its responsibilities to safeguard the Bank's assets; maintain adequate accounting records; develop and maintain effective systems of internal control and monitor the Banks compliance with applicable regulations and legislation. The Committee provides a report to the Board at each meeting of the Board.

Credit & Risk Committee

The Board Credit and Risk Committee is composed of independent non-executive directors and the Head of Risk. Its mandate is, inter alia, to ensure that effective credit governance is in place for the adequate management, measurement, monitoring and control of credit risk and to oversee management's activities in managing the other risk types encountered by the Bank. At each Board meeting, the Committee provides a report.

Information Technology Committee

The Board IT Committee is composed of independent non-executive directors and the Chief Executive. The committee was established to assist the Board in fulfilling its corporate governance responsibilities with respect to IT and to provide oversight on the IT strategy.

Succession planning

The careful management of the board succession process is vital to the effective functioning of the Board. The Board, through its nominations committee ensures that as directors retire, candidates with the necessary skills and experience have been identified to ensure that the board's competencies and balance are maintained and enhanced.

In addition to managing non-executive director succession, the Board considers the talent management of the Bank's leadership team. The Board is satisfied with the depth of talent in the Bank's senior leadership.

Management Committees

Executive Committee

The Chief Executive chairs the Executive Committee ("Exco") of which Departmental Heads are members. Its main function is to assist the Chief Executive with the general executive control of the Bank within the limits laid down by the Board of Directors of the Bank.

Assets and Liabilities Committee

The Assets and Liabilities Committee is also chaired by the Chief Executive and comprises some members of executive management. Its purpose is to recommend policies and guidelines to the Board for the management of Balance Sheet growth; deposits, advances and investments; foreign exchange activities and positions; and risks associated with exchange rates and liquidity.

Company Secretary

It is the duty of the Company Secretary to ensure that the Board remains cognisant of its duties and responsibilities. The Board is satisfied that an arm's length relationship exists between it and the Company Secretary, who is not a member of the Board. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast with relevant changes in legislation and governance best practices. All Directors have unfettered access to the services of the Company Secretary.

Going concern

On the recommendation of the Board Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year end. At the interim reporting period, a similar process is followed to enable the Board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

Sustainability

The Standard Bank Group's annual sustainability report provides a comprehensive and detailed analysis of the issues material to the Group's sustainability and its stakeholders.

The Standard Bank Group sustainability report can be accessed on **www.standardbank.com/sustainability**

Ethics and organisational integrity

The Standard Bank Group's revised code of ethics is designed to empower employees and enable faster decision making at all levels of our business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice.

The code interprets and defines Standard Bank's values in greater detail and provides values-based decision-making principles to guide our conduct. It is aligned with other Standard Bank policies and procedures and supports the relevant industry regulations and laws of the countries in which the Group operates.

The code of ethics is supported by the appropriate organisational structure namely an ethics advice process and an ethics reporting process.

Remuneration

Remuneration philosophy

The Standard Bank Group's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasise the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

The Group's Board of Directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests. This remuneration philosophy is approved by the Bank's Board and aligned with the Bank's practices.

A key success factor for the Bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives.

Remuneration governance

The remuneration of Board members is reviewed by the Group Remuneration Committee ("remco") and approved by shareholders. The remuneration of executive management is reviewed and, in some instances, approved by remco and the Board.

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals:

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high performance culture
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations
- rewarding people according to their contribution
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees
- moving to a cost-to-company remuneration structure
- educating employees on the full employee value proposition.

Remuneration structure

Non-executive directors Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement.

Corporate governance statement

In terms of the Bank's Regulations, non-executive directors are required to retire at age 70.

One third of the non-executive directors is required to retire at each annual general meeting and may offer themselves for re-election. If recommended by the directors and supported by the Board, the Board then proposes their re-election to shareholders. There is a maximum tenor of nine (9) years for the appointment of non-executive directors.

Fees

Non-executive directors receive fixed fees for service on Boards and Board committees. This includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

The following amount represents the total remuneration paid to executive and non-executive directors for the year under review:

Total amount paid	GHS ('000)
Directors (executive and non-executive)	17,313

Chief Executive

The Chief Executive receives a remuneration package and qualifies for long-term incentives on the same basis as other employees. The components of his package are as follows:

- guaranteed remuneration – based on his market value and the role that he plays;
- annual bonus and pension incentive – used to incentivise the achievement of group objectives; and
- pension – provides a competitive post-retirement benefit in line with group employees.

Management
Terms of service

The terms and conditions of employment of managers are guided by the legislation in Ghana and are aligned to The Standard Bank Group practice.

Fixed remuneration

Managerial remuneration is based on a total cost-to-company structure. Cost-to-company comprises a fixed cash portion, compulsory benefits (medical aid and retirement contribution) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

For all employees, performance-related payments have formed an increasing proportion of total remuneration over time to achieve business objectives and reward individual contribution. All employees (executives, managers and general staff) are rated on the basis of performance and potential and this is used to influence actual performance-related remuneration.

Rating and the consequent pay decision is done on an individual basis. There is therefore a link between rating, measuring individual performance and reward.

Short-term incentives

Executives and managers participate in a performance bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance. In keeping with the remuneration philosophy, the bonus scheme seeks to attract and retain high-performing managers.

Long-term incentives

It is essential for the Group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these is to align the interests of The Standard Bank Group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

General staff
Terms of service

Most general staff are unionised. Their terms and conditions of employment are therefore guided by the respective collective agreement.

Fixed remuneration

Remuneration of all staff is based on a basic salary plus benefits, which generally includes medical aid, retirement fund membership, housing benefits and a travel allowance for select levels.

Generally, salary increases are negotiated on an annual basis, usually effective in March. Salary increases are based on similar factors as those considered when reviewing managerial staff increases.

Bank snapshot

	2019	2018
Branches	40	39
ATMs	123	115
Headcount	827	831
CSI spend (GHS'000)	2,170	2,278

Highlights of awards and achievements in 2019:

1. CIMG Awards- National Marketing and Performance Awards – Bank of the Year
2. EMEA Finance Magazine Awards:
   - Best Foreign Bank
   - Best Local Investment Bank
   - Best Foreign Investment Bank
   - Best Bond House
3. Institute of Directors Awards:
   - Best in Corporate Governance for the Universal Bank Category
   - Overall Best in Corporate Governance
   - Most Influential Director of the Year (Chief Executive, Alhassan Andani)
   - Overall Director of the Year (Chief Executive, Alhassan Andani)
4. Global Finance Award for Innovation - MobyCash- Most Innovative Digital Product in Cash Management sector
5. Citibank – STP Excellent Award

Material issues facing the bank

There were no material deficiencies in the Bank in the course of the year.

Directors and Advisors

Directors and Advisors

Board of Directors	E. Aryeetey	(Chairman)
	A. Andani	(Chief Executive)
	M. B. Benyah (Mrs)	(Retired 31 December 2019)
	K. K. Asomaning	(Executive)
	K.S.A Mills	
	A.R. Mohinani	
	C. B. Egan	(Retired 12 June 2019)
	N.D. Benneh	(Executive)
	E. Akofio-Sowah (Ms)	
	O. O. Sanni	(Appointed 11 June 2019)
Secretary	Mrs Doreen Iliasu Stanbic Bank Ghana Limited Stanbic Heights 215 South Liberation Link Accra	
Auditor	PricewaterhouseCoopers Chartered Accountants PwC Tower A4 Rangoon Lane Cantonments City PMB CT 42, Cantonments Accra	
Registered Office	Stanbic Heights 215 South Liberation Link Airport City Accra	

Report of the Directors

Report of the Directors
The directors submit herewith their report and the audited annual financial statements for the year ended 31 December 2019.

Statement of Directors' Responsibilities
The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group (Bank and its subsidiary) and of the profit or loss and cash flows for that year. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with relevant requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The directors are responsible for ensuring that the Group keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.The directors have a reasonable expectation that the Group and Bank will have adequate resources to continue in operational existence and as a going concern in the financial year ahead.

Principal Activities
The principal activities of the Group are Corporate and Investment Banking, Personal and Business Banking, Wealth and Brokerage Services. There was no change in the principal activities of the Group during the year.

Holding Company
The Bank is a subsidiary of Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom, which holds 99.54% (2018: 99.54%) of the issued shares of the Bank. The ultimate holding company is Standard Bank Group Limited, a company registered in South Africa.

Subsidiary
The Bank has a wholly owned subsidiary, SBG Securities Ghana Limited.

Results for the Year
The statements of financial position, income statements, statements of other comprehensive income and statements of cash flows that are contained in this report reflect the results and the state of affairs of the Bank standing alone and the Group as at 31 December 2019.

Dividend
The directors are not recommending the payment of dividend this year.

Auditor
In accordance with section 81 (5) of the Banks and specialised deposit-taking Act, 2016 (Act 930), PricewaterhouseCoopers, Ghana was appointed as the auditor of the Bank and its subsidiary in 2018. The directors recommend that PricewaterhouseCoopers, Ghana continues in office, in accordance with section 139 (5) of the Companies Act, 2019 (Act 992).

Directors Professional Development and Training
Dates for ongoing training are scheduled in advance and form part of the board approved annual calendar. Directors are kept abreast of applicable legislation and regulation, changes to rules, standards and codes, as well as relevant sector developments that could affect the Group and its operations. New Directors on appointment to the Board are provided with a full, formal and tailor-made programme of induction to familiarise them with the Bank's businesses, the risks and strategic challenges the Bank faces, as well as the economic, competitive, legal and regulatory environment in which the Bank operates.

Corporate Social Initiatives
Corporate Social Initiative spend for the year was GHS 2.17 million.

Auditors Remuneration
External auditors' remuneration for the Bank and it's subsidiary for the year was GHS 0.68 million.

Directors
The names of persons who were directors of the Bank at any time during the year are disclosed on page 27.

The 2019 annual financial statements and specified sections of the risk and capital management report were approved by the board of directors on 5 March 2020 and signed on its behalf by:

Ernest Aryeetey, Chairman

5 March 2020

Alhassan Andani, Chief Executive

5 March 2020

Independent Auditor's Report

To the Members of Stanbic Bank Ghana Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of Stanbic Bank Ghana Limited and its subsidiary for the year ended 31 December 2019.

The financial statements comprise:
- the separate and consolidated statements of financial position as at 31 December 2019;
- the separate and consolidated income statements for the year then ended;
- the separate and consolidated statements of other comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended;
- accounting policy elections; and
- the notes to the separate and consolidated financial statements.

Basis for Opinion

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

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

Independence

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

Key audit matters

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

The key audit matter	How our audit addressed the key audit matter
Impairment provision on loans and advances – GHS167.3 million Gross loans and advances as at 31 December 2019 amount to GHS4.114 billion out of which an impairment allowance of GHS167.3 million was recorded.	We obtained an understanding of controls over the loans origination, monitoring and provisioning process and tested relevant controls. We tested the appropriateness of management's assumptions including challenging management's determination of:

Independent Auditor's Report continued

The impairment allowance has been determined on the basis of the Expected Credit Loss (ECL) taking into account forward looking information reflecting management's view of potential future economic environment. The model used to determine ECL and inputs used may not be fully observable because it involves management's independent judgement. Management is guided by the IFRS 9 – financial instruments methodology as well as the policies and procedures in place by the Bank and the regulator, Bank of Ghana. ECL is calculated on a portfolio basis for Personal and Business Banking (PBB) loans and on an individual basis for Corporate and Investment Banking (CIB) loans. We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias: - Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank. - Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank. - Probability of Default: estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon. - Exposure at default: amount expected to be owed the bank at the time of default. - Loss given default: percentage exposure at risk that is not expected to be recovered in an event of default. - Forward looking economic information and scenarios used in the models. The accounting policies, critical estimates and related judgements used in the calculation of ECL are set out in: - the accounting policy elections 1.8, and 4.3; and - notes 5, and 22.6.	- significant increase in credit risk, - default, - probability of default, - exposure at default, and - loss given default We assessed the completeness and accuracy of data used in the ECL models including collaterals. We assessed the reasonableness of forward looking information used in the impairment calculations by challenging the multiple economic scenarios used and the weighting applied. We assessed management's judgement on portfolio segmentation to ensure that portfolio with similar risk characteristics were grouped together in the ECL model; We tested the appropriateness of the staging in the ECL model by independently determining the staging of selected loans based on customer's repayment history, compliance to loan covenants and other qualitative factors. We recomputed the ECL model calculations to confirm the inputs and risk parameter outputs. We tested the appropriateness of disclosures set out in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Chief Executive's Report, Financial Review, Corporate Governance Report, Directors and Advisors, Report of the Directors, and Value Added Statement but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Corporate Governance Overview, Our Values, and Review of Performance, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information 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.

When we read Corporate Governance Overview, Our Values, and Review of Performance, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the Bank's and the Group'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 and/or the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 separate and consolidated 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 Group 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

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

23 March 2020

Statements of financial position

at 31 December 2019

		Group		Bank	
	Note	**2019 GHS'000**	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
Assets					
Cash and cash equivalents	2	**2,927,680**	1,709,104	**2,927,680**	1,707,136
Non-pledged trading assets	3.6	**642,833**	634,614	**642,833**	634,614
Investment securities	4	**671,064**	685,248	**668,394**	682,264
Loans and advances to customers	5	**3,946,591**	2,584,735	**3,946,591**	2,584,735
Current tax assets	6	**19,938**	54,790	**19,849**	54,692
Other assets	7	**779,826**	375,208	**780,447**	377,767
Investment in subsidiary	8	**-**	-	**2,500**	2,500
Intangible assets	9	**78,112**	73,581	**78,112**	73,581
Property, equipment and right of use assets	10	**229,442**	87,730	**229,276**	87,729
Total assets		**9,295,486**	6,205,010	**9,295,682**	6,205,018
Equity		**1,355,643**	1,075,374	**1,356,202**	1,075,290
Stated capital	11	**414,213**	414,213	**414,213**	414,213
Reserves		**941,430**	661,161	**941,989**	661,077
Retained earnings		**479,006**	223,032	**479,565**	222,948
Statutory reserve	12.1	**388,019**	317,695	**388,019**	317,695
Statutory credit risk reserve	12.2	**73,732**	119,761	**73,732**	119,761
Other reserve	12.3	**673**	673	**673**	673
Liabilities		**7,939,843**	5,129,636	**7,939,480**	5,129,728
Trading liabilities	13	**102,539**	127,360	**102,539**	127,360
Deposit and current accounts	14	**7,284,411**	4,501,166	**7,284,454**	4,501,390
Deposits from banks	14.1	**529,142**	218,855	**529,142**	218,855
Deposits from customers	14.2	**6,755,269**	4,282,311	**6,755,312**	4,282,535
Deferred tax liabilities	15	**2,226**	110	**2,226**	110
Provisions and other liabilities	16	**467,111**	366,778	**466,705**	366,646
Subordinated debt	17	**83,556**	134,222	**83,556**	134,222
Total equity and liabilities		**9,295,486**	6,205,010	**9,295,682**	6,205,018

The financial statements were approved by the Board of Directors on 5 March 2020 and signed on its behalf by:

Board Chairman: Ernest Aryeetey

Chief Executive: Alhassan Andani

Income Statements

for the year ended 31 December 2019

	Note	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Net interest income		**532,267**	466,325	**531,884**	465,834
Interest income	22.1	**681,208**	549,984	**680,796**	549,493
Interest expense	22.2	**(148,941)**	(83,659)	**(148,912)**	(83,659)
Non-interest revenue		**443,172**	331,316	**443,035**	330,627
Net fee and commission revenue	22.3	**220,893**	193,698	**220,756**	193,009
Fee and commission revenue	22.3	**255,722**	219,239	**255,585**	218,550
Fee and commission expense	22.3	**(34,829)**	(25,541)	**(34,829)**	(25,541)
Trading revenue	22.4	**222,218**	137,715	**222,218**	137,715
Other gain / (loss)	22.5	**61**	(97)	**61**	(97)
Total income		**975,439**	797,641	**974,919**	796,461
Credit impairment charges	22.6	**(53,867)**	(38,680)	**(53,792)**	(38,678)
Income after credit impairment charges		**921,572**	758,961	**921,127**	757,783
Operating expenses		**(510,667)**	(423,226)	**(509,603)**	(421,930)
Staff costs	22.7	**(270,164)**	(226,776)	**(269,458)**	(226,192)
Depreciation and amortisation	22.9	**(75,722)**	(35,131)	**(75,679)**	(35,131)
Other operating expenses	22.8	**(164,781)**	(161,319)	**(164,466)**	(160,607)
Net income before indirect taxation		**410,905**	335,735	**411,524**	335,853
Indirect taxation	23.1	**(15,633)**	(12,890)	**(15,609)**	(12,882)
Profit before direct taxation		**395,272**	322,845	**395,915**	322,971
Direct taxation	23.2	**(114,618)**	(96,824)	**(114,618)**	(96,824)
Profit for the year		**280,654**	226,021	**281,297**	226,147
Basic/diluted earnings per ordinary share (pesewas)	24	**127**	129	**127**	129

Statements of other comprehensive income

for the year ended 31 December 2019

	Note	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Profit for the year		**280,654**	226,021	**281,297**	226,147
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss:					
		(385)	(10,196)	**(385)**	(10,196)
Defined benefit fund remeasurements	27. 1	**(385)**	(10,196)	**(385)**	(10,196)
Total comprehensive income for the year		**280,269**	215,825	**280,912**	215,951

Statements of changes in equity

for the year ended 31 December 2019

Group	Stated capital GHS'000	Statutory credit risk reserve GHS'000	Statutory reserve GHS'000	Retained earnings GHS'000	Share-based payment reserve GHS'000	Ordinary shareholders' equity GHS'000
Balance at 1 January 2018	108,241	68,123	204,621	494,762	94	875,841
Total comprehensive income for the year	-	-	-	215,825	-	215,825
Profit for the year	-	-	-	226,021	-	226,021
Other comprehensive (loss)/income for the year	-	-	-	(10,196)	-	(10,196)
Transfer from statutory credit risk reserve (Note 12.2)	-	51,638	-	(51,638)	-	-
Transfer to statutory reserve (Note 12.1)	-	-	113,074	(113,074)	-	-
Transactions with shareholders, recorded directly in equity	305,972	-	-	(322,843)	579	(16,292)
Equity-settled share-based payment transactions	-	-	-	-	579	579
Bonus issue to equity holders	305,972	-	-	(305,972)	-	-
Dividend tax on Bonus issue to equity holders	-	-	-	(15,341)	-	(15,341)
Stamp duty on bonus issue to equity holders	-	-	-	(1,530)	-	(1,530)
Balance at 31 December 2018	414,213	119,761	317,695	223,032	673	1,075,374
Balance at 1 January 2019	**414,213**	**119,761**	**317,695**	**223,032**	**673**	**1,075,374**
Total comprehensive income for the year	**-**	**-**	**-**	**280 269**	**-**	**280,269**
Profit for the year	**-**	**-**	**-**	**280,654**	**-**	**280,654**
Other comprehensive income/(loss) for the year	**-**	**-**	**-**	**(385)**	**-**	**(385)**
Transfer from statutory credit risk reserve (Note 12.2)	**-**	**(46,029)**	**-**	**46,029**	**-**	**-**
Transfer to statutory reserve (Note 12.1)	**-**	**-**	**70,324**	**(70,324)**	**-**	**-**
Balance at 31 December 2019	**414,213**	**73,732**	**388,019**	**479,006**	**673**	**1,355,643**

Statements of changes in equity

for the year ended 31 December 2019

Bank	Stated capital GHS'000	Statutory credit risk reserve GHS'000	Statutory reserve GHS'000	Retained earnings GHS'000	Share-based payment reserve GHS'000	Ordinary shareholders' equity GHS'000
Balance at 1 January 2018	108,241	68,123	204,621	494,552	94	875,631
Total comprehensive income for the year	-	-	-	215,951	-	215,951
Profit for the year	-	-	-	226,147	-	226,147
Other comprehensive income / (loss) for the year	-	-	-	(10,196)	-	(10,196)
Transfer to statutory credit risk reserve (Note 12.2)	-	51,638	-	(51,638)	-	-
Transfer to statutory reserve (Note 12.1)	-	-	113,074	(113,074)	-	-
Transactions with shareholders, recorded directly in equity	305,972	-	-	(322,843)	579	(16,292)
Equity-settled share-based payment transactions	-	-	-	-	579	579
Bonus issue to equity holders	305,972	-	-	(305,972)	-	-
Dividend tax on Bonus issue to equity holders	-	-	-	(15,341)	-	(15,341)
Stamp duty on Bonus issue to equity holders	-	-	-	(1,530)	-	(1,530)
Balance at 31 December 2018	414,213	119,761	317,695	222,948	673	1,075,290
Balance at 1 January 2019	**414,213**	**119,761**	**317,695**	**222,948**	**673**	**1,075,290**
Total comprehensive income for the year	**-**	**-**	**-**	**280 912**	**-**	**280,912**
Profit for the year	**-**	**-**	**-**	**281,297**	**-**	**281,297**
Other comprehensive income/(loss) for the year	**-**	**-**	**-**	**(385)**	**-**	**(385)**
Transfer from statutory credit risk reserve (Note 12.2)	**-**	**(46,029)**	**-**	**46,029**	**-**	**-**
Transfer to statutory reserve (Note 12.1)	**-**	**-**	**70,324**	**(70,324)**	**-**	**-**
Balance at 31 December 2019	**414,213**	**73,732**	**388,019**	**479,565**	**673**	**1,356,202**

Statements of cash flows

for the year ended 31 December 2019

	Note	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Net cash flows from operating activities		**1,480,198**	64,989	**1,482,106**	66,446
Cash flows used in operations		**1,050,761**	(222,038)	**1,053,077**	(220,114)
Profit before tax		**395,272**	322,845	**395,915**	322,971
Adjusted for:		**(399,741)**	(394,536)	**(399,476)**	(394,047)
Credit impairment charges on loans and advances	22.6	**53,867**	38,680	**53,792**	38,678
Depreciation of property, equipment and right of use assets	22.9	**67,931**	28,286	**67,888**	28,286
Amortisation of intangible asset	22.9	**7,791**	6,845	**7,791**	6,845
Equity-settled share-based payments	22.7	**-**	579	**-**	579
Interest expense	22.2	**148,941**	83,659	**148,912**	83,659
Interest income	22.1	**(681,208)**	(549,984)	**(680,796)**	(549,493)
Fair value adjustment on financial instrument		**2,991**	(2,657)	**2,991**	(2,657)
(Profit) / loss on sale of property and equipment	22.8	**(54)**	56	**(54)**	56
Increase in income-earning assets	25.1	**(1,870,939)**	(906,340)	**(1,869,015)**	(905,238)
Increase in deposits and other liabilities	25.2	**2,926,169**	755,993	**2,925,653**	756,200
Interest paid		**(144,320)**	(80,504)	**(144,291)**	(80,504)
Interest received		**651,416**	499,119	**650,979**	498,652
Direct taxation paid	6.1	**(77,659)**	(131,588)	**(77,659)**	(131,588)
Net cash flows used in investing activities		**(44,870)**	(37,705)	**(44,870)**	(39,205)
Capital expenditure on property and equipment	10.1	**(32,608)**	(37,767)	**(32,608)**	(37,767)
Capital expenditure on intangible assets	9.2	**(12,322)**	-	**(12,322)**	-
Proceeds from sale of property, equipment and right of use assets	10.3	**60**	62	**60**	62
Investment in subsidiary	8	**-**	-	**-**	(1,500)
Net cash flows used in financing activities		**(118,362)**	-	**(118,302)**	-
Repayment of subordinated debt	25.3	**(65,938)**	-	**(65,938)**	-
Principal element of lease payment	16 (d)	**(52,424)**	-	**(52,364)**	-
Net increase in cash and cash equivalents		**1,316,966**	27,284	**1,318,934**	27,241
Effect of exchange rate changes on cash and cash equivalents	25.4	**(98,390)**	(53,175)	**(98,390)**	(53,175)
Cash and cash equivalents at beginning of the year		**1,709,104**	1,734,995	**1,707,136**	1,733,070
Cash and cash equivalents at end of the year	2	**2,927,680**	1,709,104	**2,927,680**	1,707,136

Accounting policy elections

The principal accounting policies applied in the presentation of the group's annual financial statements are set out below.

1 Reporting entity

Stanbic Bank Ghana Limited (the Bank) and its wholly owned subsidiary, SBG Securities Ghana Limited (together referred to as the Group) is a financial services provider engaged in Corporate and Investment Banking, Personal and Business Banking, wealth and Brokerage Services.

The Bank is a limited liability company incorporated and domiciled in Ghana. The address of its registered office is Stanbic Heights, Plot No 215, South Liberation Link, Airport City, Accra, Ghana.

2 Basis of preparation

(a) Statement of compliance

The consolidated and separate annual financial statements (annual financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), and in the manner required by the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

This is the first set of the group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in accounting policy 3.

The consolidated financial statements for the year ended 31 December 2019 was approved by the Board of Directors

on 5 March 2020.

(b) Basis of measurement

These consolidated and separate financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- financial assets are measured at fair value through other comprehensive income
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- trading assets and liabilities are measured at fair value

The group applies accrual accounting for recognition of its income and expenses.

(c) Going concern assumption

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

(d) Functional and presentation currency

These consolidated and separate financial statements are presented in Ghana Cedis, which is the Bank's functional and presentation currency. All financial information presented in Cedis has been rounded to the nearest thousands (GHS'000), except when otherwise stated.

(e) Use of estimates and judgement

Refer to key management assumptions in note 1 to the financial statements.

(f) Changes in accounting policies

Except as described in accounting policy 3, the group has consistently applied the accounting policies as set out in to all years presented in these financial statements.

Accounting policy elections continued

3 Adoption of new and amended standards effective for the current financial year

3.1 IFRS 9 Financial Instruments (amendment)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively.

3.2 IAS 19 Employee Benefits (amendments)

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment is required to be applied retrospectively.

3.3 IFRIC 23 Uncertainty over Income Tax Treatments

this interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight.

3.4 IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amended)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively.

The adoption of new and amended standards on 1 January 2019 did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

3.5 IFRS 16 Leases (new)

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for a lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees.

Accounting policy elections continued

3 Adoption of new and amended standards effective for the current financial year (continued)

IFRS 16 Leases (continued)

Background

With effect from 1 January 2019, IFRS 16 Leases (IFRS 16) replaced IAS 17 Leases (IAS 17) as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating or finance leases as was required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the bank as a lessor are not different from those under IAS 17.

Adoption and transition

The group retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the group's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the Bank's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

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. 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 bank's standardised funding transfer pricing rate at a legal entity level is the base on which the incremental borrowing rate is calculated.

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 statements of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Practical expedients applied:

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

The Bank's leases and how these are accounted for:

The Bank leases various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between 3 – 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right-of-use asset and a corresponding lease liability.

Accounting policy elections continued

Adoption of new and amended standards effective for the current financial year (continued)

IFRS 16 Leases (continued)

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the Bank. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term when there is reasonable certainty that the option to extend or terminate will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the Bank resulted in an increase of GHS156 million gross up in total assets and GHS75 million gross up in total liabilities after reversal of prepaid rent of GHS81 million. The total undiscounted operating lease commitments as at 31 December 2018 amount to GHS 212 million, the lease liability as at 1 January 2019 amounted to GHS 156 million, this difference primary relates to discounting the operating lease commitments balance at the bank's weighted average incremental borrowing rate of 14.85%.

I. Impact on the bank's summarised statement of financial position on 1 January 2019

	31 December 2018	IFRS 16 Transition adjustment at 1 January 2019	IFRS 16 at 1 January 2019
	GHS'000	GHS'000	GHS'000
Assets			
Property, equipment and right of use asset	87,729	156,018	**243,747**
Other financial and non-financial assets	6,117,289	(80,772)	**6,036,517**
Total assets	6,205,018	75,246	**6,280,264**
Equity and liabilities			
Equity	(1,075,290)	-	**(1,075,290)**
Equity attributable to ordinary shareholders	(414,213)	-	**(414,213)**
Reserves	(661,077)	-	**(661,077)**
Liabilities	(5,129,728)	(75,246)	**(5,204,974)**
Total equity and liabilities	(6,205,018)	-	**(6,280,264)**

II. The recognised right-of-out assets relate to the following types of assets:

	31 December 2019	IFRS 16 at 1 January 2019
	GHS'000	GHS'000
Buildings	464	746
Branches	138,464	152,211
ATMs	1,834	1,709
Others	52	1,352
Total right-of-use assets	**140,814**	**156,018**

III. Lease liability recognised as at 1 January 2019

		1 January 2019
		GHS'000
Operating lease commitments disclosed as at 31 December 2018		211,825
Discounting using the lessee's incremental borrowing rate as of the date of the application		156,018
Less: Prepaid rent		(80,772)
Lease liability recognised as at 1 January 2019		**75,246**
Of which are:		
Current lease liabilities	9,427	14,283
Non-current lease liabilities	44,936	60,963
	54,363	**75,246**

Accounting policy elections continued

Adoption of new and amended standards effective for the current financial year (continued)

IFRS 16 Leases (continued)

Leases - Lessee accounting policies

Type and description	Statement of financial position	Income statement
Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for: • leases of low value assets; and • leases with a duration of twelve months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the bank) this is not readily determinable, in which case the bank's incremental borrowing rate on commencement of the lease is used. The bank's standardised funding transfer pricing rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: •Amounts expected to be payable under any residual value guarantee; •The exercise price of any purchase option granted in favour of the bank, should it be reasonably certain that this option will be exercised; •Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the bank's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the bank is contractually required to dismantle, remove or restore the leased asset. The bank applies the cost model subsequent to the initial measurement of the right of use assets.	**Depreciation on right of use assets:** Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the bank at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.
	Termination of leases: When the bank or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Accounting policy elections continued

Adoption of new and amended standards effective for the current financial year (continued)

IFRS 16 Leases (continued)

Leases - Lessee accounting policies

Type and description	Statement of financial position	Income statement
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the bank reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.	
	Lease modifications that are accounted for as a separate lease: When the bank modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the bank accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the bank elected the short-term lease exemption and the lease term is subsequently modified.	

Accounting policy elections continued

Adoption of new and amended standards effective for the current financial year (continued)

IFRS 16 Leases (continued)

Leases - Lessee accounting policies

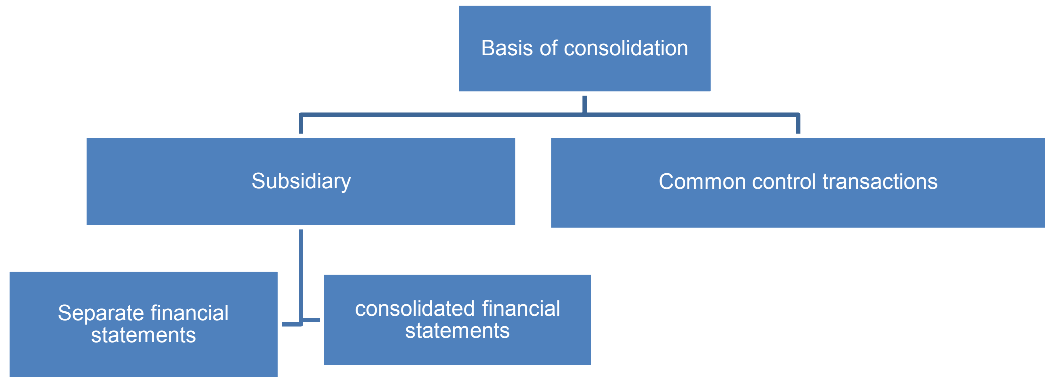
Type and description	Statement of financial position	Income statement
Finance leases	When the Bank modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the bank accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

Accounting policy elections continued

4 Statement of significant accounting policies

Except for the changes explained in accounting policy 3, the group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements.

4.1 Basis of consolidation



Subsidiary

Separate financial statements

Investments in subsidiary are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell and value in use.

Consolidated financial statements

The accounting policies of the subsidiary that is consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains (losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non controlling interests (NCI) are determined on the basis of the group's present ownership interest in the subsidiary.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

In the case of foreign currency gains and losses on debt instruments classified as available for sale, a distinction is made between foreign currency differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Foreign currency differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount.

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future.

4.2 Cash and cash equivalents

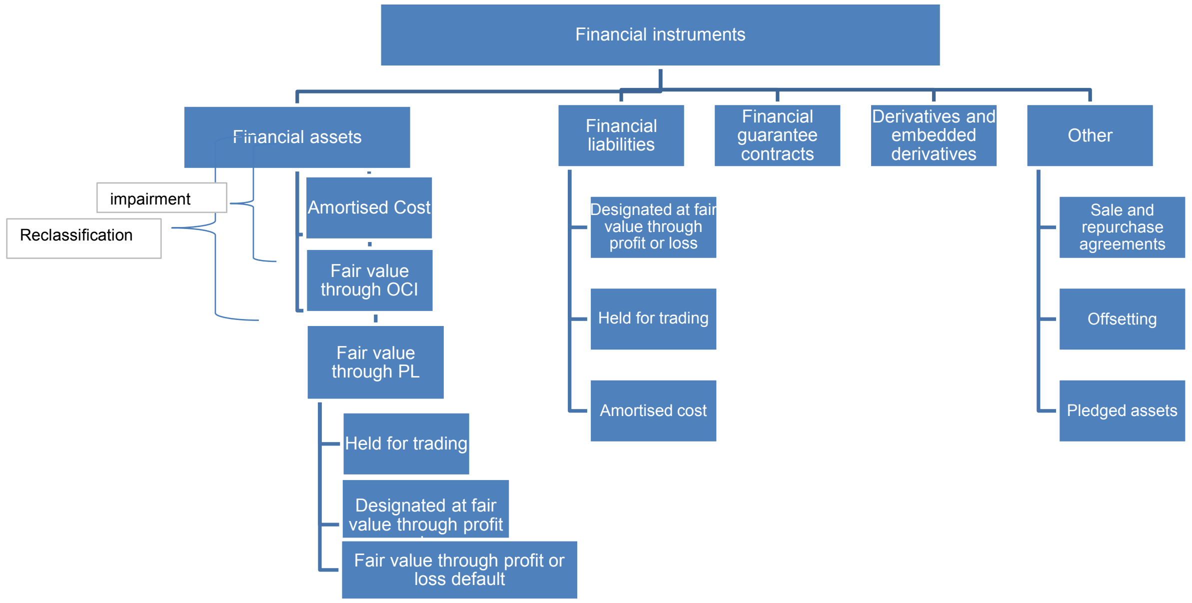
Cash and cash equivalents presented in the statement of cash flows consist of cash and balances with central banks, and balances with other banks . Cash and balances with central banks comprise coins and bank notes, balances with Bank of Ghana and other Banks.

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

4.3 Financial instruments

The relevant financial instruments are financial assets classified at amortised cost, fair value through OCI, fair value through P/L and other liabilities.



Recognition and initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basis lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	Includes: • A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): — held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and — The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basis lending arrangement, the financial asset is classified as fair value through profit or loss – default. • Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial assets are managed and their performance evaluated and reported on a fair value basis - where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
Fair value through profit or loss default	Financial assets that are not classified into one of the above-mentioned financial asset categories.

Accounting policy elections continued

4 Accounting policy elections (continued)

Statement of significant accounting policies (continued)

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Interest income on debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest income.
Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments
Fair value through profit or loss – default	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

Accounting policy elections continued

Accounting policy elections (continued)

4 Statement of significant accounting policies (continued)

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the bank assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The bank's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or banks of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the bank would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward looking information is incorporated into the bank's impairment methodology calculations and in the bank's assessment of SICR. The bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan	Recognised as a deduction from the gross carrying amount of the asset (bank of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (bank of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within provisions.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of financial assets are permitted only in the following instances:

Reclassifications of debt financial assets are permitted when, and only when, the bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:
• Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
• The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
• Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
• The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
• The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
• The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Financial liabilities

Nature

Held for trading	Those financial liabilities incurred principally for the purpose of re-purchasing in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial liabilities are managed and their performance evaluated and reported on a fair value basis - where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
At amortised cost	All other financial liabilities not included the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.
At amortised cost	Amortised cost using the effective interest method with interest recognised in interest expense.

Derecognition of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
Financial liabilities	Financial liabilities are derecognised when the obligation of the financial liabilities are extinguished, that is, when the obligation is discharged, cancelled or expires.

Modification of financial assets and liabilities

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value and recalculates a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new carrying gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or gains and losses on financial instruments within non-interest revenue (for all other modifications).

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts are subsequently measured at the higher of the:

- the ECL calculated for the financial guarantee; and
- unamortised premium.

Derivatives and embedded derivatives

A derivative is a financial instrument whose fair value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value.

All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative, subject to offsetting principles as described under the heading "Offsetting" below.

All gains and losses from changes in the fair values of derivatives are recognised immediately in profit or loss as trading revenue.

Other

Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial investments or trading assets to pledged assets, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of pledged assets is at fair value, whilst subsequently measured at amortized cost or fair value as approriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

Sale and repurchase agreements

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest rate method.

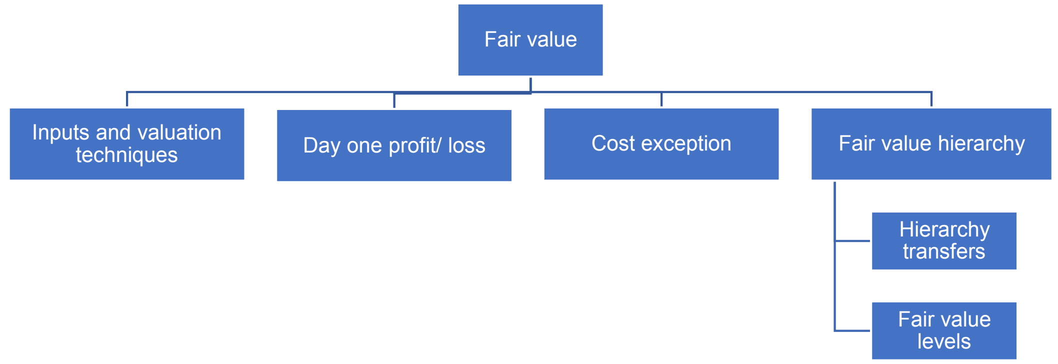
Offsetting

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

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

4.4 Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.
Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.
If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Derivative financial instruments	Derivative financial instruments comprise foreign exchange, and interest rate.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model	• Discount rate* • Spot prices of the underlying assets • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Trading assets and Trading liabilities	Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, and collateral.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date.	

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Pledged assets	Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign debt (government treasury bills and bonds) pledged in terms of repurchase agreements.	Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	• Discount rate* • Spot prices of the underlying • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Financial investments	Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, unlisted equity instruments, investments in mutual fund investments and unit-linked investments.		
Loans and advances to banks and customers	Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	• Discount rate. • Probability of default. • Loss given default.
Deposits from bank and customers	Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	• Discount rate. • Probability of default. • Loss given default.

** Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.*

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed.

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1	Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3	Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

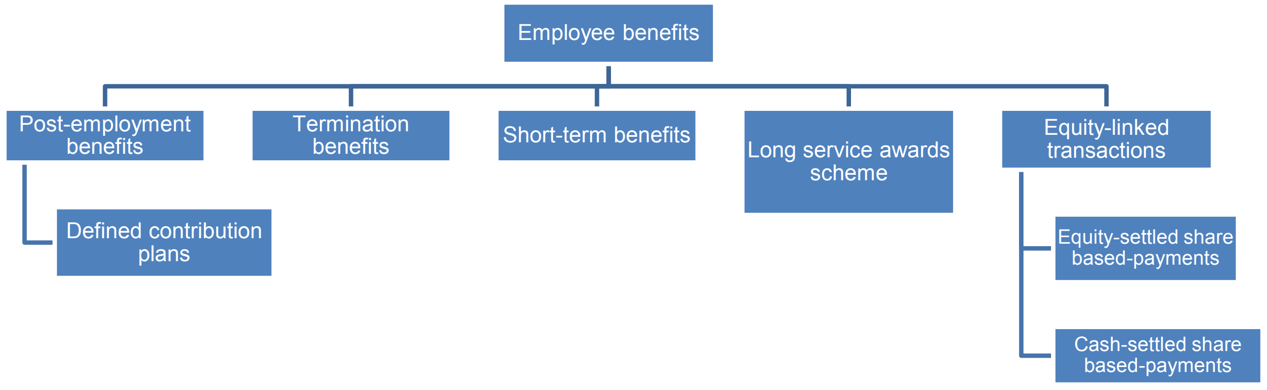
Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period during which change occurred.

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

4.5 Employee benefits



Type	Description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans	The group operates a contributory pension plan in line with the National Pension Act, 2008 (Act 766). Employees and the Bank contribute 10.5% and 24.5% of employees' basic salary respectively of each of the qualifying staff salary in line with the provisions of the National Pension Act, 2008 (Act 766).	Liability is recognised for unpaid contributions.	No impact.	Contributions are recognised as an expense in profit or loss in the periods during which services are rendered by employees.
Termination benefits	Termination benefits are recognised when the group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.	A liability is recognised for the termination benefit representing the best estimate of the amount payable.	No impact.	Termination benefits are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.
Short-term benefits	Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group 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.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

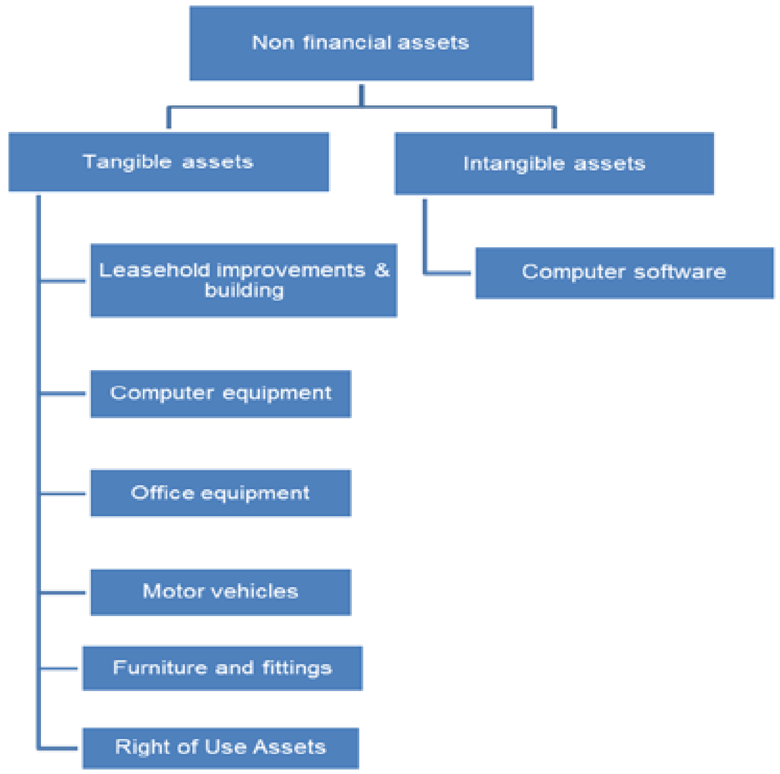
Long service awards scheme

Type	Description	Statement of financial position	Statement of other comprehensive income	Income statement
Long service awards scheme	The group rewards employees who are in employment for a period of ten years or more through its long service award scheme. The award scheme is a defined benefit scheme where obligations to fund the scheme's benefits are derived from actuarial valuations performed by an appointed actuary taking into account various assumptions.	Liability is recognised for unpaid service cost and actuarial losses.	Remeasurements of actuarial valuation.	Interest expense, service costs and movement in actuarial gains/losses resulting from changes in assumptions are recognised in Income statement.

Equity-linked transactions

Equity-settled share based payments	The fair value of the equity-settled share based payments are determined on grant date and accounted for within operating expenses - staff costs over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period. On vesting of the equity-settled share based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.
Cash-settled share based payments	Cash-settled share based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses – staff costs.

4.6 Non-financial assets (Intangible assets, Property and equipment)



Accounting policy elections continued

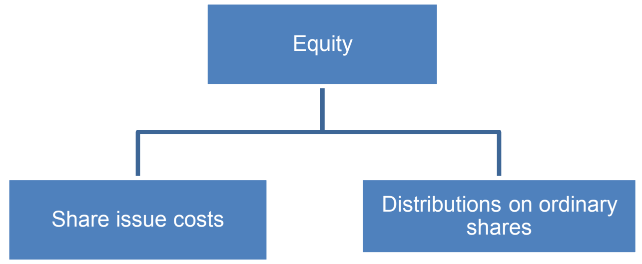
4 Statement of significant accounting policies (continued)

Type	Initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment	Derecognition
Tangible assets	Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment loss. Land is not depreciated. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Computer equipments: 3-5 years Motor vehicles: 4-5 years Office equipments: 5-10 years Furniture and fittings: 5-13 years Capitalised leased assets/ branch refurbishments: over the shorter of the lease term or its useful life The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial period end.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. Other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.	The non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.
Intangible assets/ Computer software	Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one period, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in profit or loss on a straight-line basis at rates appropriate to the expected lives of the assets (2 to 15 periods) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial periodend and adjusted, if necessary.		

Accounting policy elections continued

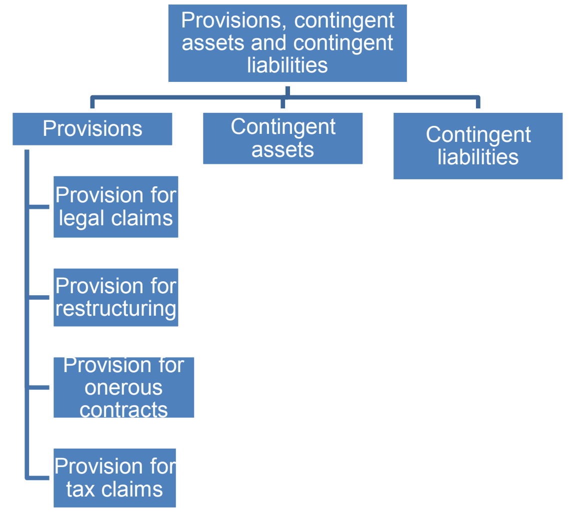
4 Statement of significant accounting policies (continued)

4.7 Equity



Share issue costs	Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.
Distributions to owners	Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the financial statements.

4.8 Provisions, contingent assets and contingent liabilities



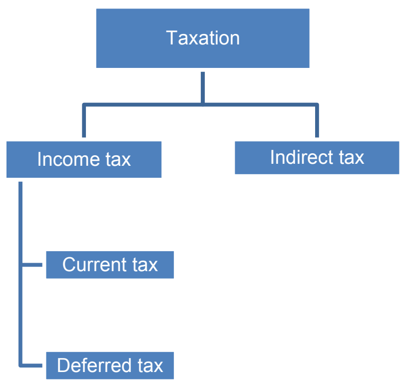
Provisions	Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Provisions (continued)	**Provisions for legal claims** Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received. **Provision for restructuring** A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. **Provision for onerous contracts** A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract. **Provision for tax claims** Provisions for taxes claims relates to additional assessment on taxes, including withholding tax, value added tax, PAYE tax.
Contingent assets	Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.
Contingent liabilities	Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements.

4.9 Taxation



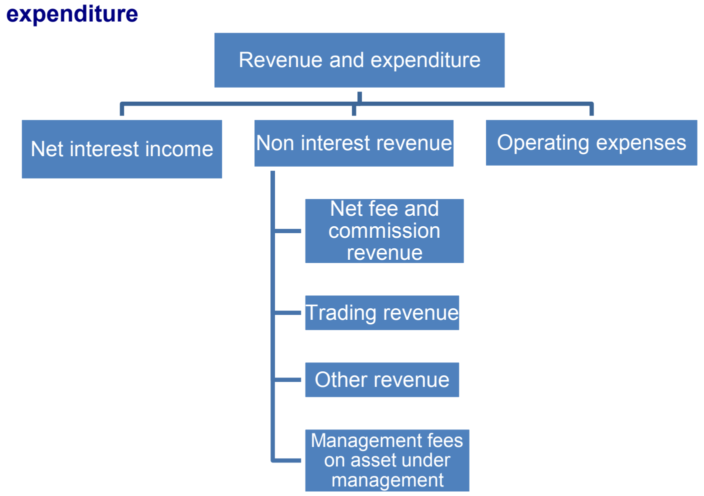
Type	Description, recognition and measurement	Offsetting
Current tax-determined for current period transactions and events	Current tax represents the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous periods. Current tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity. In Ghana, Income tax rates applicable to companies differ according to industry, location and type of business. Corporate tax rates of 25% and 35% are applicable to entities in general which do not qualify for incentives and companies engaged in mining or upstream petroleum business respectively.	

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Type	Description, recognition and measurement	Offsetting
Deferred tax-determined for future tax consequences	Deferred tax is recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly as part of OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • the initial recognition of goodwill; • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.	Current tax assets and liabilities, deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Indirect taxation	Indirect taxes are recognised in profit or loss. Indirect taxes are separately disclosed in the income statement.	None
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the group.	None

4.10 Revenue and expenditure



Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in profit or loss using the effective interest method for all interest-bearing financial instruments.

Accounting policy elections continued

4 Statement of significant accounting policies (continued)

Revenue and expenditure (continued)

Description	Recognition and measurement
Net interest income	In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin- yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as Stage 3 impaired, interest income is calculated on the impaired value (gross carrying value less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in interest income when the financial asset is reclassified out of Stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.
Net fee and commission revenue	Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
Other revenue	Other revenue includes dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re- measurement gains and losses from contingent consideration on disposals and purchases.
Dividend income	Dividends are recognised in profit or loss when the right to receipt is established.
Management fees on assets under management	Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.
Operating expenses	Expenses are recognized on an accrual bases regardless of the time of cash outflows. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming periods. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statements as assets.

Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

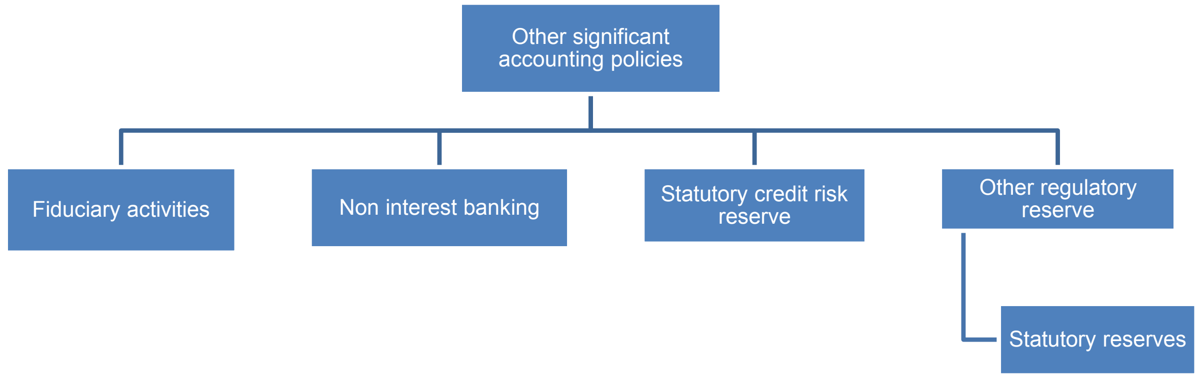
Accounting policy elections continued

4 Statement of significant accounting policies (continued)

IFRS 9 accounting treatment

Requires that interest for financial assets classified as stage 3 (i.e. in default) only be calculated on the gross carrying amount less impairments (i.e. amortised cost balance). The group has applied this requirement by suspending all contractual interest on such financial assets and recognising interest on the amortised cost balance utilising the financial assets' effective interest rate. IFRS 9 requires that the suspended contractual interest be recognised as part of the financial assets' gross carrying amount and be deducted as part of the reconciliation to the net carrying amount which is reported in the balance sheet. The group has elected to continue to present upon the curing of the non-performing financial asset, this suspended contractual interest (previously unrecognised interest) in credit impairment provision line of the income statement . This policy was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1.

4.11 Other significant accounting policies



Fiduciary activities	The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.
Statutory credit risk reserve	The statutory credit risk reserve represents a reserve component created when credit impairment on loans and advances as accounted for under IFRS using the expected loss model differ from the Bank of Ghana Guidelines set by the Central Bank of Ghana.
Statutory reserve	The Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) require the Banks to make an annual appropriation to a statutory reserve. Section 34 of the Act requires that proportion of profits after tax ranging between 12.5% and 50% depending on the ratio of existing statutory fund to paid-up capital of the Bank be transferred to the statutory reserve.

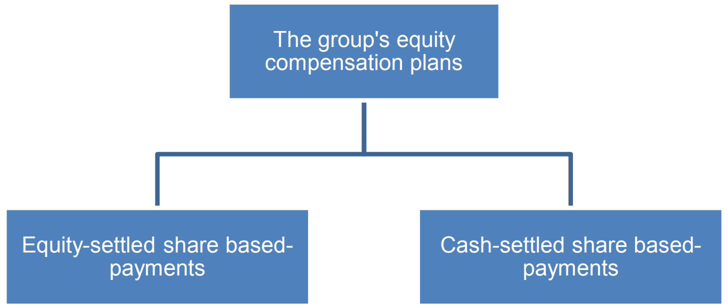
Accounting policy elections continued

4 Statement of significant accounting policies (continued)

4.12 Non-current assets held for sale and disposal groups

Type	Description	Statement of financial position	Income statement
Non-current assets/disposal groups that are held for sale	Comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use (including regular purchases and sales in the ordinary course of business).	Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position.	Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets or disposal groups are recognised in profit or loss. Property and equipment and intangible assets are not depreciated or amortised.

4.13 Equity-linked transactions



Equity-settled share based payments	The fair value of the equity-settled share based payments are determined on grant date and accounted for within operating expenses - staff costs over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period. On vesting of the equity-settled share based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.
Cash-settled share based payments	Cash-settled share based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses – staff costs.

Accounting policy elections continued

5 New standards and interpretations not yet effective

Pronouncement	
Title	**IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments (amendments) and IAS 39 Financial Instruments: Recognition and Measurement** Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.
Effective date	January 2020 with earlier application permitted.
Title	**IFRS 3 Business Combinations (amendment)** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.
Effective date	1 January 2020 with earlier application permitted
Title	**IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.
Effective date	deferred the effective date for these amendments indefinitely until further notice

Notes to the financial statements

for the year ended 31 December 2019

1 Key management assumptions (continued)

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Post the implementation of IFRS 9 on 1 January 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

1.1 Computer software Intangible assets

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the bank and have a probable future economic benefit beyond one period, are capitalised and disclosed as computer software intangible assets.

Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

The recoverable amount is based on the value in use and calculated by estimating future cash benefits that will result from each asset and discounting these cash benefits at an appropriate pre-tax discount rate.

1.2 Provisions

The Bank make provisions for contingent items such as legal claims, fines, penalties and other taxes penalties. The amount provided are based on the management best estimate of the amounts that will be required to settle the obligation in the event that it crystallises. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any material difference in management best estimates will have an impact to the carrying amount of the provisions.

The principal assumptions taken into account in determining the value at which provisions are recorded at include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the bank's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements. Refer to note 16 for further details.

1.3 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and certain derivatives, that are not quoted in active markets is determined using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

Additional disclosures on fair value measurements of financial instruments are set out in the accounting policies.

1.4 Current and deferred tax

The Group and Bank are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group and Bank recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 6 and note 23, respectively, in the period in which such determination is made.

1.5 Depreciation and useful life of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

1.6 Share-based payment

The group have both cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the respective schemes. The valuation of the group's obligations with respect to its cash-settled share incentive scheme obligations is determined with reference to the parent and ultimate parent's share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the group estimates the expected future vesting of the awards by considering staff attrition levels. The group also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

Refer to notes 22.7 for further details regarding the carrying amount of the liabilities arising from the group's cash-settled share incentive schemes and the expenses recognised in the income statement.

Notes to the financial statements

for the year ended 31 December 2019

1 Key management assumptions (Continues)

1.7 Long service awards scheme

The group's long service awards scheme is a defined benefit scheme where obligations to fund the scheme's benefits are derived from actuarial valuations performed by an appointed actuary taking into account various assumptions. The scheme is subject to a annual financial review by the group's independent actuary. The principle assumptions used in the determination of the group and company's obligation include the following:

The principal assumptions used in the determination of the group's obligations include the following:

	Long service award incentive
Discount rate	13%
Salary/benefit inflation	13%
Consumer price index (CPI) inflation	9%
Mortality rate	75% SSNIT Mortalty
Withdrawal	0%
Average credited years of service	8 years
Average age of employees	38
Age definition	Age nearest Birthday
Disability rate	0%
Long service terms	10,15,20,25,30,30+

1.8 Expected credit loss (ECL) on On-balance Sheet and Off-balance sheet exposures

For the purpose of determining the ECL:

• The Personal and Business Banking (PBB) portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameter has been aligned to emerging market practice.

• Corporate and Investment Banking (CIB) exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

• The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetim is less than 12-months).
• A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initi recognition (stage 2).
• Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideratio increases the lifetime and the potential ECL.
•A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
•The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk

The following are considered by the group in determining whether there has been a significant increase in credit risk on a financial instrument since initial recognition:

- Change in the probability of default from initial recognition to the reporting date.
- A 30-day past due rebuttal, requiring exposures to be classified in stage 2. It is however not considered sufficient to only look at arrears data such as days past due in considering whether there is a significant increase in credit risk and the group would need to assess for significant increase in credit risk through other means. Arrears data are used after exhausting all other methods of determining whether there has been a significant increase in credit risk.
- Other means of considering whether there is a significant increase in credit risk includes the evaluation of internal and external credit ratings as well as information from external credit bureaus. Information about the economic sector and geographical region of the borrower are also be taken into account.
- Where a single customer has more than one loan with the group (for example, a home loan, revolving facility, vehicle and asset finance, etc.), a one customer view is taken when considering whether there has been a significant increase in credit risk. In this instance, a significant increase in the customer's credit risk on one loan account is taken into account when assessing the customer's other loan accounts. If it is assessed that there is a significant increase in credit risk in one exposure, then there is a presumption that the customer's other loans also have a significant increase in credit risk.
- In terms of IFRS 9, the group is required to incorporate both historical experience as well as forward looking information when assessing whether an instrument's credit risk has increased significantly since initial recognition. A useful reference tool that is used in the assessment of significant increase in credit risk is the exposure's credit rating.

Low credit risk financial instruments

- If internal risk gradings are based on external credit risk ratings, all instruments within the 'investment grade' category would be considered as having a low credit risk.
- If internal risk gradings are not based on external credit risk ratings, internal ratings is utilised in order to determine a low credit risk threshold. The threshold reflects a low credit risk assumption from a market participant's perspective taking into account the exposure's terms and conditions.

Notes to the financial statements

for the year ended 31 December 2019

Key management assumptions (Continues)

Significant increase in credit risk (Continues)

Default

The group has Corporate and Investment Banking (CIB) as well as Personal and Business Banking (PBB) exposures. Due to the different nature of financial instruments that the group holds, the group uses a single definition of default which applies to all financial assets, with implementation guidance for specific circumstances which would meet default in terms of this definition. Default is defined as follows:

- Based on objective evidence the counterparty is unlikely to pay amounts payable to the group on due date or shortly thereafter without recourse to actions such as realisation of security; or
- the counterparty is past due (or, in the case of revolving facilities such as overdrafts, is in excess of the current limit) for more than 90 days (for the avoidance of doubt, the overdue period may be measured using either a 'days past due' or a 'number of missed payments or part thereof' approach.), on any material credit obligation to the group, whichever occurs first.

Derecognition

An impaired loan is derecognised once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the group's CIB or PBB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Modified financial assets

A modification is a change to the contractual cash flows of a financial asset. It involves the renegotiation of the terms of the financial asset such that the contractual cash flows (amount, timing, basis, etc.) are changed or the contractual terms materially change the probability that the cash flows will be received (e.g. change in counterparty).

In calculating impairment losses, the group assesses whether there has been a significant increase in the credit risk of modified financial assets that do not qualify for derecognition at the reporting date by comparing:

- the credit risk of the modified instrument at the reporting date based on the modified contractual terms; and
- the credit risk at initial recognition based on the original unmodified contractual terms.

Incorporation of forward-looking information

Forward-looking information

The process to include forward looking information into the expected credit loss impairment model when assessing whether a customer's credit risk has increased significantly, involves the following:

Building a forward looking information IFRS model: In this stage, a calculation model or expert driven approach is used to adjust the impairment requirement based on the forward looking macro-economic outlook.

Macro-economic forecast : In this stage, an alignment in the base / expected macro-economic outlook is created between the group's stress testing, budgeting and forward looking information for the IFRS expected credit loss impairment model. The same economic base case outlook is used for all these processes and across the group.

Review of the outcome : In this stage the outcome of the model should be reviewed by the relevant governance committee.

In certain instances, the assessment of significant increase in credit risk using forward looking information is done on a collective basis (i.e. portfolio of customers) and not on an individual basis. When demonstrated that a sufficient linkage between forward looking factors and a portfolio exist, a given factor is implemented at the appropriate level of aggregation.

Notes to the financial statements

for the year ended 31 December 2019

		Group		Bank	
		2019	2018	**2019**	2018
		GHS'000	GHS'000	**GHS'000**	GHS'000
2	**Cash and cash equivalents**				
	Cash and balances with Bank of Ghana	**1,071,558**	898,734	**1,071,558**	897,172
	Coins and bank notes	**252,861**	221,858	**252,861**	220,296
	Balances with central bank	**818,697**	676,876	**818,697**	676,876
	Due from other banks and financial institutions (net)	**1,856,122**	810,370	**1,856,122**	809,964
		2,927,680	1,709,104	**2,927,680**	1,707,136

The balances with central bank include an amount of GHS 818 million (2018: GHS 453.9 million) maintained as cash reserve requirements with Bank of Ghana.

Included in due from other banks and financial institutions is an amount of GHS39.9 million (2018: GHS14.4 million) due from Standard Bank Group. See note 26.2 for details.

	Group		Bank	
	2019	2018	**2019**	2018
	GHS'000	GHS'000	**GHS'000**	GHS'000
Due from other banks and financial institutions (gross)	**1,856,171**	811,351	**1,856,171**	810,945
Expected credit loss				
Stage 1	**(49)**	(981)	**(49)**	(981)
Stage 2	**-**	-	**-**	-
Stage 3	**-**	-	**-**	-
Total expected credit loss	**(49)**	(981)	**(49)**	(981)
Due from other banks and financial institutions (net)	**1,856,122**	810,370	**1,856,122**	809,964

Notes to the financial statements

for the year ended 31 December 2019

3 Derivative instruments

All derivatives are classified as derivatives held for trading and measured at fair value through profit or loss.

3.1 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for both trading and risk management purposes. Derivative financial instruments are entered into for trading foreign exchange, interest rate exposure. Derivative instruments used by the group in both trading activities include swaps, forwards and other similar types of instruments based on foreign exchange rates and interest rates.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised on the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swaps transactions undertaken by the group are as follows:
* interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
* total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is effected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Forwards are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor made agreements that are transacted between counterparties in an (over-the-counter) OTC market.

3.2 Derivatives held-for-trading

The group transacts derivative contracts to address customer demand both as market maker in the wholesale markets and in structuring tailored derivatives for customers. Trading derivative products include the following derivative instruments:

3.2.1 Foreign exchange derivatives

Foreign exchange derivatives are primarily used to hedge foreign currency risks on behalf of customers. Foreign exchange derivatives primarily consist of foreign exchange forwards.

3.2.2 Interest rate derivatives

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of swaps.

3.3 Fair values

The fair value of a derivative financial instrument represents for quoted instruments the quoted market price and for unquoted instruments the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at period end.

3.4 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

Notes to the financial statements

for the year ended 31 December 2019

3.5 Derivative assets and liabilities

	Maturity analysis of net fair value						
	Within 1 year	**After 1 year but within 5 years**	**After 5 years**	**Net fair value**	**Fair value of assets**	**Fair value of liabilities**	**Contract/ notional amount**
	GHS'000	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**
Group and Bank							
At 31 December 2019							
Derivatives held-for-trading							
Forwards	**11,660**	**-**	**-**	**11,660**	**11,660**	**-**	**136,769**
Swaps	**(4,292)**	**-**	**-**	**(4,292)**	**-**	**(4,292)**	**520,163**
Total derivative assets/(liabilities)	**7,368**	**-**	**-**	**7,368**	**11,660**	**(4,292)**	**656,932**

	Maturity analysis of net fair value						
	Within 1 year	After 1 year but within 5 periods	After 5 years	Net fair value	Fair value of assets	Fair value of liabilities	Contract/ notional amount
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
At 31 December 2018							
Derivatives held-for-trading							
Forwards	1,942	-	-	1,942	16,866	(14,924)	467,593
Swaps	12,344	-	-	12,344	14,287	(1,943)	344,259
Total derivative assets/(liabilities)	14,286	-	-	14,286	31,153	(16,867)	811,852

Included in derivative assets is GHS19.42 million (2018: GHS14.29 million) due from related parties. See note 26.2 for details.

Included in derivative liabilities is GHS0.257 million (2018:1.94 million) due to related parties. See note 26.2 for details.

Notes to the financial statements

for the year ended 31 December 2019

3.6 Non-pledged trading assets

Non-pledged trading assets mainly relate to assets acquired as part of the trading activities carried out by the Global Markets business. These instruments are managed and assessed on a total portfolio basis.

	Group and Bank	
	2019	2018
	GHS'000	GHS'000
Comprising:		
Government bills and bonds	**631,173**	603,461
Derivative assets (note 3.5)	**11,660**	31,153
	642,833	634,614
Maturity analysis		
The maturities represent periods to contractual redemption of the trading assets recorded.		
Maturing within 1 month	**446,306**	261,540
Maturing after 1 month but within 6 months	**117,378**	191,025
Maturing after 6 months but within 12 months	**11,593**	143,694
Maturing after 12 months	**67,556**	38,355
	642,833	634,614

Notes to the financial statements

for the year ended 31 December 2019

4 Investment securities

Investment securities comprise assets held for liquidity requirement purposes.

	Group		Bank	
	2019	2018	**2019**	2018
	GHS'000	GHS'000	**GHS'000**	GHS'000
Short - term negotiable securities	**136,792**	117,031	**136,792**	116,791
Other financial investments	**534,797**	568,466	**532,127**	565,716
Gross financial investments	**671,589**	685,497	**668,919**	682,507
Expected credit loss on investment securities				
Stage 1	**(525)**	(249)	**(525)**	(243)
Stage 2	**-**	-	**-**	-
Stage 3	**-**	-	**-**	-
Total expected credit loss on investment securities	**(525)**	(249)	**(525)**	(243)
Net investment securities	**671,064**	685,248	**668,394**	682,264
4.1 Gross financial investments comprising:				
Government bonds	**505,806**	540,365	**505,806**	539,723
Treasury bills	**137,107**	117,031	**137,107**	116,791
Corporate bonds	**28,676**	28,101	**26,006**	25,993
	671,589	685,497	**668,919**	682,507
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Maturing within 1 month	**-**	121,966	**-**	121,900
Maturing after 1 month but within 6 months	**311,340**	164,308	**311,340**	163,972
Maturing after 6 months but within 12 months	**250,167**	196,201	**250,167**	195,721
Maturing after 12 months	**106,887**	201,458	**106,887**	200,914
Undated investments[1]	**2,670**	1,564	**-**	-
	671,064	685,497	**668,394**	682,507

There was no ECL transfer between stages for financial investments during the period.

[1] Undated investments include mutual funds and linked investments .

Notes to the financial statements

for the year ended 31 December 2019

		Group		Bank	
		2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
5	**Loans and advances to customers**				
	Gross loans and advances to customers	**4,113,861**	2,731,241	**4,113,861**	2,731,241
	Mortgage loans	**359,205**	261,087	**359,205**	261,087
	Instalment sale and finance leases	**304,531**	260,951	**304,531**	260,951
	Overdrafts and other demand loans	**1,201,017**	921,955	**1,201,017**	921,955
	Other term loans	**2,249,108**	1,287,248	**2,249,108**	1,287,248
	Credit impairments for loans and advances (note 5.3)	**(167 270)**	(146,506)	**(167 270)**	(146,506)
	Stage 1	**(29 614)**	(24,420)	**(29 614)**	(24,420)
	Stage 2	**(37 257)**	(30,112)	**(37 257)**	(30,112)
	Stage 3	**(100 399)**	(91,974)	**(100 399)**	(91,974)
	Net loans and advances	**3,946,591**	2,584,735	**3,946,591**	2,584,735
	Comprising:				
	Gross loans and advances	**4,113,861**	2,731,241	**4,113,861**	2,731,241
	Less: Credit impairments allowance	**(167,270)**	(146,506)	**(167,270)**	(146,506)
	Net loans and advances	**3,946,591**	2,584,735	**3,946,591**	**2,584,735**

Regulatory disclosures on loans and advances have been disclosed under credit risk management– Bank of Ghana guidelines disclosures.

Included in gross loans and advances to customers is an amount of GHS 304.5 million (2018:GHS260.9 million) relating to instalmental sale and finance leases. See note 5.2 for analysis of instalment sale and finance lease receivable.

Analysis of gross loans and advances by performance	Gross carrying value	Total expected credit loss				Net carrying value
		Stage 1	Stage 2	Stage 3	Total Impairment	
Gross loans and advances to customers						
Mortgage loans	359,205	(1,583)	(7,754)	(2,786)	(12,123)	347,082
Instalment sale and finance leases	304,531	(959)	(9,564)	(16,599)	(27,122)	277,409
Overdrafts and other demand loans	1,201,017	(2,439)	(5,931)	(6,692)	(15,062)	1,185,955
Other term loans	2,249,108	(24,633)	(14,008)	(74,322)	(112,963)	2,136,145
Total	**4,113,861**	**(29,614)**	**(37,257)**	**(100,399)**	**(167,270)**	**3,946,591**

	Group		Bank	
	2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from the period end.				
Redeemable on demand	**1,161,815**	301,923	**1,161,815**	301,923
Maturing within 1 month	**69,426**	100,747	**69,426**	100,747
Maturing after 1 month but within 6 months	**436,373**	439,795	**436,373**	439,795
Maturing after 6 months but within 12 months	**332,454**	467,556	**332,454**	467,556
Maturing after 12 months	**2,113,793**	1,421,220	**2,113,793**	1,421,220
Gross loans and advances	**4,113,861**	2,731,241	**4,113,861**	2,731,241

Notes to the financial statements

for the year ended 31 December 2019

		Group		Bank	
		2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
5	**Loans and advances** (continued)				
	Segmental analysis - industry				
	Agriculture	**335,352**	229,890	**335,352**	229,890
	Construction and real estate	**291,789**	357,245	**291,789**	357,245
	Electricity	**112,947**	1,341	**112,947**	1,341
	Finance, commerce and other business services	**739,254**	519,736	**739,254**	519,736
	Individuals	**727,337**	512,652	**727,337**	512,652
	Manufacturing	**722,464**	358,343	**722,464**	358,343
	Mining	**503,248**	327,772	**503,248**	327,772
	Other services	**310,654**	220,868	**310,654**	220,868
	Transport	**370,816**	203,394	**370,816**	203,394
	Gross loans and advances	**4,113,861**	2,731,241	**4,113,861**	2,731,241

Segmental analysis - geographic area

The following table sets out the distribution of the group's loans and advances by geographic area where the loans are recorded.

	Group 2019	Group 2018	Bank 2019	Bank 2018
Ghana	**4,073,971**	2,731,241	**4,073,971**	2,731,241
Outside Ghana	**39,890**	-	**39,890**	-
Gross loans and advances	**4,113,861**	2,731,241	**4,113,861**	2,731,241

5.2 Instalment sale and finance leases

Included in gross loans and advances to customers are finance leases as analysed below:

	Group 2019	Group 2018	Bank 2019	Bank 2018
Gross investment in instalment sale and finance leases	**304,531**	325,068	**304,531**	325,068
Receivable within 1 year	**65,683**	66,117	**65,683**	66,117
Receivable after 1 year but within 5 years	**238,079**	258,385	**238,079**	258,385
Receivable after 5 years	**769**	566	**769**	566
Unearned finance charges deducted	**-**	(64,117)	**-**	(64,117)
Net investment in instalment sale and finance leases	**304,531**	260,951	**304,531**	260,951
Receivable within 1 year	**65,683**	53,076	**65,683**	53,076
Receivable after 1 year but within 5 years	**238,079**	207,421	**238,079**	207,421
Receivable after 5 years	**769**	454	**769**	454

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for the year ended 31 December 2019

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for the year ended 31 December 2019

Group and Bank

5.3 Credit impairments allowance for loans and advances

Year ended 31 December 2019

A reconciliation of the allowance for impairment losses for loans and advances, by class:

		Transfers between stages				Income statement movement								
	Opening ECL 1 January 2019	Transfer Stage 1 (to)/from	Transfer Stage 2 (to)/from	Transfer Stage 3 (to)/from	Total	Originated "New" impairments raised	Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognised incuding write offs	Total	Impaired accounts written off	Currency translation and other movements	Closing balance	Post write-off recoveries recognized in Profit or loss
12 month ECL														
Mortgage loans	2,496	-	(198)	(21)	(219)	716	-	(122)	-	594	-	-	2,871	-
Instalment sales and finance lease	1,598	-	2,061	(14)	2,047	578	-	(3,219)	-	(2,641)	-	-	1,004	-
overdrafts and other demand loans	11,954	-	-	-	-	-	-	18	-	18	-	-	11,972	-
Other term loans	8,355	-	1,575	(138)	1,437	17,678	-	(7,757)	(6,076)	3,845	-	130	13,767	-
Total	24,403	-	3,438	(173)	3,265	18,972	-	(11,080)	(6,076)	1,816	-	130	29,614	-
Lifetime ECL not credit-impaired														
Mortgage loans	12,644	198	-	(998)	(800)	792	-	(3,096)	-	(2,304)	-	(1,786)	7,754	-
Instalment sales and finance lease	10,902	(2,061)	-	(1,325)	(3,386)	1,066	-	3,865	-	4,931	(8)	(2,874)	9,565	-
overdrafts and other demand loans	6,121	-	-	-	-	-	-	104	-	104	-	8,561	14,786	-
Other term loans	462	(1,575)	-	(1,446)	(3,021)	5,880	(926)	(3,218)	(30)	1,706	-	6,005	5,152	-
Total	30,129	(3,438)	-	(3,769)	(7,207)	7,738	(926)	(2,345)	(30)	4,437	(8)	9,906	37,257	-
Lifetime ECL credit-impaired (excluding IIS)														
Mortgage loans	867	21	998	-	1,019	-	-	2,487	-	2,487	(2,102)	1,465	3,736	215
Instalment sales and finance lease	21,463	14	1,325	-	1,339	-	-	10,299	-	10,299	(10,314)	(6,100)	16,687	1,146
overdrafts and other demand loans	36,174	-	-	-	-	-	-	35	-	35	-	-	36,209	-
Other term loans	33,470	138	1,446	-	1,584	1,585	-	44,913	-	46,498	(34,390)	(3,395)	43,767	11,647
Total	91,974	173	3,769	-	3,942	1,585	-	57,734	-	59,319	(46,806)	(8,030)	100,399	13,008
Purchased/originated credit impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ECL	146,506	(3,265)	7,207	(3,942)	-	28,295	(926)	44,309	(6,106)	65,572	(46,814)	2,006	167,270	13,008

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Group and Bank

5.3 Credit impairments allowance for loans and advances

Year ended 31 December 2018

A reconciliation of the allowance for impairment losses for loans and advances, by class:

		Transfers between stages				Income statement movement								
	Opening ECL 1 January 2018	Transfer Stage 1 (to)/from	Transfer Stage 2 (to)/from	Transfer Stage 3 (to)/from	Total	Originated "New" impairments raised	Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognised incuding write offs	Total	Impaired accounts written off	Currency translation and other movements	Closing balance	Post write-off recoveries recognized in Profit or loss
12 month ECL		-												
Mortgage loans	1,207	-	168	(1)	167	284	-	(617)	-	(333)	-	1,455	2,496	-
Instalment sales and finance lease	860	-	(39)	(7)	(46)	891	-	357	-	1,248	-	(464)	1,598	-
overdrafts and other demand loans	11,164	-	841	(437)	404	10,750	-	(9,442)	-	1,308	-	(922)	11,954	-
Other term loans	7,082	-	48	-	48	3,919	385	(1,624)	-	2,680	-	(1,455)	8,355	-
Total	20,313	-	1,018	(445)	573	15,844	385	(11,326)	-	4,903	-	(1,386)	24,403	-
Lifetime ECL not credit-impaired		-	-	-	-									
Mortgage loans	11,629	(168)	-	(1,402)	(1,570)	2,397	-	(28)	-	2,369	-	216	12,644	-
Instalment sales and finance lease	9,036	39	-	(2,913)	(2,874)	4,096	-	(6,168)	-	(2,072)	-	6,812	10,902	-
overdrafts and other demand loans	16,117	(841)	-	(1,443)	(2,284)	7,726	(1,448)	(5,429)	-	849	-	(8,561)	6,121	-
Other term loans	672	(48)	-		(48)	-	-	54	-	54	-	(216)	462	-
Total	37,454	(1,018)	-	(5,758)	(6,776)	14,219	(1,448)	(11,571)	-	1,200	-	(1,749)	30,129	-
Lifetime ECL credit-impaired (excluding IIS)														
Mortgage loans	1,247	1	1,402	-	1,403	-	-	1,769	-	1,769	(835)	(2,717)	867	-
Instalment sales and finance lease	15,349	7	2,913	-	2,920	-	-	14,479	-	14,479	(5,957)	(5,328)	21,463	-
overdrafts and other demand loans	35,685	437	1,443	-	1,880	-	-	15,245	-	15,245	(14,284)	(2,351)	36,174	-
Other term loans	32,506	-	-	-	-	(95)	-	10,290	-	10,195	-	(9,231)	33,470	10,291
Total	84,787	445	5,758	-	6,203	(95)	-	41,783	-	41,688	(21,076)	(19,627)	91,974	10,291
Purchased/originated credit impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ECL	142,554	(573)	6,776	(6,203)	-	29,968	(1,063)	18,886	-	47,791	(21,076)	(22,762)	146,506	10,291

Notes to the financial statements

for the year ended 31 December 2019

5.4 Credit impairments for loans and advances (continued)

Segmental analysis of Stage 3 loans - industry

The following table sets out the segment analysis of the group non performing loans and impairment by industry.

	Stage 3 loans and advances		Stage 3 credit impairment	
	2019	2018	**2019**	2018
Group and Bank	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Agriculture	**9,026**	94,827	**2,931**	16,846
Construction	**22,339**	35,903	**7,255**	4,461
Finance, real estate and other business services	**195,084**	350,774	**63,355**	47,364
Individuals	**21,776**	24,228	**7,072**	9,794
Mining	**29,245**	22,376	**9,497**	5,574
Other services	**21,008**	20,513	**6,822**	5,639
Transport	**10,675**	3,424	**3,467**	110
	309,153	552,045	**100,399**	89,788

Segmental analysis of lifetime ECL credit impaired loans - geographic area

The following table sets out the distribution of the group's impairments by geographic area where the loans are recorded.

	Stage 3 loans and advances		Stage 3 credit impairment	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
Ghana	**309,153**	552,045	**100,399**	89,788
Outside Ghana	**-**	-	**-**	-
	309,153	552,045	**100,399**	89,788

	Group		Bank	
	2019	2018	**2019**	2018
	GHS'000	GHS'000	**GHS'000**	GHS'000
6 Current tax				
Current tax asset	**19,938**	54,790	**19,849**	54,692
	19,938	54,790	**19,849**	54,692

6.1 Reconciliation of current tax asset

	Group 2019	Group 2018	Bank 2019	Bank 2018
Current tax assets at beginning of the year	**54,790**	13,713	**54,692**	13,638
Movement for the year	**(34,852)**	41,077	**(34,843)**	41,054
Charge for the year	**(112,511)**	(90,534)	**(112,502)**	(90,534)
Withholding tax receivable	**-**	23	**-**	-
Payment made	**77,659**	131,588	**77,659**	131,588
Current tax assets at end of the year	**19,938**	54,790	**19,849**	54,692

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for the year ended 31 December 2019

6.2 Current Tax (continued)

Group	**At 1 January**	**Charge to income statement**	**Payments during the year**	**At 31 December**
	GHS'000	**GHS'000**	**GHS'000**	**GHS'000**
Corporate tax				
up to 2018	49 873	-	-	49 873
2019	-	(94 321)	64 366	(29 955)
	49 873	(94 321)	64 366	19 918
National stabilisation levy				
up to 2018	4 917	-	-	4 917
2019	-	(18 190)	13 293	(4 897)
	4 917	(18 190)	13 293	20
Total	**54 790**	**(112 511)**	**77 659**	**19 938**
Bank				
Corporate tax				
up to 2018	49 756	-	-	49 756
2019	-	(92 685)	64 366	(28 319)
	49 756	(92 685)	64 366	21 437
National stabilisation levy				
up to 2018	4 936	-	-	4 936
2019	-	(19 817)	13 293	(6 524)
	4 936	(19 817)	13 293	(1 588)
Total	**54 692**	**(112 502)**	**77 659**	**19 849**

Group	**At 1 January**	**Charge to income statement**	**Payments during the year**	**At 31 December**
	GHS'000	**GHS'000**	**GHS'000**	**GHS'000**
Corporate tax				
up to 2017	13 732	-	-	13 732
2018	-	(74 407)	110 525	36 118
withholding tax receivable	-	-	-	23
	13 732	(74 407)	110 525	49 873
National stabilisation levy				
up to 2017	(19)	-	-	(19)
2018	-	(16 127)	21 063	4 936
	(19)	(16 127)	21 063	4 917
Total	**13 713**	**(90 534)**	**131 588**	**54 790**
Bank				
Corporate tax				
up to 2017	13 661	-	-	13 661
2018	-	(74 430)	110 525	36 095
	13 661	(74 430)	110 525	49 756
National stabilisation levy				
up to 2017	(23)	-	-	(23)
2018	-	(16 104)	21 063	4 959
	(23)	(16 104)	21 063	4 936
Total	**13 638**	**(90 534)**	**131 588**	**54 692**

Notes to the financial statements

for the year ended 31 December 2019

7 Other assets

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Items in the course of collections	**469,358**	106,030	**469,358**	106,030
Accounts receivable	**62,787**	63,443	**63,408**	66,002
Assets held for sale	**27,669**	-	**27,669**	-
Prepayments	**87,658**	164,473	**87,658**	164,473
Other debtors	**132,354**	41,262	**132,354**	41,262
	779,826	375,208	**780,447**	377,767

8 Investment in subsidiary

	2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
Amount invested	**-**	-	**2,500**	2,500
	-	-	**2,500**	2,500

The table below provides details of the direct subsidiary of the group.

Subsidiary	Country of Incorporation	Nature of business	Perentage holdings	Financial year end
SBG Securities Ghana Limited	Ghana	Provision of stockbroking services	100%	31 December

9 Intangible asset

Computer software

Group	Purchased Software GHS'000
9.1 Cost	
Balance at 1 January 2019	**91,343**
Additions	**12,322**
Balance at 31 December 2019	**103,665**
Balance at 1 January 2018	91,343
Additions	-
Balance at 31 December 2018	91,343
Accumulated amortisation	
Balance at 1 January 2019	**17,762**
Amortisation for the year	**7,791**
Balance at 31 December 2019	**25,553**
Balance at 1 January 2018	10,974
Amortisation for the year	6,845
Impairment	-
Reclassification (note 10.1)	(57)
Balance at 31 December 2018	17,762
Carrying amount:	
2019	**78,112**
2018	73,581

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for the year ended 31 December 2019

9 Intangible asset

Computer software

Bank	Purchased Software GHS'000
9.2 Cost	
Balance at 1 January 2019	**91,343**
Additions	**12,322**
Balance at 31 December 2019	**103,665**
Balance at 1 January 2018	91,343
Additions	-
Balance at 31 December 2018	91,343
Accumulated amortisation	
Balance at 1 January 2019	**17,762**
Amortisation for the year	**7,791**
Balance at 31 December 2019	**25,553**
Balance at 1 January 2018	10,974
Amortisation for the year	6,845
Reclassification (note 10.2)	(57)
Balance at 31 December 2018	17,762
Carrying amount:	
2019	**78,112**
2018	73,581

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10 Property, equipment and Right of Use Assets

Group	Computer equipment GHS'000	Motor Vehicles GHS'000	Office equipment GHS'000	Leasehold improvement GHS'000	Funiture and fittings GHS'000	Right of Use Assets[1] GHS'000	Total GHS'000
10.1 Cost							
Balance at 1 January 2019	**80,693**	**6,635**	**15,935**	**32,896**	**49,863**	**156,898**	**342,920**
Additions	**12,991**	**4,427**	**6,136**	**1,798**	**7,256**	**20,143**	**52,751**
Disposals	**(21)**	**(378)**	**(13)**	**-**	**(257)**	**-**	**(669)**
Balance at 31 December 2019	**93,663**	**10,684**	**22,058**	**34,694**	**56,862**	**177,041**	**395,002**
Balance at 1 January 2018	63,126	5,978	15,814	31,212	45,224	-	161,354
Additions	23,207	862	2,254	2,895	8,550	-	37,768
Disposals	(5,640)	(205)	(2,133)	(1,050)	(4,072)	-	(13,100)
Transfers	-	-	-	(161)	161	-	-
Balance at 31 December 2018	80,693	6,635	15,935	32,896	49,863	-	186,022
Accumulated depreciation							
Balance at 1 January 2019	**37,855**	**3,441**	**9,564**	**20,822**	**26,610**	**-**	**98,292**
Charge for the year	**14,541**	**1,381**	**2,795**	**4,633**	**8,519**	**36,062**	**67,931**
Disposals	**(21)**	**(378)**	**(13)**	**-**	**(251)**	**-**	**(663)**
Balance at 31 December 2019	**52,375**	**4,444**	**12,346**	**25,455**	**34,878**	**36,062**	**165,560**
Balance at 1 January 2018	31,420	2,424	9,045	17,040	23,002	-	82,931
Charge for the period	12,007	1,193	2,647	4,832	7,607	-	28,286
Disposals	(5,629)	(176)	(2,128)	(1,050)	(3,999)	-	(12,982)
Transfers	-	-	-	-	-	-	-
Reclassification (note 9.1)	57	-	-	-	-	-	57
Balance at 31 December 2018	37,855	3,441	9,564	20,822	26,610	-	98,292
Net book value:							
2019	**41,288**	**6,240**	**9,712**	**9,239**	**21,984**	**140,979**	**229,442**
2018	42,838	3,194	6,371	12,074	23,253	-	87,730

Amount of work in progress in the net book value of Property and equipment for which depreciation has not yet commenced is GHS5.01 million (2018: GHS7. 05 million).

[1]The group and Bank have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 42 for more detail on the adoption of IFRS 16.

The opening balance on Right of use assets is in respect of the cost of leases recognised at 1 January 2019 in accordance with the IFRS 16, leases on initial application.

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10 Property, equipment and Right of Use Assets (continued)

Bank	Computer equipment GHS'000	Motor Vehicles GHS'000	Office equipment GHS'000	Leasehold improvement GHS'000	Funiture and fittings GHS'000	Right of Use Assets[1] GHS'000	Total GHS'000
10.2 Cost							
Balance at 1 January 2019	**80,673**	**6,635**	**15,935**	**32,896**	**49,863**	**156,018**	**342,020**
Additions	**12,991**	**4,427**	**6,136**	**1,798**	**7,256**	**20,815**	**53,423**
Disposals	**(21)**	**(378)**	**(13)**	**-**	**(257)**	**-**	**(669)**
Balance at 31 December 2019	**93,643**	**10,684**	**22,058**	**34,694**	**56,862**	**176,833**	**394,774**
Balance at 1 January 2018	63,106	5,978	15,814	31,212	45,224	-	161,334
Additions	23,207	862	2,254	2,895	8,550	-	37,768
Disposals	(5,640)	(205)	(2,133)	(1,050)	(4,072)	-	(13,100)
Transfers/ reclassifications	-	-	-	(161)	161	-	-
Balance at 31 December 2018	80,673	6,635	15,935	32,896	49,863	-	186,002
Accumulated depreciation							
Balance at 1 January 2019	**37,836**	**3,441**	**9,564**	**20,822**	**26,610**	**-**	**98,273**
Charge for the year	**14,541**	**1,381**	**2,795**	**4,633**	**8,519**	**36,019**	**67,888**
Release on disposals	**(21)**	**(378)**	**(13)**	**-**	**(251)**	**-**	**(663)**
Balance at 31 December 2019	**52,356**	**4,444**	**12,346**	**25,455**	**34,878**	**36,019**	**165,498**
Balance at 1 January 2018	31,401	2,424	9,045	17,040	23,002	-	82,912
Charge for the period	12,007	1,193	2,647	4,832	7,607	-	28,286
Release on disposals	(5,629)	(176)	(2,128)	(1,050)	(3,999)	-	(12,982)
Reclassification (note 9.2)	57	-	-	-	-	-	57
Balance at 31 December 2018	37,836	3,441	9,564	20,822	26,610	-	98,273
Net book value:							
2019	**41,287**	**6,240**	**9,712**	**9,239**	**21,984**	**140,814**	**229,276**
2018	42,837	3,194	6,371	12,074	23,253	-	87,729

Amount of work in progress in the net book value of Property and equipment for which depreciation has not yet commenced is GHS5.01 million (2018: GHS7. 05 million).

[1]The group and Bank have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 42 for more detail on the adoption of IFRS 16.

The opening balance on Right of use assets is in respect of the cost of leases recognised at 1 January 2019 in accordance with the IFRS 16, leases on initial application.

	Group		Bank	
10.3 (Profit)/loss on disposal of property and equipment	**2019**	2018	**2019**	2018
	GHS'000	GHS'000	**GHS'000**	GHS'000
Cost	**669**	13,100	**669**	13,100
Accumulated depreciation	**(663)**	(12,982)	**(663)**	(12,982)
Net book value	**6**	118	**6**	118
Sales proceeds	**(60)**	(62)	**(60)**	(62)
(Profit)/loss on disposal	**(54)**	56	**(54)**	56

Notes to the financial statements
for the year ended 31 December 2019

		Group and Bank	
		2019 GHS'000	2018 GHS'000
11	**Stated capital and reserves**		
11.1	**Authorised**		
	500,000,000 Ordinary shares of no par value (2018: 500,000,000 Ordinary shares of no par value)	-	-
11.2	**Issued**		
	Number of ordinary shares issued for cash consideration is 221,275,640 (2018: 221,275,640)	414,169	414,169
	Number of ordinary shares issued for non-cash consideration is 443,600 (2018: 443,600)	44	44
	Stated capital	414,213	414,213

There was no change in authorised share capital during the year.

11.3 Analysis of shareholding

By number of shares	Number of shareholders	Number of shares held	Percentage of holding
	2019		
Category			
1 -1000	-	-	-
1001 -5000	-	-	-
5001 - 50 000	4	87,061	0.04%
over 50 001	3	221,632,179	99.96%
	7	221,719,240	100%
	2018		
Category			
1 -1000	-	-	-
1001 -5000	-	-	-
5001 - 50 000	4	87061	0.04%
over 50 001	3	221,632,179	99.96%
	7	221,719,240	100%

	2019		2018	
By name	Number of shares held	Percentage of holding	Number of shares held	Percentage of holding
Shareholder				
Stanbic Africa Holdings Limited - UK	220,701,981	99.542%	220,701,981	99.542%
Estate of Edward Henaku Boohene	555,243	0.250%	555,243	0.250%
Starwin Product Ltd	374,955	0.169%	374,955	0.169%
Bigfat Service Ltd	33,821	0.015%	33,821	0.015%
Joseph Ofori	32,316	0.015%	32,316	0.015%
Kwame C. Serbeh-Yiadom	13,333	0.006%	13,333	0.006%
Kwaku Gyesi Twum	7,591	0.003%	7,591	0.003%
	221,719,240	100%	221,719,240	100%

Notes to the financial statements
for the year ended 31 December 2019

		Group		Bank	
		2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
12	**Reserves**				
12.1	**Statutory reservers**				
	At January	317,695	204,621	317,695	204,621
	Transferred from retained earnings	70,324	113,074	70,324	113,074
	At 31 December	388,019	317,695	388,019	317,695

Statutory reserve fund represents the cummulative amounts set aside from the annual profit after tax required by section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The proportion of profits after tax transferred to this reserve ranges between 12.5% and 50% depending on the ratio of existing statutory fund to paid-up capital of the Bank.

12.2 Statutory credit risk reserve

Provisions for loans recognised 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 Bank of Ghana guidelines and the expected impact/changes in reserves should be treated as follows:

(i) If provisions per Bank of Ghana guidelines is greater than IFRS provisions; the excess provision resulting should be transferred from the income surplus account to statutory credit risk reserves..

(ii) If provisions per Bank of Ghana guidelines is less than IFRS provisions; IFRS determined provision is charged to the income statements. The cumulative balance in the statutory credit risk reserve is thereafter reversed to the income surplus account.

Analysis of the statutory credit risk reserve is disclosed under statements of changes in equity.

12.3 Share based payment reserve

Share based payment reserve represents obligations under the equity settled portion of the group's share incentive scheme which enables key management personnel and senior employees to benefit from the performance of Bank.

12.4 Dividend

The directors at their meeting on 5 March 2020 did not recommend payment of dividends (2018: Nil)

Notes to the financial statements

for the year ended 31 December 2019

13 Trading liabilities

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Trading liabilities				
Comprising:				
Other instruments	**98,247**	110,493	**98,247**	110,493
Derivatives (note 3)	**4,292**	16,867	**4,292**	16,867
	102,539	127,360	**102,539**	127,360

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from period end.

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Maturing within 1 month	**48,806**	93,155	**48,806**	93,155
Maturing after 1 month but within 6 months	**44,306**	12,145	**44,306**	12,145
Maturing after 6 months but within 12 months	**9,427**	22,060	**9,427**	22,060
	102,539	127,360	**102,539**	127,360

14 Deposit and current accounts

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
14.1 Deposits from banks	**529,142**	218,855	**529,142**	218,855
Deposits from banks	**529,142**	218,855	**529,142**	218,855
14.2 Deposits from customers	**6,755,269**	4,282,311	**6,755,312**	4,282,535
Current accounts	**3,481,988**	2,396,758	**3,482,031**	2,396,758
Call deposits	**1,711,701**	764,252	**1,711,701**	764,252
Savings accounts	**762,836**	558,592	**762,836**	558,592
Term deposits	**208,338**	315,349	**208,338**	315,573
Negotiable certificate of deposits	**590,406**	247,360	**590,406**	247,360
Total deposits and current accounts	**7,284,411**	4,501,166	**7,284,454**	4,501,390

Included in deposits from banks is GHS 166.09 million (2018: GHS 106.03 million) due to Standard Bank Group. See note 26.2.

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from period end.

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Repayable on demand	**6,530,965**	4,085,779	**6,531,008**	4,085,779
Maturing within 1 month	**311,559**	86,823	**311,559**	86,823
Maturing after 1 month but within 6 months	**433,260**	122,140	**433,260**	122,140
Maturing after 6 months but within 12 months	**8,589**	128,076	**8,589**	128,076
Maturing after 12 months but within 5 years	**38**	78,348	**38**	78,572
Total deposits and current accounts	**7,284,411**	4,501,166	**7,284,454**	4,501,390

Notes to the financial statements

for the year ended 31 December 2019

15 Deferred tax liabilities

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Deferred tax liabilities	**2,226**	110	**2,226**	110
	2,226	110	**2,226**	110

15.1 Deferred tax analysis by source	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Credit impairment charges	**19,500**	(14,076)	**19,500**	(14,076)
Property and equipment	**(17,274)**	14,186	**(17,274)**	14,186
Deferred tax closing balance	**2,226**	110	**2,226**	110

15.2 Deferred tax reconciliation	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Deferred tax at beginning of the year	**110**	8,852	**110**	8,851
Originating/(reversing) temporary differences for the	**2 116**	(8 742)	**2 116**	(8 741)
Credit impairment charges	**19,898**	8,328	**19,898**	8,328
Property and equipment	**(17,782)**	(2,038)	**(17,782)**	(2,038)
Fair value adjustments on financial instruments	**-**	(15,032)	**-**	(15,031)
Deferred tax at end of the year	**2,226**	110	**2,226**	110

16 Provisions and other liabilities

Provisions and other liabilities	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Provisions	**28,771**	24,348	**28,771**	24,348
Provisions for franchise and technical services	**22,451**	18,508	**22,451**	18,508
Impairment for off-balance sheet exposure	**4,920**	5,668	**4,920**	5,668
Provisions for legal charges	**1,400**	172	**1,400**	172
Other liabilities	**438,340**	342,430	**437,934**	342,298
Items in the course of transmission	**138,861**	134,285	**138,861**	134,285
Staff-related accruals	**33,970**	29,184	**33,869**	29,099
Actuarial loss on employee defined benefit	**10,581**	10,196	**10,581**	10,196
Deferred revenue liability	**28,559**	32,847	**28,559**	32,847
Accounts payable	**42,441**	50,074	**42,398**	50,069
Indirect taxes accruals	**2,457**	30,075	**2,425**	30,075
Accrued expenses	**17,121**	12,258	**17,085**	12,258
Lease liabilities	**54,540**	-	**54,363**	-
Others	**109,810**	43,511	**109,793**	43,469
Provisions and other liabilities	**467,111**	366,778	**466,705**	366,646

(a) Provisions for franchise and technical services

The Bank's franchise and information technology agreement with its parent company was approved by both GIPC and Bank of Ghana for a period of ten (10) years effective 1 September 2017. Provisions are held in line with the approved agreement.

(b) Impairment for off-balance sheet exposure

Impairment for off-balance sheet exposure relates to expected credit loss on off balance sheet exposures in accordance with

(c) Provisions for legal charges

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits. The group makes provision for amounts that would be required to settle obligations that may crystallise in the event of unfavourable outcome of the lawsuits. Estimates of provisions required are based on management judgment. See note 21.4 for further details.

(d) Lease liabilities[1]	**2019 GHS'000**	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
Opening balance	**76,126**	-	**75,246**	-
Additions for the year	**20,103**	-	**20,775**	-
Interest expense	**10,735**	-	**10,706**	-
Lease payments	**(52,424)**	-	**(52,364)**	-
Closing balance	**54,540**	-	**54,363**	-

[1]The group and Bank have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements.

Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 42 for more detail on the adoption of IFRS 16.

Notes to the financial statements

for the year ended 31 December 2019

16 Provisions and other liabilities (continued)

(i) **Items in the course of transmission** relating to balance held in respect of clearing and settlement of customer transactions of the Bank.

(ii) **Staff-related accruals** include performance bonus of GHS 29.71 million (2018: GHS22.6 million) and deferred bonus of GHS 3.4 million (2018: GHS4 million).

(ii) **Actuarial loss on employee defined benefit** of GHS10.5 million (2018: GHS10.9 million) relates to present value of the Bank's obligation on its long service award to staff. Refer to note 27 for details.

17 Subordinated debt

	Group		Bank	
	2019	2018	**2019**	2018
	GHS'000	GHS'000	**GHS'000**	GHS'000
Subordinated debt[1] - 12.5million US dollar (see (i) below)	**-**	61,025	**-**	61,025
Subordinated debt[2] - 15million US dollar (see (ii) below)	**83,556**	73,197	**83,556**	73,197
	83,556	134,222	**83,556**	134,222

The terms and conditions of subordinated debt are as follows:

Subordinated debt[1] represents US dollar denominated term non-collaterised facility of USD12.5 million obtained from Standard Bank of South Africa effective 16 November 2015. The facility matures on 15 November 2025 and is repayable at maturity. Interest on the facility is payable quarterly at LIBOR (London Interbank Offered Rate) plus 4.3%. The facility is callable on 15 November 2020 and the rate after call date is three month LIBOR plus 5.3%. Subordinated debt 1 was paid off on 19 August 2019 . See note 26.2.

Subordinated debt[2] represents US dollar denominated term non-collaterised facility of USD15 million obtained from Standard Bank of South Africa effective 29 November 2016. The facility matures on 27 November 2026 and is repayable at maturity. Interest on the facility is payable quarterly at LIBOR (London Interbank Offered Rate) plus 5.32%. The facility is callable on 27 November 2021 and the rate after call date is three month LIBOR plus 6.32%. See note 26.2.

The group has not had any default of principal, interest or any other convenant breaches with respect to its debt securities during the year (2018: Nil).

Comprising	Group		Bank	
	2019	**2018**	**2019**	**2018**
	GHS'000	GHS'000	**GHS'000**	GHS'000
Current	**551**	1,637	**551**	1,637
Non-current	**83,005**	132,585	**83,005**	132,585
At end of period	**83,556**	134,222	**83,556**	134,222

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18 **Classification of financial instruments**

Accounting classifications and fair values

The table below sets out the group's classification of assets and liabilities, and their fair values.

Group	Note	Fair Value Through P&L			Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
		Held for trading	Designated at fair value	Fair value through P/L - default		Fair Value Through OCI	Debt Instrument	Equity Instrument			
		GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
At 31 December 2019											
Assets											
Cash and cash equivalents	2	-	-	1,071,558	1,856,122	-	-	-	-	2,927,680	2,927,680
Non-pledged trading assets	3	642,833	-	-	-	-	-	-	-	642,833	642,833
Investment securities	4	-	-	-	671,064	-	-	-	-	671,064	671,064
Loans and advances to customers	5	-	-	90,569	3,856,022	-	-	-	-	3,946,591	3,946,591
Investment in subsidiary	8	-	-	-	-	-	-	-	-	-	-
Other financial assets	7	-	-	-	-	-	-	-	512,708	512,708	-
Other non-financial assets		-	-	-	-	-	-	-	594,610	594,610	-
		642,833	-	1,162,127	6,383,208	-	-	-	1,107,318	9,295,486	8,188,168
Liabilities											
Trading liabilities	13.0	102,539	-	-	-	-	-	-	-	102,539	102,539
Deposits from banks	14.1	-	-	-	529,142	-	-	-	-	529,142	529,142
Deposits from customers	14	-	-	-	6,755,269	-	-	-	-	6,755,269	6,755,269
Subordinated debt	17	-	-	-	83,556	-	-	-	-	83,556	83,556
Other non-financial liabilities	16	-	-	-	-	-	-	-	469,337	469,337	-
		102,539	-	-	7,367,967	-	-	-	469,337	7,939,843	7,470,506

[1]Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

Notes to the financial statements

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18 Classification of financial instruments (continued)

Group	Note	Fair Value Through P&L			Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
		Held for trading	Designated at fair value	Fair value through P/L - default		Fair Value Through OCI	Debt Instrument	Equity Instrument			
		GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
At 31 December 2018											
Assets											
Cash and cash equivalents	2	-	-	674,230	1,034,874	-	-	-	-	1,709,104	1,709,104
Non-pledged trading assets	3	634,614	-	-	-	-	-	-	-	634,614	634,614
Investment securities	4	-	-	1,564	683,684	-	-	-	-	685,248	685,248
Loans and advances to customers	5	-	-	78,465	2,506,270	-	-	-	-	2,584,735	2,584,735
Investment in subsidiary	8	-	-	-	-	-	-	-	-	-	-
Other financial assets	7	-	-	-	158,900	-	-	-	-	158,900	-
Other non-financial assets		-	-	-	-	-	-	-	432,409	432,409	-
		634,614	-	754,259	4,383,728	-	-	-	432,409	6,205,010	5,613,701
Liabilities											
Trading liabilities	13.0	127,360	-	-	-	-	-	-	-	127,360	127,360
Deposits from banks	14.1	-	-	-	218,855	-	-	-	-	218,855	218,855
Deposits from customers	14	-	-	-	4,282,311	-	-	-	-	4,282,311	4,282,311
Subordinated debt	17	-	-	-	134,222	-	-	-	-	134,222	134,222
Other non-financial liabilities	16	-	-	-	-	-	-	-	366,888	366,888	-
		127,360	-	-	4,635,388	-	-	-	366,888	5,129,636	4,762,748

[1] Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

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18 Classification of financial instruments

Accounting classifications and fair values

The table below sets out the group's classification of assets and liabilities, and their fair values.

Bank	Note	Fair Value Through P&L			Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
		Held for trading	Designated at fair value	Fair value through P/L - default		Fair Value Through OCI	Debt Instrument	Equity Instrument			
		GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
At 31 December 2019											
Assets											
Cash and cash equivalents	2	-	-	1,071,558	1,856,122	-	-	-	-	2,927,680	2,927,680
Non-pledged trading assets	3	642,833	-	-	-	-	-	-	-	642,833	642,833
Investment securities	4	-	-	-	668,394	-	-	-	-	668,394	668,394
Loans and advances to customers	5	-	-	80,955	3,865,636	-	-	-	-	3,946,591	3,946,591
Investment in subsidiary	8	-	-	-	2,500	-	-	-	-	2,500	-
Other financial assets		-	-	-	-	-	-	-	512,708	512,708	-
Other non-financial assets		-	-	-	-	-	-	-	594,976	594,976	-
		642,833	-	1,152,513	6,392,652	-	-	-	1,107,684	9,295,682	8,185,498
Liabilities											
Trading liabilities	13.0	102,539	-	-	-	-	-	-	-	102,539	102,539
Deposits from banks	14.1	-	-	-	529,142	-	-	-	-	529,142	529,142
Deposits from customers	14.2	-	-	-	6,755,312	-	-	-	-	6,755,312	6,755,312
Subordinated debt	17	-	-	-	83,556	-	-	-	-	83,556	83,556
Other non-financial liabilities		-	-	-	-	-	-	-	468,931	468,931	-
		102,539	-	-	7,368,010	-	-	-	468,931	7,939,480	7,470,549

[1] Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

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Classification of financial instruments (continued)

Bank	Note	Fair Value Through P&L			Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
		Held for trading	Designated at fair value	Fair value through P/L - default		Fair Value Through OCI	Debt Instrument	Equity Instrument			
		GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
At 31 December 2018											
Assets											
Cash and cash equivalents	2	-	-	674,230	1,032,906	-	-	-	-	1,707,136	1,707,136
Non-pledged trading assets	3	634,614	-	-	-	-	-	-	-	634,614	634,614
Investment securities	4	-	-	-	682,264	-	-	-	-	682,264	682,264
Loans and advances to customers	5	-	-	78,465	2,506,270	-	-	-	-	2,584,735	2,584,735
Investment in subsidiary	8	-	-	-	2,500	-	-	-	-	2,500	-
Other financial assets	7	-	-	-	158,900	-	-	-	-	158,900	-
Other non-financial assets		-	-	-	-	-	-	-	434,869	434,869	-
		634,614	-	752,695	4,382,840	-	-	-	434,869	6,205,018	5,608,749
Liabilities											
Trading liabilities	13	127,360	-	-	-	-	-	-	-	127,360	127,360
Deposits from banks	14.1	-	-	-	218,855	-	-	-	-	218,855	218,855
Deposits from customers	14.2	-	-	-	4,282,535	-	-	-	-	4,282,535	4,282,535
Subordinated debt	17	-	-	-	134,222	-	-	-	-	134,222	134,222
Other non-financial liabilities		-	-	-	-	-	-	-	366,756	366,756	-
		127,360	-	-	4,635,612	-	-	-	366,756	5,129,728	4,762,972

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19 Fair values of financial instruments

19.1 Valuation framework

The group has an established control framework with respect to the measurement of fair values. This framework includes a *market risk function*, which has overall responsibility for independently verifying the results of trading operations and all significant fair value measurements, and a *product control function*, which is independednt of front office management and reports to the Chief Financial Officer. The roles performed by both functions include:

- verification of observable pricing
- re-performance of model valuations;
- review and approval process for new models and changes to models
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments.

Significant valuation issues are reported to the audit committee.

19.2 Financial instruments measured at fair value - fair value hierarchy

The tables below analyse financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. See reference 4.5 on accounting policies on fair value.

Group	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2019						
Assets						
Non-pledged trading assets	3.6	642,833	-	642,833	-	642,833
		642,833	-	642,833	-	642,833
Comprising:						
Held-for-trading	3.6	642,833		642,833		642,833
		642,833	-	642,833	-	642,833
Liabilities						
Trading liabilities	13	102,539	-	102,539	-	102,539
		102,539	-	102,539	-	102,539
Comprising:						
Held-for-trading	13	102,539	-	102,539	-	102,539
		102,539	-	102,539	-	102,539

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

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Financial instruments measured at fair value (continued)

Financial instruments measured at fair value - fair value hierarchy

Group	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018						
Assets						
Non-pledged trading assets	3.6	634,614	-	634,614	-	634,614
		634,614	-	634,614	-	634,614
Comprising:						
Held-for-trading	3.6	634,614		634,614		634,614
		634,614	-	634,614	-	634,614
Liabilities						
Trading liabilities	13	127,360		127,360	-	127,360
		127,360	-	127,360	-	127,360
Comprising:						
Held-for-trading	13	127,360		127,360	-	127,360
		127,360	-	127,360	-	127,360

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

Bank	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2019						
Assets						
Non-pledged trading assets	3.6	642,833	-	642,833	-	642,833
		642,833	-	642,833	-	642,833
Comprising:						
Held-for-trading	3.6	642,833	-	642,833	-	642,833
		642,833	-	642,833	-	642,833
Liabilities						
Trading liabilities	13	102,539	-	102,539	-	102,539
		102,539	-	102,539	-	102,539
Comprising:						
Held-for-trading	13	102,539	-	102,539	-	102,539
		102,539	-	102,539	-	102,539

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

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Financial instruments measured at fair value (continued)

Financial instruments measured at fair value - fair value hierarchy

Bank	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018						
Assets						
Non-pledged trading assets	3.6	634,614	-	634,614	-	634,614
		634,614	-	634,614	-	634,614
Comprising:						
Held-for-trading	3.6	634,614	-	634,614	-	634,614
		634,614	-	634,614	-	634,614
Liabilities						
Trading liabilities	13	127,360	-	127,360	-	127,360
		127,360	-	127,360	-	127,360
Comprising:						
Held-for-trading	13	127,360		127,360	-	127,360
		127,360	-	127,360	-	127,360

There were no transfers between Level 1 and Level 2 during the year. No reclassifications were made in or out of level 3 during the year.

20 Financial instruments not measured at fair value - fair value hierarchy

The following table set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierachy into which each fair value measurement is categorised.

Group	Note	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2019						
Assets						
Cash and cash equivalents	2	**2,927,680**	**2,927,680**	**-**	**-**	**2,927,680**
Investment securities	4	**671,064**	**2,670**	**668,394**	**-**	**671,064**
Loans and advances to customers	5	**3,946,591**	**-**	**-**	**3,946,591**	**3,946,591**
Other financial assets		**-**	**-**	**-**	**-**	**-**
Investments in subsidiary		**-**	**-**	**-**	**-**	**-**
		7,545,335	**2,930,350**	**668,394**	**3,946,591**	**7,545,335**
Liabilities						
Deposits from banks	14.1	**529,142**	**529,142**	**-**	**-**	**529,142**
Deposits from customers	14.2	**6,755,269**	**6,001,823**	**-**	**753,446**	**6,755,269**
Subordinated debt	17	**83,556**	**-**	**83,556**	**-**	**83,556**
		7,367,967	**6,530,965**	**83,556**	**753,446**	**7,367,967**

Notes to the financial statements

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20 Financial instruments not measured at fair value - fair value hierarchy (continued)

Group	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018					
Assets					
Cash and cash equivalents	1,709,104	1,709,104	-	-	1,709,104
Investment securities	685,248	-	682,264	-	682,264
Loans and advances to customers	2,584,735	-	-	2,584,735	2,584,735
Other assets	158,900			158,900	158,900
Investments in subsidiary	-	-	-	-	-
	5,137,987	1,709,104	682,264	2,743,635	5,135,003
Liabilities					
Deposits from banks	218,855	218,855	-	-	218,855
Deposits from customers	4,282,311	3,866,924	-	415,387	4,282,311
Subordinated debt	134,222	-	134,222	-	134,222
	4,635,388	4,085,779	134,222	415,387	4,635,388

Bank	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2019					
Assets					
Cash and cash equivalents	**2,927,680**	**2,927,680**	**-**	**-**	**2,927,680**
Investment securities	**668,394**	**-**	**668,394**	**-**	**668,394**
Loans and advances to customers	**3,946,591**	**-**	**-**	**3,946,591**	**3,946,591**
Other financial assets	**-**	**-**	**-**	**-**	**-**
Investments in subsidiary	**2,500**	**-**	**-**	**2,500**	**2,500**
	7,545,165	**2,927,680**	**668,394**	**3,949,091**	**7,545,165**
Liabilities					
Deposits from banks	**529,142**	**529,142**	**-**	**-**	**529,142**
Deposits from customers	**6,755,312**	**6,001,866**	**-**	**753,446**	**6,755,312**
Subordinated debt	**83,556**	**-**	**83,556**	**-**	**83,556**
	7,368,010	**6,531,008**	**83,556**	**753,446**	**7,368,010**

Fair value of loans and advances is estimated using discounted cash flow techniques. Input into the valuation techniques includes interest rates and expected cash flows. Expected cash flows are discounted at current market rates to determine fair value.

Notes to the financial statements

for the year ended 31 December 2019

20 Financial instruments not measured at fair value - fair value hierarchy (continued)

Bank	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018					
Assets					
Cash and cash equivalents	1,707,136	1,707,136	-	-	1,707,136
Investment securities	682,264	-	682,264	-	682,264
Loans and advances to customers	2,584,735	-	-	2,584,735	2,584,735
Other financial assets	158,900	-	-	158,900	158,900
Investments in subsidiary	2,500	-	-	2,500	2,500
	5,135,535	1,707,136	682,264	2,746,135	5,135,535
Liabilities					
Deposits from banks	218,855	-	218,855	-	218,855
Deposits from customers	4,282,535	-	-	4,282,535	4,282,535
Subordinated debt	134,222	-	134,222	-	134,222
	4,635,612	-	353,077	4,282,535	4,635,612

Fair value of loans and advances is estimated using discounted cash flow techniques. Input into the valuation techniques includes interest rates and expected cash flows. Expected cash flows are discounted at current market rates to determine fair value.

Notes to the financial statements

for the year ended 31 December 2019

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
21 Contingent liabilities and commitments				
21.1 Contingent liabilities				
Letters of credit	**134,920**	88,701	**134,920**	88,701
with cash collateral	**39,120**	16,111	**39,120**	16,111
without cash collateral	**95,800**	72,590	**95,800**	72,590
Guarantees	**1,481,477**	1,287,790	**1,481,477**	1,287,790
with cash collateral	**207,819**	163,824	**207,819**	163,824
without cash collateral	**1,273,658**	1,123,965	**1,273,658**	1,123,965
	1,616,397	1,376,491	**1,616,397**	1,376,491

Guarantees and letters of credit are given to third parties as security to support the performance of a customer to third parties. As the group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. The expected credit loss of GHS 4.92 million (2018: GHS5.7 million) on this has been included in provisions (see note 16).

21.2 Operating leases

The group leases a number of branches and office premises under operating leases. The lease period varies, and typically run for a period of 3 to 10 years, with an option to renew the lease after that date. Lease payments are increased periodically (usually every three periods) to reflect market rentals.

At period end, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
Properties				
Within 1 year	**-**	39,773	**-**	39,773
After 1 year but within 5 years	**-**	129,318	**-**	129,318
After 5 years	**-**	38,994	**-**	38,994
	-	208,085	**-**	208,085
Equipment				
Within 1 year	**-**	1,820	**-**	1,820
After 1 year but within 5 yeares	**-**	1,920	**-**	1,920
	-	3,740	**-**	3,740

The group and Bank have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page **42** for more detail on the adoption of IFRS 16.

21.3 Loan commitments

The group had irrevocable loan commitments amounting to GHS1.08 billion (2018: GHS 758.53 million) in respect of various loan contracts.

21.4 Legal proceedings

In the ordinary course of business the Group is exposed to various actual and potential claims, lawsuits and other proceedings that relate to alleged errors, omissions, breaches. The directors are satisfied, based on present information and the assessed probability of such existing claims crystallising that the group has adequate insurance cover and / or provisions in place to meet such claims. Total provisions made for possible claims if cases went against the group at 31 December 2019 is GHS 1.4 million (2018: GHS0.172million).

These claims against the group are generally considered to have a low likelihood of success and the group is actively defending these claims. Management believes that the ultimate resolution of any of the proceedings will not have a significantly adverse effect on the group. Where the group envisages that there is a more than average chance that a claim against it will succeed, adequate provisions are raised in respect of such claim.

Notes to the financial statements

for the year ended 31 December 2019

22 Income statement information

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22.1 Interest income				
Interest on loans and advances	**534,862**	431,198	**534,862**	430,707
Interest on investments	**138,721**	109,385	**138,309**	109,385
Unwinding of discount element of credit impairments for loans and advances	**7,625**	9,401	**7,625**	9,401
	681,208	549,984	**680,796**	549,493

All interest income reported above relates to financial assets not carried at fair value through profit or loss for the group and bank

Included in interest income is GHS3.60 million (2018: GHS5.45million) earned from related party transactions. See note 26.2.

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22.2 Interest expense				
Current accounts	**8,692**	2,442	**8,692**	2,442
Savings and deposit accounts	**44,013**	26,372	**44,013**	26,372
Subordinated debt	**7,469**	9,704	**7,469**	9,704
Interest on lease liabilities[1]	**10,735**	-	**10,706**	-
Other interest bearing liabilities	**78,032**	45,141	**78,032**	45,141
	148,941	83,659	**148,912**	83,659

All interest expense reported above relates to financial assets not carried at fair value through profit or loss for the group and the bank

[1]The group and Bank have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 42 for more detail on the adoption of IFRS 16.

Included in interest expense reported above is GHS8.5 million (2018: GHS9.7 million) from related party transactions. See note 26.2.

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22.3 Net fee and commission revenue				
Fee and commission revenue	**255,722**	219,239	**255,585**	218,550
Account transaction fees	**77,118**	61,522	**76,982**	60,833
Card based commission	**49,141**	36,651	**49,141**	36,651
Knowledge based fees and commission	**12,520**	11,778	**12,520**	11,778
Electronic banking	**2,347**	1,655	**2,347**	1,655
Insurance - fees and commission	**4,132**	3,186	**4,132**	3,186
Foreign currency service fees	**48,877**	41,129	**48,877**	41,129
Documentation and administration fees	**11,826**	15,305	**11,826**	15,305
Other fee and commision revenue	**49,761**	48,013	**49,761**	48,013
Fee and commission expense	**(34,829)**	(25,541)	**(34,829)**	(25,541)
	220,893	193,698	**220,756**	193,009

All fees revenue and expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the group and bank

Other fee income for Group includes commission on sale of government securities, agency fee, account statement fee, funds transfer charges, salary processing and administration charges, reference letter charges, and cash withdrawal charges.

Included in fees and commission expense is GHS nil million (2018: 0.29 million) earned from related party transactions. See note 26.2.

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22.4 Trading revenue				
Foreign exchange	**74,640**	60,288	**74,640**	60,288
Debt securities	**147,578**	77,427	**147,578**	77,427
	222,218	137,715	**222,218**	137,715

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	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22 Income statement information (continued)				
22.5 Other loss				
Banking and other[1]	**61**	(73)	**61**	(73)
Loss on derecognition of financial asset	**-**	(24)	**-**	(24)
	61	(97)	**61**	(97)

[1]Included in banking and other are (gain)/loss made on sale of investment on behalf of third parties.

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
22.6				
Net expected credit loses raised and released for financial investments				
Stage 1	**357**	(89)	**282**	(91)
Stage 2	**-**	-	**-**	-
Stage 3	**-**	-	**-**	-
Net expected credit loses raised and released for Banks				
Stage 1	**676**	858	**676**	858
Stage 2	**(11)**	-	**(11)**	-
Stage 3	**-**	-	**-**	-
Net expected credit loses raised and released for Loan and advances				
Stage 1	**1,816**	5,884	**1,816**	5,884
Stage 2	**4,437**	1,200	**4,437**	1,200
Stage 3	**59,319**	41,854	**59,319**	41,854
Net expected credit loses raised and released on off balance sheet exposures				
Stage 1	**1,400**	(2,406)	**1,400**	(2,406)
Stage 2	**(193)**	222	**(193)**	222
Stage 3			**-**	
Modification (gains) / losses	**(926)**	1,448	**(926)**	1,448
Recoveries on loans and advances previously written off	**(13,008)**	(10,291)	**(13,008)**	(10,291)
Total credit impairment charge	**53,867**	38,680	**53,792**	38,678
22.7 Staff costs				
Salaries and allowances	**264,742**	219,051	**264,036**	218,467
Deferred bonus scheme	**3,407**	5,409	**3,407**	5,409
Long service award incentive	**2,015**	1,737	**2,015**	1,737
Share equity base scheme	**-**	579	**-**	579
	270,164	226,776	**269,458**	226,192

Share-based payment transactions

The group operates a number of share- based payment arrangements under which the entity receives services from employees as a consideraion for equity instrument of the group or cash settlement based on equity instrument of the group.It is essential for the group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group had the following share-based arrangements.

a) Deferred bonus scheme: The group has implemented this scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

Employees granted an annual performance award over a threshold have part of their award deferred. In addition the group makes special awards of Cash settled deferred bonus scheme to qualifying employees. The award units are demoninated in employee's host countries' local currency, the value of which moves parrallel to the changes in the price of the Standard Bank Group (SBG) shares listed on the Johannesburg Stock Exchange and accrue notional dividends over the vesting period which are payable on vesting. Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final payout is determined with referenace to SBG share price on vesting date.

Long service award incentive

The value of long service is acknowledged through long service awards that are regarded as an important aspect of recognition and the total Employee Value Proposition (EVP) of the Bank.

The award structure for long service awards is show below:

Years of service	Award to employee
10	2 months basic salary plus certificate of recognition
15	3 months basic salary plus certificate of recognition
20	4 months basic salary plus certificate of recognition
25	5 months basic salary plus certificate of recognition
30	6 months basic salary plus certificate of recognition
Above 30 years	Prior Award plus 1 Month Basic Salary for every additional 5 Years of Service

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
Emoluments of Stanbic Bank Ghana Limited directors and prescribed officers				
Emoluments of directors in respect of services rendered	**16,504**	12,890	**16,173**	12,616
Non-executive directors				
Emoluments of directors in respect of services rendered	**1,140**	842	**1,140**	842
	17,644	13,732	**17,313**	13,458

In order to align emolument with the performance to which they relate, emoluments reflect the amounts accrued in respect of the each year and not the amount paid.

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for the year ended 31 December 2019

		Group		Bank	
		2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
22	**Income statement information (continued)**				
22.8	**Other operating expenses**				
	Information technology	21,995	16,334	21,964	16,276
	Communication	7,101	5,395	6,951	5,271
	Premises	18,047	59,752	18,026	59,347
	Auditors' remuneration	679	546	668	536
	Non-executive directors' fees	1,140	984	1,140	984
	Professional fees	23,179	17,135	23,136	17,094
	Marketing and advertising	11,521	7,708	11,521	7,708
	Insurance	5,838	3,570	5,838	3,570
	Training	6,162	4,035	6,161	4,035
	Donation and sponsorship	4,082	2,461	4,082	2,461
	(Profit) / loss on sale of property and equipment	(54)	56	(54)	56
	[1]Other administrative expenses	31,797	19,996	31,739	19,922
	[2]Franchise and technical service fees	33,294	23,347	33,294	23,347
		164,781	161,319	164,466	160,607

[1] Administrative expenses include office security, travel, stationery and printing, motor vehicle overheads and subscription fees.
[2] The Bank's franchise and information technology agreement with its parent company has been approved by both Ghana Investment Promotion Centre (GIPC) and Bank of Ghana for a period of ten (10) years effective 1 September 2017.

		Group 2019	Group 2018	Bank 2019	Bank 2018
22.9	**Depreciation and amortisation**				
	Amortisation - intangible assets	7,791	6,845	7,791	6,845
	Depreciation				
	Property				
	- leasehold	4,633	4,832	4,633	4,832
	Equipment				
	- Computer equipment	14,541	11,997	14,541	11,997
	- Motor vehicles	1,381	1,193	1,381	1,193
	- Office equipment	2,795	2,657	2,795	2,657
	- Furniture and fittings	8,519	7,607	8,519	7,607
	- Right of use assets	36,062	-	36,019	-
		75,722	35,131	75,679	35,131

Notes to the financial statements
for the year ended 31 December 2019

		Group		Bank	
		2019 GHS'000	2018 GHS'000	2019 GHS'000	2018 GHS'000
23	**Taxation**				
	Indirect taxation (note 23.1)	15,633	12,890	15,609	12,882
	Direct taxation (note 23.2)	114,618	96,824	114,618	96,824
		130,251	109,714	130,227	109,706
23.1	**Indirect taxation**				
	Value added tax on franchise and technical services	2,559	2,091	2,559	2,091
	Value added tax on other purchases and services	13,074	10 799	13,050	10 791
		15,633	12,890	15,609	12,882
23.2	**Direct taxation**				
	Current period	114,618	96,824	114,618	96,824
	Current tax (note 6.1)	112,511	90,534	112,502	90 534
	Deferred tax (note 15.2)	2,107	6,290	2,116	6,290
	Taxation per income statements	114,618	96,824	114,618	96 824

23.3 Rate reconciliation

	Group		Bank	
	2019 %	2018 %	2019 %	2018 %
The corporate tax charge for the year as a percentage of profit before tax	28	31	28	31
Other tax levy (National Stabilisation Levy)	(5)	(5)	(5)	(5)
Other permanent differences	2	(1)	2	(1)
Standard rate of tax	25	25	25	25

Notes to the financial statements

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24 Earnings per ordinary share

	Group 2019	Group 2018	Bank 2019	Bank 2018
The calculations of basic earnings per ordinary share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:				
Earnings attributable to ordinary shareholders (GHS'000)	**280,654**	226,021	**281,297**	226,147
Weighted average number of ordinary shares in issue (in thousand)	**221,719**	175,528	**221,719**	175,528
Basic/diluted earnings per ordinary share (Ghana pesewas)	**127**	129	**127**	129

Notes to the financial statements

for the year ended 31 December 2019

		Group 2019 GHS'000	Group 2018 GHS'000	Bank 2019 GHS'000	Bank 2018 GHS'000
25	**Statement of cash flows notes**				
25.1	**(Increase)/decrease in assets**				
	Non-pledged trading assets	**(34,124)**	4,110	**(34,124)**	4,110
	Investment securities	**49,789**	(16,468)	**49,499**	(14,416)
	Loans and advances to customers	**(1,171,817)**	(836,450)	**(1,171,817)**	(836,450)
	Other assets	**(714,787)**	(57,532)	**(712,573)**	(58,482)
		(1,870,939)	(906,340)	**(1,869,015)**	(905,238)
25.2	**Increase/(decrease) in deposits and other liabilities**				
	Deposit and current accounts	**2,777,283**	784,951	**2,777,326**	785,176
	Trading liabilities	**(12,246)**	38,390	**(12,246)**	38,390
	Other liabilities and provisions	**161,132**	(67,348)	**160,573**	(67,366)
		2,926,169	755,993	**2,925,653**	756,200
25.3	**Repayment of subordinated debt**				
	Subordinated debt redeemed	**65,938**	-	**65,938**	-
		65,938	-	**65,938**	-
25.4	**Effect of exchange rate changes on cash and cash equivalents**				
	Currency				
	USD	**76,776**	52,333	**76,776**	52,333
	EUR	**15,835**	3,667	**15,835**	3,667
	GBP	**2,957**	411	**2,957**	411
	ZAR	**2,822**	(3,236)	**2,822**	(3,236)
	Effect of exhange rate	**98,390**	53,175	**98,390**	53,175

Notes to the financial statements

for the year ended 31 December 2019

26 Related party transactions

26.1 Parent and ultimate controlling party

The Bank is 99.54% owned by Stanbic Africa Holdings Limited, which is incorporated in the United Kingdom. The ultimate parent and controlling party of the group/ company is Standard Bank Group Limited, incorporated in South Africa. Stanbic Ghana Limited has a subsidiary, SBG Securities Ghana Limited.

Stanbic Bank Ghana Limited is related to other companies that are fellow subsidiaries of Standard Bank Group Limited. These include Stanlib Ghana Limited, Standard Bank Isle of Man Limited, Standard Bank of South Africa (SBSA), Stanbic IBTC Holdings Nigeria PLC , CfC Stanbic Bank Kenya Limited, Stanbic Bank Botswana, Stanbic Bank Uganda Limited, and Standard Bank (Mauritius) Limited. ICBC Standard Bank PLC, which is an associate of Standard Bank Group Limited, is also a related party.

26.2 Balances with Standard Bank of South Africa (SBSA) and other related parties

In the normal course of business, current accounts are operated and placements of foreign currencies and trades between currencies are made with SBSA and other entities within the Standard Bank Group.

The relevant balances are shown below:

		Group		Bank	
		2019	2018	**2019**	2018
	Note	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Amounts due from related parties					
Cash and cash equivalents	2	**39,890**	14,375	**39,890**	14,375
Non-pledged trading assets	3	**19**	14,287	**19**	14,287
Other assets (Group)	7	**32,073**	1,021	**32,073**	1,021
Other assets (subsidiary)	7	**-**	-	**633**	2,572
		71,982	29,683	**72,615**	32,255

(a) **Cash and cash equivalents (loans to banks)** : This represents foreign currency placement with Standard Bank Group entities. Placements are usually denominated in US dollars and Rands. Tenor is usually short ranging between 1-6 months. The contract terms are based on normal market terms. Details per counterparty are as follows:

Standard Bank of South Africa	2	**39,890**	14,375	**39,890**	14,375
		39,890	14,375	**39,890**	14,375

(b) **Non-pledged trading assets (derivatives):** These represent fair value of currency swap and foreign exchange forward transactions with related parties. The transaction includes EUR/ USD swap, USD/ ZAR swap, and USD/GHS swap with a combined notional principal of GHS656.93milion (2018: GHS811.85million). The contracts maturity ranges from one month to 1 year.

c) **Other assets (Group)**: These represent reimbursable expenses recoverable from related parties. No specific impairments have been recognised in respect of the amount.

Other assets (Subsidiary): These represent receivable from subsidiary in respect of reimbursable expenses.

Notes to the financial statements

for the year ended 31 December 2019

Related party transactions (continued)

		Group		Bank	
		2019	2018	**2019**	2018
	Note	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Amounts due to related parties					
Deposits and current accounts	14	**166,089**	106,108	**166,132**	106,332
Trading liabilities	13	**257**	1,943	**257**	1,943
Provisions and other liabilities	15	**28,276**	18,508	**28,276**	18,508
Subordinated debt	17	**83,556**	134,222	**83,556**	134,222
		278,178	260,781	**278,221**	261,005

(d) **Deposits and current accounts:** These represent demand deposits with related parties. Balances are denominated in GHS with no interest rates and are repayable on demand.

Standard Bank of South Africa	**129,289**	105,992	**129,289**	105,992
Stanlib Ghana Limited	**36,800**	116	**36,800**	116
SBG Securities	**-**	-	**43**	224
	166,089	106,108	**166,132**	106,332

(f) Trading liabilities (**derivatives):** These represent fair value of currency swap and forward transactions with entities within the Standard Bank Group. Details per counterparty are as follows:

Standard Bank of South Africa	**257**	1,943	**257**	1,943
	257	1,943	**257**	1,943

(i) **Other liabilities (Group)**: These relate to franchise and information technology accruals payable to SBSA. Also included in other liabilities are reimbursable expenses payable to SBSA and other members of the Standard Bank Group.

(g) **Subordinated debt:** See note 17 for details of the transaction.

Profit or loss impact of transactions with Standard Bank of South Africa and other related parties

		Group		Bank	
		2019	2018	**2019**	2018
	Note	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Interest income earned		**3,599**	5,446	**3,599**	5,446
Interest expense		**8,540**	9,721	**8,540**	9,721
Trading revenue/ (loss)		**(12,577)**	12,823	**(12,577)**	12,823
Operating expense incurred		**32,507**	27,622	**32,507**	27,622

(j) **Interest income earned**: This represents interest earned on placement with group entities.

(k) **Interest expense**: This represents interest expense booked in respect of deposits, subordinated debt, and other borrowing transactions with group entities.

(l) **Trading revenue / (loss)**: This represents fair value gain/ (loss) on trading and derivative transactions with group entities.

Notes to the financial statements

for the year ended 31 December 2019

Related party transactions (continued)

26.3 Balances with key management personnel

Key management personnel includes: members of the Stanbic Bank Ghana Limited board of directors and its executive committee. The definition of key management includes close members of key management personnel and any entity over which key management exercise control, joint control or significant influence. Close family members are those family members who may influence, or be influenced by that person in their dealings with Stanbic Bank Ghana Limited. They include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner.

(i) Key management compensation

	Group	
	2019 GHS'000	2018 GHS'000
Salaries and other short-term benefits	**26,086**	21,535
Value of share options and rights expensed	**-**	579
	26,086	22,114

(ii) Loans and deposit transactions with key management personnel

	2019 GHS'000	2018 GHS'000
Loans and advances		
Loans outstanding at the beginning of the period	**6,320**	8,694
Net movement during the period	**1,330**	(2,374)
Loans outstanding at the end of the year	**7,650**	6,320
Net interest earned	**497**	386

Loans include mortgage loans, instalment sale and finance leases and credit cards. Loans granted to employees and executive directors are granted at concessionary rates 0%-5% below the prime lending rate. No specific impairments have been recognised in respect of loans granted to key management at the reporting date (2018: nil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.

The maximum amount of all sums of staff loans and advances due to the Bank and its subsidiary at the end of the year from officers was GHS194.18 million (2018: GHS150.25 million)

	2019 GHS'000	2018 GHS'000
Deposit and current accounts		
Deposits outstanding at beginning of the period	**1,088**	1,130
Net movement during the period	**3,268**	(42)
Deposits outstanding at end of the year	**4,356**	1,088
Net interest expense	**1**	1

Deposits include cheque, current and savings accounts.

	2019 GHS'000	2018 GHS'000
Third-party funds under management (subsidiary)		
Customer balances held for investment	**46**	52

Notes to the financial statements

for the year ended 31 December 2019

27 Long service award scheme

The value of long service is acknowledged through long service awards that are regarded as an important aspect of recognition and the total Employee Value Proposition (EVP) of the Bank.

The scheme pays two (2) months basic salary for 10 years of service, three (3) months basic salary for 15 years of service, four (4) months basic salary for 20 years, five (5) months basic salary for 25 years, six (6) months salary for 30 years and over 30 years attracts prior award plus one (1) month basic salary for every additional five (5) years of service. The length of service is calculated each year and the awards paid when due. The employee makes no financial contribution towards the scheme; the responsibility of funding the Awards Scheme is on the Bank.

27.1 Description of risk

The nature of the awards scheme is that of an Unfunded Scheme because the Actuarial Liability is not supported with any dedicated Asset. Its structure is equivalent to the traditional Pay-As-You-Go pension system which has no dedicated assets to back the pension liability.

In valuing the liabilities, the Projected Unit Credited Method (PUCM), which is the recommended valuation method by IAS 19, was employed together with a set of assumptions relating to employees demographic profiles as well as assumptions on financial variables.

		Group and Bank	
		2019 GHS'000	2018 GHS'000
i)	**The amounts recognised in the statement of financial position in respect of the retirement fund is as follows**		
	Present value of funded obligations	**10,581**	10,196
	Fair value of plan asset	**-**	-
		10,581	10,196
ii)	**Movement in the present value of funded obligation**		
	Balance at the beginning of the year	**10,196**	-
	Current service cost	**1,478**	1,565
	Interest cost	**537**	172
	Actuarial losses	**385**	10,196
	Benefits paid	**(2,015)**	(1,737)
	Balance at the end of the year	**10,581**	10,196
iii)	**The amounts recognised in profit and loss are determined as follows**		
	Current service cost	**1,478**	1,565
	Net interest income	**537**	172
	Included in staff costs	**2,015**	1,737
iv	**Components of statement of OCI**		
	Actuarial loss	**385**	10,196

iv) Sensitivity analysis for the scheme

	2019		2018	
	1% increase GHS'000	**1% decrease GHS'000**	1% increase GHS'000	1% decrease GHS'000
Inflation rate				
Effect on the defined benefit obligation	**2,457**	**(2,036)**	104	(104)
Discount rate				
Effect on the defined benefit obligation	**(2,028)**	**2,493**	(107)	108
	10% increase	**10% decrease**	10% increase	10% decrease
Mortality improvements				
Effect on the defined benefit obligation	**238**	**(234)**	6	(6)

Notes to the financial statements
for the year ended 31 December 2019

28 Compliance with banking regulations

Liquidity breaches

	2 019	2 018
Number of incidents	nil	nil
Sanctions amount (in GHS'000)	-	-

Other penalties:

	GHS'000
• Breach of Bank of Ghana reporting directive of non-performing loan ratio	6
• Breach of Bank of Ghana reporting directive of net open position	6
• Penalty for an infraction on anti-money laundering	204
Total amount paid in 2019	**216**
Totat amount paid in 2018 (2 incidents occurred)	23

Risk and capital management
for the year ended 31 December 2019

29 Risk and capital management

Enterprise risk review

Overview

Risk Management's objective continues to align with the group's strategic focus "to be the leading end-to-end financial solutions provider in Ghana through innovative and customer-focused people". Effective risk management is fundamental and essential to the achievement of the group's strategic objectives. It is also one of the pillars of the institution's strategic value drivers which entails supporting our clients by doing the right business the right way and maintaining the highest possible standards of responsible business practice using frameworks that align with regulatory expectations and standard business practices as well as procedures.While we remain committed to increasing shareholder value by developing and growing our business within our broad-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

The Risk function continues its oversight and advisory responsibilities by deploying a consistent, comprehensive and strategic approach to the identification, measurement, management and reporting of enterprise-wide risks across the group. This is executed through proactive risk management practices which ensure that the business maintains the right balance in terms of the risk-return trade off whilst limiting the negative variations that could impact the group's capital, earnings, risk assets and appetite levels in a constantly changing and dynamic operating environment. Furthermore, Risk continues to shape, drive and monitor activities relating to risk and conduct in the institution through various measures including strengthening the risk and control environment, monitoring risk appetite and governance standards across the institution and elevating risk awareness by deploying requisite compliance training programmes for all Stanbic Bank Ghana Limited employees with a standard process of monitoring and escalating deficiencies in meeting the required standards. This is also in line with the established code of conduct and ethics that all members of staff must adhere and attest to on an annual basis.

The Board sets the tone and risk appetite for the organization including the tolerance levels for key risks and ensure the right risk culture is established across the insittution. These risks are however managed in accordance with a set of governance standards, frameworks and policies which align with the global and industry best practices.

The overarching approach to managing enterprise-wide risk is based on the "Three Lines of Defense" principle which requires the first line (Business risk owners) to appropriately demonstrate ownership and accountability for risks and manage same closest to the point of incidence; second line (including Risk, Compliance, and Operations and Financial Control) to review and challenge as well as provide oversight and advisory functions; and the third line (Internal Audit) to conduct assurance that control processes are fit for purpose, are implemented in accordance with standard operating procedures, and operating effectively or as intended. Internal Audit function reports all matters directly to the Board Audit Committee.

Risk management framework

Approach and structure

The group's approach to risk management is based on governance processes that rely on both individual responsibility and collective oversight that is supported by a tailored Management Information System (MIS). This approach balances corporate oversight at senior management level with independent risk management structures in the business where the business unit heads, as part of the first line of defense, are specifically responsible for the management of risk within their businesses using appropriate risk management frameworks that meet required group minimum standards.

An important element that underpins the group's approach to the management of all risk is independence and appropriate segregation of responsibilities between Business and Risk. Risk officers report separately to the Head of Risk who reports to the Chief Executive Officer of Stanbic Bank Ghana Limited and also through a matrix reporting line to the Standard Bank Group (SBG).

All principal risks are supported by the Risk department.

Governance structure

The risk governance structure provides a platform for the board, executive and senior management through the various committees to evaluate and debate material existential and emerging risks which the group is exposed to, and assess the effectiveness of risk responses through the risk profiles of the underlying business units and functional areas .

The risk-focused board committees include the board audit committee, board credit committee, and board IT committee, while executive management oversight at the subsidiary and group levels is achieved through management committees that focus on specific risks. Each of the board and management committees is governed by mandates that set out the expected committee's terms of reference.

Risk governance standards, policies and procedures

The group has developed a set of risk governance standards for each principal risk including credit, market, operational, IT and compliance risks. The standards define the acceptable conditions for the assumption of the major risks and ensure alignment and consistency in the manner in which these risks are identified, measured, managed, controlled and reported, across the group.

All standards are supported by policies and procedural documents. They are applied consistently across the bank and are approved by the Board. It is the responsibility of the business unit executive management to ensure that the requirements of the risk governance standards, policies and procedures are implemented within the business units.

Risk and capital management
for the year ended 31 December 2019

Risk appetite
Risk appetite is an expression of the amount, type and tenure of risk that the group is prepared to accept in order to deliver its business objectives. It is the balance of risk and return as the group implements business plans, whilst recognising a range of possible outcomes.
The Board establishes the group's parameters for risk appetite by:
- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts for the Bank and subsidiary; and
- regularly reviewing and monitoring the group's performance in relation to set risk appetite.

The risk appetite is defined by several metrics which are then converted into limits and triggers across the relevant risk types, at both entity and business line levels, through an analysis of the risks that impact them.

Stress testing
Stress testing serves as a diagnostic and forward looking tool to improve the group's understanding of its credit; market, liquidity and operational risks profile under event based scenarios.

Management reviews the outcome of stress tests and selects appropriate mitigating actions to minimize and manage the impact of the risks to the group.

Residual risk is then evaluated against the risk appetite.

Risk categories
The group's enterprise risk management framework is designed to govern, identify, measure, manage, control and report on the principal risks to which the group is exposed. The principal financial risks are defined as follows:

Credit risk
Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Credit risk comprises counterparty risk, wrong-way risk, settlement risk, country risk and concentration risk.

Obligor/Counterparty risk
Obligor/Counterparty risk is the risk of loss to the group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the group. It has three components:
• primary credit risk which is the exposure at default (EAD) arising from lending and related banking product activities, including their underwriting;

• pre-settlement credit risk which is the EAD arising from unsettled forward and derivative transactions, arising from the default of the counterparty to the transaction and measured as the cost of replacing the transaction at current market rates; and

• issuer risk which is the EAD arising from traded credit and equity products, and including their underwriting.

Concentration risk
Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the group's capital adequacy or ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

Market risk
Market risk is defined as the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, foreign exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in the market variables. Market risk covers both the impact of these risk factors on the market value of traded instruments as well as the impact on the group's net interest margin as a consequence of interest rate risk on banking book assets and liabilities.

Risk and capital management
for the year ended 31 December 2019

Liquidity risk
Liquidity risk is defined as the risk that the group, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (as a result of funding liquidity risk), or can only do so at materially disadvantageous terms (as a result of market liquidity risk).

Funding liquidity risk refers to the risk that the counterparties, who provide the group with funding, will withdraw or not roll-over that funding.

Market liquidity risk refers to the risk of a generalised disruption in asset markets that makes normal liquid assets illiquid and the potential loss through the forced-sale of assets resulting in proceeds being below their fair market value.

Credit risk
Principal credit standard and policies

The group's Governance Standard, as reviewed regularly, sets out the broad overall principles to be applied in credit risk decisions and sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in the group.

The Corporate and Investment Banking (CIB) and the Personal and Business Banking (PBB) Global Credit Policies have been designed to expand the Group Credit Risk Governance Standard requirements by embodying the core principles for identifying, measuring, approving, and managing credit risk. These policies provide a comprehensive framework within which all credit risk emanating from the operations of the bank are legally executed, properly monitored and controlled in order to minimize the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

In addition to the Credit Risk Governance Standard, CIB and PBB Global Credit Policies, a number of related credit policies and documents have been developed, with contents that are relevant to the full implementation and understanding of the credit policies.

Methodology for risk rating
Internal counterparty ratings and default estimates that are updated and enhanced from time-to-time play an essential role in the credit risk management and decision-making process, credit approvals, internal capital allocation, and corporate governance functions. Ratings are used for the following purposes:

• Credit assessment and evaluation
• Credit monitoring
• Credit approval and delegated authority
• Economic capital calculation, portfolio and management reporting
• Regulatory capital calculation
• RARORC (Risk-Adjusted Return on Regulatory Capital) calculation
• Pricing: PDs, EADs, and LGDs may be used to assess and compare relative pricing of assets/facilities, in conjunction with strategic, relationship, market practice and competitive factors.

Risk and capital management

for the year ended 31 December 2019

Methodology for risk rating (continued)

The starting point of all credit risk assessment and evaluation lies in the counterparty risk grading, which is quantified and calculated in compliance with the group's credit rating policy and using such Basel-2 compliant models as are in current use and which are updated or enhanced from time to time.

Credit risk quantification for any exposure or portfolio is summarised by the calculation of the expected loss (EL), which is arrived at in the following way:

- Based on the risk grading foundation which yields the counterparty's probability of default (PD), the nature and quantum of the credit facilities are considered;
- A forward-looking quantification of the exposure at default (EAD) is determined in accordance with group standard guidelines.
- Risk mitigants such as security and asset recovery propensities are then quantified to moderate exposure at default to yield the loss given default (LGD).
- Finally, the EL is a function of the PD, the LGD and the EAD.

These parameters are in turn used in quantifying the required regulatory capital reserving, using the Regulatory Capital Calculator developed, maintained and updated in terms of Basel 2, and the economic capital implications through the use of Credit Portfolio Management's (CPM's) Economic Capital tools. Furthermore, bearing in mind the quantum of the facility and the risk/reward thereof, an appropriate consideration of Basel 2 capital requirements (where applicable) and the revenue and return implications of the credit proposal.

Framework and governance

Credit risk remains a key component of financial risks faced by the Bank given the very nature of its business. The importance of credit risk management cannot be over emphasised as consequences can be severe when neglected. The group has established governance principles to ensure that credit risk is managed effectively within a comprehensive risk management and control framework.

In reaching credit decisions and taking credit risk, both the credit and business functions must consistently and responsibly balance risk and return, as return is not the sole prerogative of business neither is credit risk the sole prerogative of credit. Credit (and the other risk functions, as applicable) and business must work in partnership to understand the risk and apply appropriate risk pricing, with the overall aim of optimising the bank's risk adjusted performance.

The reporting lines, responsibilities and authority for managing credit risk in the group are clear and independent. However, ultimate responsibility for credit risk rests with the board.

Credit risk mitigation

Credit risk mitigation is defined as all methods of reducing credit expected loss whether by means of reduction of EAD (e.g. netting), risk transfer (e.g. guarantees) or risk transformation.

Guarantees, collateral and the transaction structures are used by the group to mitigate credit risks both identified and inherent though the amount and type of credit risk is determined on a case by case basis. The group's credit policy and guidelines are used in a consistent manner while security is valued appropriately and reviewed regularly for enforceability and to meet changing business needs.

The credit policy establishes and defines the principles of risk transfer, transformation and reduction. The processes and procedures for accepting, verifying, maintaining, and releasing collateral are well documented in order to ensure appropriate application of the collateral management techniques.

Credit risk measurement

A key element in the measurement of credit risk is the assignment of credit ratings, which are used to determine expected defaults across asset portfolios and risk bands. The risk ratings attributed to counterparties are based on a combination of factors which cover business and financial risks:

The group uses the PD Master Scale rating concept with a single scale to measure the credit riskiness of all counterparty types. The grading system is a 25-point scale, with three additional default grades.

Group's rating	Grade description	Standard & Poor's	Fitch
SB01 - SB12/SB13	Investment grades	AAA to BBB-	AAA to BBB-
SB14 - SB21	Sub Investment grades	BB+ to CCC+	BB+ to CCC+
SB22 – SB25	Cautionary grade	CCC to C	CCC to C

Risk and capital management

for the year ended 31 December 2019

Maximum exposure to credit risk by credit quality

At 31 December 2019	Note	Total Loans and Advances to Customers GHS'000	Balance sheet impairments for performing loans GHS'000	Stage 1 and Stage 2: Neither past due nor specifically impaired – Performing – Normal monitoring GHS'000 Stage 1	Close monitoring GHS'000 Stage 1	Close monitoring GHS'000 Stage 2	Not specifically impaired – Early arrears GHS'000 Stage 1	Early arrears GHS'000 Stage 2	Stage 3: Specifically impaired loans – Non-performing loans – Stage 3 Sub-standard GHS'000	Stage 3 Doubtful GHS'000	Total GHS'000	Balance sheet impairments for non-performing specifically impaired loans GHS'000	Gross specific impairment coverage %	Total non-performing loans GHS 'million	Non-performing loans %
Personal & Business Banking		**1,830,895**	**-**	**-**	**1,361,285**	**-**	**-**	**286,469**	**-**	**183,141**	**183,141**	**94,956**	**52**	**183,141**	**10.0**
Mortgage loans		357,652		-	218,214	-	-	116,290	-	23,148	23,148	12,123	52	23 148	6.5
Instalment sale and finance leases		304,531		-	212,747	-	-	52,191	-	39,593	39,593	27,122	69	39,593	13.0
Other loans and advances		1,168,712		-	930,324	-	-	117,988	-	120,400	120,400	55,711	46	120,400	10.3
Corporate & Investment Banking		**2,386,837**	**-**	**772,155**	**1,377,170**	**101,230**	**-**	**10,271**	**-**	**126,011**	**126,011**	**72,314**	**57**	**126,011**	**5.3**
Corporate loans		2,386,837		772,155	1,377,170	101,230	-	10,271	-	126,011	126,011	72,314	57	126,011	5.3
Gross loans and advances		**4,217,732**	-	772,155	2,738,455	101,230	-	296,740	-	309,152	309,152	167,270	54	309,152	7.3
Less: Total expected credit loss for loans and advances at amortised cost															
12-month ECL		(29,614)													
Lifetime ECL not credit-impaired		(37,257)													
Lifetime ECL credit-impaired		(100,399)													
Purchased/originated credit impaired															
Interest In Suspense (IIS)		(103,871)													
Net loans and advances		3,946,591													
Add the following other banking activities exposures:															
Cash and cash equivalents															
Derivatives															
Financial investments (excluding equity)															
Loans and advances to banks															
Trading assets															
Pledged assets															
Other financial assets															
Total on-balance sheet exposure		3,946,591													
Unrecognised financial assets:															
Letters of credit		134,920		110,813	18,573	5,534	-	-	-	-	-	-	-	-	-
Guarantees		1,481,477		1,207,831	266,193	5,848	-	1,605	-	-	-	-	-	-	-
Loan commitments		1,085,134		892,727	187,769	4,638	-	-	-	-	-	-	-	-	-
Total exposure to credit risk		**6,648,122**													
Expected credit loss for off balance Sheet exposures															
12-month ECL		(4,868)													
Lifetime ECL not credit-impaired		(52)													
Lifetime ECL credit-impaired		-													
Total exposure to credit risk on Loans and advances at amortised cost		**6,643,202**													

Risk and capital management

for the year ended 31 December 2019

Maximum exposure to credit risk by credit quality

At 31 December 2018	Note	Total Loans and Advances to Customers GHS'000	Balance sheet impairments for performing loans GHS'000	Stage 1 and Stage 2 — Neither past due nor specifically impaired — Performing — Normal monitoring GHS'000 — Stage 1	Close monitoring GHS'000 — Stage 1	Close monitoring GHS'000 — Stage 2	Not specifically impaired — Early arrears GHS'000 — Stage 1	Early arrears GHS'000 — Stage 2	Stage 3 — Specifically impaired loans — Non-performing loans — Stage 3 — Sub-standard GHS'000	Doubtful GHS'000	Loss GHS'000	Total GHS'000	Balance sheet impairments for non-performing specifically impaired loans GHS'000	Gross specific impairment coverage %	Total non-performing loans N'million	Non-performing loans %
Personal & Business Banking		1,488,915	-	920,994	-	76,740	60,838	159,935	14,608	23,058	232,742	270,408	56,127	21	270,408	18.2
Mortgage loans		319,904		197,369		31,231	19,505	52,091	9,095	316	10,297	19,708	2,079	11	19 708	6.2
Instalment sale and finance leases		254,568		158,286		7,506	2,620	42,801	470	6,857	36,028	43,355	14,942	34	43,355	17.0
Other loans and advances		914,443		565,339		38,003	38,713	65,043	5,043	15,885	186,417	207,345	39,106	19	207,345	22.7
Corporate & Investment Banking		1,523,916	-	247,610	966,456	22,026	6,187	-	-	-	281,637	281,637	35,848	13	281,637	18.5
Corporate loans		1,523,916		247,610	966,456	22,026	6,187				281,637	281,637	35,848	13	281,637	18.5
Gross loans and advances		**3,012,831**	-	1,168,604	966,456	98,766	67,025	159,935	14,608	23,058	514,379	552,045	91,975	17	552,045	18.3
Less: Total expected credit loss for loans and advances at amortised cost																
12-month ECL		(24,403)														
Lifetime ECL not credit-impaired		(30,129)														
Lifetime ECL credit-impaired		(91,974)														
Purchased/originated credit impaired																
Interest In Suspense (IIS)		(281,590)														
Net loans and advances		2,584,735														
Add the following other banking activities exposures:																
Cash and cash equivalents																
Derivatives																
Financial investments (excluding equity)																
Loans and advances to banks																
Trading assets																
Pledged assets																
Other financial assets																
Total on-balance sheet exposure		2,584,735														
Unrecognised financial assets:																
Letters of credit		88,701		66,270	10,188	12,244	-	-	-	-	-	-	-	-	-	-
Guarantees		1,287,790		574,366	653,984	59,440	-	-	-	-	-	-	-	-	-	-
Loan commitments		758,530		368,854	386,868	2,808	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk		**4,719,755**														
Expected credit loss for off balance Sheet exposures																
12-month ECL		(5,249)														
Lifetime ECL not credit-impaired		(419)														
Lifetime ECL credit-impaired		-														
Total exposure to credit risk on Loans and advances at amortised cost		**4,714,087**														

Risk and capital management

for the year ended 31 December 2019

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired amounted to GHS74.86 million (2018: GHS44.69million).

Collateral

The table that follows shows the financial effect that collateral has on the group's maximum exposure to credit risk. All on- and off-balance sheet exposures which are exposed to credit risk, including non-performing assets, have been included.

Collateral includes:

- financial securities that have a tradable market, such as shares and other securities;
- physical items, such as property, plant and equipment;and
- financial guarantees, suretyships and intangible assets.

All exposures are presented before the effect of any impairment provisions.

Collateral

Group	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2019							
Corporate	2,490,817	-	2,490,817	2,490,817	-	2,490,817	-
Sovereign	1,313,320	2,618	1,310,702	1,310,702	-	1,310,702	-
Bank	2,927,772	-	2,927,772	2,927,772	-	2,927,772	-
Retail	1,885,937	326,342	1,559,595	1,559,595	8,571	316,190	1,225,220
Retail Mortgage	288,438	-	288,438	288,438	-	-	288,438
Other retail loans and advances	1,597,499	326,342	1,271,157	1,271,157	8,571	316,190	936,782
Total	**8,617,846**	**328,960**	**8,288,886**	**8,288,886**	**8,571**	**7,045,481**	**1,225,220**
Less: Financial assets not exposed to credit risk	3,075,081						
Less: Impairments for loans and advances	(172,764)						
Less: Unrecognised off balance sheet items	(2,701,531)						
Total exposure	**8,818,632**						
Reconciliation to statement of financial position:							
Cash and cash equivalents	2,927,680						
Non-pledged trading assets	642,833						
Investment securities	671,064						
Loans and advances to customers	3,946,591						
Other financial assets	630,428						
Total	**8,818,596**						

Risk and capital management

for the year ended 31 December 2019

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired amounted to GHS74.86 million (2018: GHS44.69million).

Collateral

The table that follows shows the financial effect that collateral has on the group's maximum exposure to credit risk. All on- and off-balance sheet exposures which are exposed to credit risk, including non-performing assets, have been included.

Collateral includes:

- financial securities that have a tradable market, such as shares and other securities;
- physical items, such as property, plant and equipment;and
- financial guarantees, suretyships and intangible assets.

All exposures are presented before the effect of any impairment provisions.

Collateral

Group	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2018							
Corporate	2,792,450	216,500	2,575,950	2,575,950	22,650	748,371	618,598
Sovereign	2,104,537	492,329	1,612,208	1,612,208	-	1,612,208	-
Bank	900,410	900,410	-	-	-	-	-
Retail	1,598,050	228,670	1,369,380	1,369,380	171,398	378,292	799,010
Retail Mortgage	319,904	-	319,904	319,904	-	-	319,904
Other retail loans and advances	1,278,146	228,670	1,049,476	1,049,476	171,398	378,292	479,106
Total	**7,395,447**	**1,837,909**	**5,557,538**	**5,557,538**	**194,048**	**2,738,871**	**1,417,608**
Less: Financial assets not exposed to credit risk	(1,105,068)						
Less: Impairments for loans and advances	(153,398)						
Less: Unrecognised off balance sheet items	(88,701)						
Total exposure	**6,048,280**						
Reconciliation to statement of financial position:							
Cash and cash equivalents	1,709,104						
Non-pledged trading assets	634,614						
Investment securities	685,248						
Loans and advances to customers	2,860,414						
Other financial assets	158,900						
Total	**6,048,280**						

Risk and capital management

for the year ended 31 December 2019

Collateral

Bank	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2019							
Corporate	2,490,817	-	2,490,817	2,490,817	-	2,490,817	-
Sovereign	1,310,702	-	1,310,702	1,310,702	-	1,310,702	-
Bank	2,927,729	-	2,927,729	2,927,729	-	2,927,729	-
Retail	1,885,937	326,342	1,559,595	1,559,595	8,571	316,190	1,225,220
Retail Mortgage	288,438	-	288,438	288,438	-	-	288,438
Other retail loans and advances	1,597,499	326,342	1,271,157	1,271,157	8,571	316,190	936,782
Total	8,615,185	326,342	8,288,843	8,288,843	8,571	7,045,438	1,225,220
Add: Financial assets not exposed to credit risk	3,075,081						
Less: Impairments for loans and advances	(172,764)						
Less: Unrecognised off balance sheet items	(2,701,531)						
Total exposure	8,815,971						
Reconciliation to statement of financial position:							
Cash and cash equivalents	2,927,680						
Non-pledged trading assets	642,833						
Investment securities	668,394						
Loans and advances to customers	3,946,591						
Other financial assets	630,474						
Total	8,815,972						

Risk and capital management

for the year ended 31 December 2019

Collateral

Bank	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2018							
Corporate	2,792,450	216,500	2,575,950	2,575,950	22,650	748,371	618,598
Sovereign	2,102,823	490,615	1,612,208	1,612,208	-	1,612,208	-
Bank	897,172	897,172	-	-	-	-	-
Retail	1,598,050	228,670	1,369,380	1,369,380	171,398	378,292	799,010
Retail Mortgage	319,904	-	319,904	319,904	-	-	319,904
Other retail loans and advances	1,278,146	228,670	1,049,476	1,049,476	171,398	378,292	479,106
Total	7,390,495	1,832,957	5,557,538	5,557,538	194,048	2,738,871	1,417,608
Less: Financial assets not exposed to credit risk	(1,105,068)						
Less: Impairments for loans and advances	(153,398)						
Less: Unrecognised off balance sheet items	(88,701)						
Total exposure	6,043,328						
Reconciliation to statement of financial position:							
Cash and cash equivalents	1,707,136						
Non-pledged trading assets	634,614						
Investment securities	682,264						
Loans and advances to customers	2,860,414						
Other financial assets	158,900						
Total	6,043,328						

Risk and capital management

for the year ended 31 December 2019

Off Balance sheet exposures - Industry sectors

	2019			2018		
	Guarantees GHS'000	**Letters of credit GHS'000**	**2019 Total GHS'000**	Guarantees GHS'000	Letters of credit GHS'000	2017 Total GHS'000
Agriculture	**180,300**	**337**	**180,637**	170,000	299	170,299
Construction and real estate	**136,409**	**143**	**136,552**	138,067	-	138,067
Electricity	**-**	**-**	**-**	-	341	341
Finance, commerce and other business services	**192,855**	**111,078**	**303,933**	522,162	151,522	673,684
Individuals	**11,067**	**-**	**11,067**	9,881	-	9,881
Manufacturing	**39,960**	**12,051**	**52,011**	120,578	10,065	130,643
Mining	**344,935**	**10,604**	**355,539**	298,004	1,270	299,273
Other services	**544,518**	**707**	**545,225**			-
Transport	**31,433**	**-**	**31,433**	29,099	1,494	30,593
Carrying amount	**1,481,477**	**134,920**	**1,616,397**	1,287,790	164,991	1,452,781

Credit provisioning based on Bank of Ghana guidelines

In accordance with the Bank of Ghana (BoG) Guidelines, provision against credit risk is as follows.

Non performing accounts

Interest and/or principal outstanding for over:	Classification	Minimum provision
Less than 30 days	Current	1%
30 days but less than 90 days	OLEM	10%
90 days but less than 180 days	Substandard	25%
180 days but less than 365 days	Doubtful	50%
Over 365 days	Lost	100%

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the statement of profit or loss.

Performing accounts

A minimum of 1% general provision on performing loans is made in accordance with the Bank of Ghana Guidelines.

Key Ratios for loans and advances to customers are as follows

	Bank	
	2019	**2018**
Gross non-performing loans ratio	7.4%	18.3%
Ratio of top 50 exposures to gross exposure	63.82%	63.54%
Ratio of impairment charge to gross loans (income statement)	1.3%	1.3%
Loans and advances written off as required by BoG notices	144 million	38.67 million

Risk and capital management

for the year ended 31 December 2019

Liquidity risk

Framework and governance

The nature of banking and trading activities results in a continuous exposure to liquidity risk. Liquidity problems can have an adverse impact on a group's earnings and capital and, in extreme circumstances, may even lead to the collapse of a group which is otherwise solvent.

The group's liquidity risk management framework is designed to measure and manage the liquidity position at various levels of consolidation such that payment obligations can be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the board of directors, the Asset and Liability Committee (ALCO) sets liquidity risk policies in accordance with regulatory requirements, international best practice and SBG stated risk appetite.

Tolerance limits, appetite thresholds and monitoring items are prudently set and reflect the group's conservative appetite for liquidity risk. ALCO is charged with ensuring ongoing compliance with liquidity risk standards and policies. The group must, at all times, comply with the more stringent of Standard Bank imposed tolerance limits or regulatory limits.

Liquidity and funding management

A sound and robust liquidity process is required to measure, monitor and manage liquidity exposures. The group has incorporated the following liquidity principles as part of a cohesive liquidity management process:

- structural liquidity mismatch management;
- long-term funding ratio;
- maintaining minimum levels of liquid and marketable assets;
- depositor restrictions;
- local currency loan to deposit ratio;
- foreign currency loan to deposit ratio;
- interbank reliance limit;
- intra-day liquidity management;
- collateral management;
- daily cash flow management;
- liquidity stress and scenario testing; and
- funding plans;
- liquidity contingency planning.

The cumulative impact of these principles is monitored, at least monthly by ALCO through a process which is underpinned by a system of extensive controls. The latter includes the application of purpose-built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of the effectiveness of the system.

Structural liquidity mismatch management

The mismatch principle measures the group's liquidity by assessing the mismatch between its inflow and outflow of funds within different time bands on a maturity ladder. The structural liquidity mismatch is based on behaviourally-adjusted cash flows which factors a probability of maturity into the various time bands. As expected cash flows vary significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet items with an indeterminable maturity or drawdown period.

A net mismatch figure is obtained by subtracting liabilities and netting off-balance sheet positions from assets in each time band. The group's liquidity position is assessed by means of the net cumulative mismatch position, while its liquidity mismatch performance is an aggregation of the net liquidity position in each successive time band expressed as a percentage of total funding related to deposits.

Maintaining minimum levels of liquid and marketable assets

Minimum levels of prudential liquid assets are held in accordance with all prudential requirements as specified by the regulatory authorities. The group needs to hold additional unencumbered marketable assets, in excess of any minimum prudential liquid asset requirement, to cater for volatile depositor withdrawals, draw-downs under committed facilities, collateral calls, etc.

The following criteria apply to readily marketable securities:

- prices must be quoted by a range of counterparties;
- the asset class must be regularly traded;
- the asset may be sold or repurchased in a liquid market, for payment in cash; and

settlement must be according to a prescribed, rather than a negotiated, timetable.

Depositor concentration

To ensure that the group does not place undue reliance on any single entity as a funding source, restrictions are imposed on the short dated (0 – 3 months term) deposits accepted from any entity. These include:

- the sum of 0 – 3 month deposits and standby facilities provided by any single deposit counterparty must not, at any time, exceed 10% of total funding related liabilities to the public; and
- the aggregate of 0 – 3 month deposits and standby facilities from the 10 largest single deposit counterparties must not, at any time, exceed 20% of total funding related liabilities to the public.

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary sources of funding are in the form of deposits across a spectrum of retail and wholesale clients. As mitigants, the group maintains marketable securities in excess of regulatory requirements in order to create a buffer for occasional breaches of concentration limits.

Loan to deposit limit

A limit is put in place, restricting the local currency loan to deposit ratio to a maximum specified level, which is reviewed periodically. Similarly, in order to restrict the extent of foreign currency lending from the foreign currency deposit base, a foreign currency loan to deposit limit, which is also referred to as own resource lending, is observed. As mitigants, the group maintains high levels of unencumbered marketable and liquid assets in excess of regulatory benchmark.

Risk and capital management

for the year ended 31 December 2019

Intra-day liquidity management

The group manages its exposures in respect of payment and settlement systems. Counterparties may view the failure to settle payments when expected as a sign of financial weakness and in turn delay payments to the group. This can also disrupt the functioning of payment and settlement systems. At a minimum, the following operational elements are included in the group's intra-day liquidity management:

- capacity to measure expected daily gross liquidity inflows and outflows, including anticipated timing where possible;
- capacity to monitor its intra-day liquidity positions, including available credit and collateral;
- sufficient intra-day funding to meet its objectives;
- ability to manage and mobilise collateral as required;
- robust capacity to manage the timing of its intra-day outflows; and
- readiness to deal with unexpected disruptions to its intra-day liquidity flows.

Daily cash flow management

The group generates a daily report to monitor significant cash flows. Maturities and withdrawals are forecast at least three months in advance and management is alerted to large outflows. The report, which is made available to the funding team, ALM and market risk also summarises material daily new deposits as well as the interbank and top depositor reliance (by value and product).
The daily cash flow management report forms an integral part of the ongoing liquidity management process and is a crucial tool to proactively anticipate and plan for large cash outflows.

Interbank reliance

Interbank funding traditionally is seen as the most volatile and least stable source of funding, easily influenced by market sentiment and prone to flight under stress situations. Consequently, to ensure prudent liquidity management is enforced, the group restricts the local currency interbank funding as a proportion of the local currency funding base to a maximum of 15% of the total currency funding base.

Liquidity stress testing and scenario testing

Anticipated on- and off-balance sheet cash flows are subjected to a variety of the group specific and systemic stress scenarios in order to evaluate the impact of unlikely but plausible events on liquidity positions. Scenarios are based on both historical events, such as past emerging markets crises, past local financial markets crisis and hypothetical events, such as an entity specific crisis. The results obtained from stress testing provide meaningful input when defining target liquidity risk positions.

Maturity analysis of financial liabilities by contractual maturity

The tables below analyse cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and trading derivatives) and may therefore not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. All other derivative liabilities are treated as trading instruments and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The following tables also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial assets and liabilities by contractual maturity

Group	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2019						
Financial assets	3,870,451	626,436	976,101	594,214	2,120,966	8,188,168
Cash and cash equivalents	2,705,966	110,704	111,010	-	-	2,927,680
Non-pledged trading assets	-	446,306	117,378	11,593	67,556	642,833
Investment securities	2,670	-	311,340	250,167	106,887	671,064
Loans and advances to customers	1,161,815	69,426	436,373	332,454	1,946,523	3,946,591
Financial liabilities	6,175,792	715,538	478,117	18,016	83,043	7,470,506
Trading liabilities	-	48,806	44,306	9,427	-	102,539
Deposits from banks	173,969	355,173	-	-	-	529,142
Deposits from customers	6,001,823	311,559	433,260	8,589	38	6,755,269
Subordinated debt	-	-	551	-	83,005	83,556
Total	(2,305,341)	(89,102)	497,984	576,198	2,037,923	717,662
Unrecognised financial instruments						
Letters of credit	25,475	16,417	91,391	46	1,591	134,920
Guarantees	43,895	203,848	231,048	707,455	295,231	1,481,477
Total	69,370	220,265	322,439	707,501	296,822	1,616,397

Risk and capital management

for the year ended 31 December 2019

Maturity analysis of financial assets and liabilities by contractual maturity (continued)

Group	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2018						
Financial assets	1,557,093	938,187	795,128	807,451	1,662,597	5,760,456
Cash and cash equivalents	1,255,170	453,934	-	-	-	1,709,104
Non-pledged trading assets	-	261,540	191,025	143,694	38,355	634,614
Investment securities	-	121,966	164,308	196,201	203,022	685,497
Loans and advances to customers	301,923	100,747	439,795	467,556	1,421,220	2,731,241
Financial liabilities	4,085,779	181,615	134,285	150,136	210,932	4,762,747
Trading liabilities	-	93,155	12,145	22,060	-	127,360
Deposits from banks	218,855	-	-	-	-	218,855
Deposits from customers	3,866,924	86,823	122,140	128,076	78,348	4,282,311
Subordinated debt	-	1,637	-	-	132,584	134,221
Total recognised financial instruments	(2,528,686)	756,572	660,843	657,315	1,451,665	997,709
Unrecognised financial instruments						
Letters of credit	-	-	-	27,392	61,309	88,701
Guarantees	129,002	33,201	30,802	932,798	161,987	1,287,790
Total unrecognised financial instruments	129,002	33,201	30,802	960,190	223,296	1,376,491

Bank	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2019						
Financial assets	3,867,781	626,436	976,101	594,214	2,120,966	8,185,498
Cash and cash equivalents	2,705,966	110,704	111,010	-	-	2,927,680
Non-pledged trading assets	-	446,306	117,378	11,593	67,556	642,833
Investment securities	-	-	311,340	250,167	106,887	668,394
Loans and advances to customers	1,161,815	69,426	436,373	332,454	1,946,523	3,946,591
Financial liabilities	6,175,835	715,538	478,117	18,016	83,043	7,470,549
Trading liabilities	-	48,806	44,306	9,427	-	102,539
Deposits from banks	173,969	355,173	-	-	-	529,142
Deposits from customers	6,001,866	311,559	433,260	8,589	38	6,755,312
Subordinated debt	-	-	551	-	83,005	83,556
Total recognised financial instruments	(2,308,054)	(89,102)	497,984	576,198	2,037,923	714,949
Unrecognised financial instruments						
Letters of credit	25,475	16,417	91,391	46	1,591	134,920
Guarantees	43,895	203,848	231,048	707,455	295,231	1,481,477
Total unrecognised financial instruments	69,370	220,265	322,439	707,501	296,822	1,616,397

Risk and capital management

for the year ended 31 December 2019

Maturity analysis of financial assets and liabilities by contractual maturity (continued)

Bank	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2018						
Financial assets	1,555,125	938,121	794,792	806,971	1,660,489	5,755,498
Cash and cash equivalents	1,253,202	453,934	-	-	-	1,707,136
Non-pledged trading assets		261,540	191,025	143,694	38,355	634,614
Investment securities		121,900	163,972	195,721	200,914	682,507
Loans and advances to customers	301,923	100,747	439,795	467,556	1,421,220	2,731,241
Financial liabilities	4,085,779	181,615	134,285	150,136	211,156	4,762,972
Trading liabilities	-	93,155	12,145	22,060	-	127,360
Deposits from banks	218,855	-	-		-	218,855
Deposits from customers	3,866,924	86,823	122,140	128,076	78,572	4,282,535
Subordinated debt	-	1,637	-		132,584	134,222
Total recognised financial instruments	(2,530,654)	756,506	660,507	658,835	1,449,333	992,526
Unrecognised financial instruments						
Letters of credit	-	-	-	27,392	61,309	88,701
Guarantees	129,002	33,201	30,802	932,798	161,987	1,287,790
Loan commitments	-	-	-	-	-	-
Total unrecognised financial instruments	129,002	33,201	30,802	960,190	223,296	1,376,491

Liquidity contingency plans

The group recognises that it is not possible to hold sufficiently large enough quantity of readily available liquidity to cover the least likely liquidity events. However, as such events can have devastating consequences, it is imperative to bridge the gap between the liquidity the group chooses to hold and the maximum liquidity the group might need.

The group’s liquidity contingency plan is designed to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The plan incorporates an extensive early warning indicator methodology supported by a clear and decisive crisis response strategy. Early warning indicators span group specific crises, systemic crises, contingency planning, and liquidity risk management governance and are monitored based on assigned frequencies and tolerance levels. The crisis response strategy is formulated around the relevant crisis management structures and addresses internal and external communications, liquidity generation, operations, as well as heightened and supplementary information requirements.

Foreign currency liquidity management

A number of indicators are observed to monitor changes in either market liquidity or exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing capital and loan markets across the group.
Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital and loan markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate to meet its anticipated funding requirements.

Depositor concentrations

	2019	2018
Single depositor	**15%**	9%
Top 10 depositors	**37%**	24%

Risk and capital management

for the year ended 31 December 2019

Liquity ratio

The percentages below indicate the Bank's liquidity ratio. In measuring this, recognition is made to highly liquid assets (cash and near cash and government notes with maturities up to 1 year). The volatile liabilites is constituted by demand deposits and government instruments which could be called at short notice.

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019** GHS'000	2018 GHS'000
Cash and cash equivalents	2,927,680	1,709,104	2,927,680	1,707,136
Investments securities maturing within one year	561,507	527,451	561,507	481,593
Non-pledged Trading assets	642,833	634,614	642,833	634,614
Liquid assets	4,132,020	2,871,169	4,132,020	2,823,343
Demand deposits	7,284,411	4,501,166	7,284,454	4,501,390
Trading liabilities maturing within one year	102,539	127,360	102,539	127,360
Volatile liabilities	7,386,950	4,628,526	7,386,993	4,628,750
Liquidity ratio	56%	62%	56%	61%

Risk and capital management
for the year ended 31 December 2019

Market risk

The identification, management, control, measurement and reporting of market risk is categorised as follows:

Trading market risk
Trading market risk arises in trading activities where the bank acts as a principal with clients in the market. The group's policy is that all trading activities are contained within the bank's trading operations.

Banking book interest rate risk
Banking book interest rate risk arises from the structural interest rate risk caused by the differing re-pricing characteristics of banking assets and liabilities.

Foreign currency risk
Foreign currency risk arises as a result of changes in the fair value or future cash flows of financial exposures due to changes in foreign exchange rates.

Equity investment risk
Equity investment risk arises from equity price changes in listed and unlisted investments, and managed through the equity investment committee, which is a sub-committee of the executive committee.

Framework and governance
The board approves the market risk appetite and standards for all types of market risk. The board grants general authority to take on market risk exposure to the asset and liability committee (ALCO). ALCO sets market risk policies to ensure that the measurement, reporting, monitoring and management of market risk associated with operations of the bank follow a common governance framework. The bank's ALCO reports to EXCO and also to the board risk management committee.

The in-country risk management is subject to board risk management committee oversight for compliance with group standards and minimum requirements.

The market risk management unit which is independent of trading operations and accountable to ALCO, monitors market risk exposures due to trading and banking activities. This unit monitors exposures and respective excesses daily, report monthly to ALCO and quarterly to the board risk management committee.

Market risk measurement
The techniques used to measure and control market risk include:
- daily net open position
- daily VaR;
- back-testing;
- PV01;
- annual net interest income at risk

Daily net open position
The board on the input of ALCO, sets limits on the level of exposure by currency and in aggregate for overnight positions. The latter is also aligned to the net open position limit as specified by the regulators, which is usually a proportion of the groups' capital.

Daily value-at-risk (VaR)
VaR is a technique that estimates the potential losses that may occur as a result of market movements over a specified time period at a predetermined probability.

VaR limits and exposure measurements are in place for all market risks the trading desk is exposed to. The bank generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market conditions. Normal VaR is based on a holding period of one day and a confidence level of 95%. Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

The use of historic VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution. Hence, there is a need to back-test the VaR model regularly.

VaR back-testing
The group and the banking business back-tests its foreign currency, interest rate and credit trading exposure VaR model to verify the predictive ability of the VaR calculations thereby ensuring the appropriateness of the model. Back-testing exercise is an ex-post comparison of the daily hypothetical profit and loss under the one-day buy and hold assumption to the prior day VaR. Profit or loss for back-testing is based on the theoretical profits or losses derived purely from market moves both interest rate and foreign currency spot moves and it is calculated over 250 cumulative trading-days at 95% confidence level.

Risk and capital management
for the year ended 31 December 2019

Market risk (continued)

Stress tests
Stress testing provides an indication of the potential losses that could occur in extreme market conditions.
The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

Other market risk measures
Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or in-house developed, are independently validated by the market risk unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the market risk unit assesses the daily liquid closing price inputs used to value instruments and performs a review of less liquid prices from a reasonableness perspective at least fortnightly. Where differences are significant, mark-to-market adjustments are made.

Annual net interest income at risk
A dynamic forward-looking annual net interest income forecast is used to quantify the banks' anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

Analysis of Value-at-Risk (VaR) and actual income
The table below highlights the historical diversified normal VaR across the various trading desks. The minimum and maximum trading diversified normal VaR stood at GHS157,000 and GHS920,000 respectively with an annual average of GHS429,000 which translates to a conservative VaR base limit utilisation of 6% on average.

Diversified Normal Var Exposures (GHS'000)

Desk	Maximum	Minimum	Average	2019	2018	Limit
Bankwide	1,123	347	714	386	742	7000
FX Trading	608	11	158	88	207	2300
Money markets trading	888	330	585	361	750	1400
Fixed income trading	623	56	215	63	269	5000
Credit trading	1	-	-	-	-	390
Derivatives	-	-	-	-	-	-

Currency risk

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2019 on its non-monetary assets and liabilities, and forecast cash flows. In respect of currency risk, the Group uses VaR methodology in estimating its exposures

Currency	Normal VaR as at 31 December 2019	Normal VaR as at 31 December 2018
AUD	35	5,676
CAD	1,114	8,174
CHF	3,085	14,477
CNY	2,431	3,725
EUR	7,674	118,081
GBP	148	86,559
JPY	95	874
SEK	3,001	5,858
USD	14,638	11,851
XOF	315	-
ZAR	3,188	23,364

PV01
PV01 is a risk measure used to assess the effect of a change of rate of one basis point on the price of an asset. This limit is set for the fixed income trading, money market trading, credit trading, derivatives, foreign exchange trading and Interest Rate Banking portfolios.

Risk and capital management

for the year ended 31 December 2019

Market risk (continued)

Analysis of PV01

The table below shows the PV01 of the Interest Rate Banking (Money Markets Banking and Treasury Capital Management) and the individual Trading books as at year end. The money markets trading book PV01 exposure reduced to GHS3,400 from GHS16,700 from 2018 due to decrease in its net cash positions (loans and deposits) as well as decrease in Treasury bills and 6-month Cocoa bill positions. The Fixed Income Trading book also had a decrease in PV01 exposure from GHS14,800 to GHS8,600 due to a net decrease in 2-year bonds. The Interest Rate Trading Foreign Currency book had exposures reduced from the sale of 2023 and 2026 Eurobonds. PV01 exposures on the Interest Rate Banking book went to zero (0) in 2018 as all instruments being held in that book were reclassified into amortised Cost (AMC) book from available For Sale (AFS) and hence are not fair valued anymore. Overall trading PV01 exposure was GHS5,200 against a limit of GHS62,900 as at 31 December 2019 thus reflecting a very conservative exposure utilisation.

PV01 (GHS'000)	2019	2018	Limit
Money Market Trading Lcy book	3.4	16.7	13.3
Fixed Income Trading Lcy book	(8.6)	(14.8)	47.2
Credit Trading Lcy book		-	2.4
Derivatives Trading book		-	-
Interest Rate Trading Fcy book	(9.0)	(1.8)	17.7
Total trading book	(5.2)	0.1	62.9
Interest Rate banking book		-	32.0

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) can be defined as the reduction in banking book net interest income due to changes in interest rates arising from the different re-pricing characteristics of banking book assets and liabilities. IRRBB is further divided into the following sub-risk types:

• Repricing risk referring to the timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
• Yield curve risk arising when unanticipated shifts in the yield curve have adverse effects on the group's income.
• Basis risk arising from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
• Optionality risk arising from the options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
• Endowment risk referring to the interest rate risk exposure arising from the net differential between interest rate insensitive assets such as non-earning assets and interest rate insensitive liabilities such as non-paying liabilities and equity.

Approach to managing interest rate risk on positions in the banking book

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest movements on banking book earnings (net interest income and banking book mark-to-market profit or loss).

The group's approach to managing IRRBB is governed by prudence and is in accordance with the applicable laws and regulations, best international practice and the competitive situation within which it operates in financial markets. Interest rate risk is transferred to and managed within the bank's treasury operations under supervision of ALCO.

Measurement of IRRBB

The analytical technique used to quantify IRRBB is an earnings based approach. A dynamic, forward-looking net interest income forecast is used to quantify the bank's anticipated interest rate exposure. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles. All assets and liabilities are allocated to gap intervals based on either their repricing or maturity characteristics. However, assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

The impact on net interest income due to interest rate changes cover 12 months of forecasting and allows for the dynamic interaction of payments, new business and interest rates. The analyses are done under stressed market conditions in which the banking book is subjected to an upward 300 basis points and downward 300 basis points (2018: 300 basis points) parallel rate shocks for local currency and 100 basis points upward and downward parallel rate shocks for foreign currency positions. The table below shows the sensitivity of the bank's net interest income in response to standardised parallel rate shocks.

2019		GHS	USD	Other	Total
Increase in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	60 297	10 737	-	71 034
Decrease in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	-40 469	-10 726	-	-51 195

2018		GHS	USD	Other	Total
Increase in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	40,188	6528	-	46,716
Decrease in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	(27,245)	(7,117)	-	(34,362)

Risk and capital management

for the year ended 31 December 2019

Market risk (continued)

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net exposure of non-rate sensitive liabilities and equity less non-rate sensitive assets. The endowment risk is hedged using marketable liquid instruments in the same currency as the exposure as and when it is considered opportune. Hedge decisions are made by ALCO following careful consideration of the interest rate views to be hedged against, including magnitude, direction, timing and probability, and the exposure to be hedged.

Exposure to currency risks

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in aggregate for both overnight and intra day positions, which are monitored daily. The table below summarises the group's exposure to foreign currency exchange risk.

Concentrations of currency risk – on- and off-balance sheet financial instruments

Group **At 31 December 2019**	**GHS** **GHS'000**	**USD** **GHS'000**	**GBP** **GHS'000**	**ZAR** **GHS'000**	**Others** **GHS'000**	**Total** **GHS'000**
Financial assets						
Cash and cash equivalents	707,836	1,944,702	40,160	43,273	191,709	2,927,680
Non-pledged trading assets	635,969	6,864	-	-	-	642,833
Investment securities	614,485	56,570	-	-	-	671,055
Loans and advances to customers	2,463,407	1,460,057	19,341	-	3,786	3,946,591
Other non-financial assets	553,444	39,092	21	2,062	-	594,619
Other financial assets	512,708	-	-	-	-	512,708
	5,487,849	3,507,285	59,522	45,335	195,495	9,295,486
Financial liabilities						
Trading liabilities	96,683	5,856	-	-	-	102,539
Deposits from banks	406,327	122,629	-	-	186	529,142
Deposits from customers	2,705,128	3,827,404	34,806	3,544	178,857	6,749,739
Subordinated debt	-	83,556	-	-	-	83,556
Other non-financial liabilitiies	281,160	137,124	9,158	40,986	6,439	474,867
	3,489,298	4,176,569	43,964	44,530	185,482	7,939,843
Net on-balance sheet financial position	1,998,551	(669,284)	15,558	805	10,013	1,355,643
Off balance sheet	365,482	1,134,693	-	11,115	105,107	1,616,397

At 31 December 2018 **Financial assets**	GHS GHS'000	USD GHS'000	GBP GHS'000	ZAR GHS'000	Others GHS'000	Total GHS'000
Cash and cash equivalents	1,034,776	518,509	15,933	15,592	124,294	1,709,104
Non-pledged trading assets	633,211	1,403	-	-	-	634,614
Investment securities	685,248	-	-	-	-	685,248
Loans and advances to customers	1,459,741	1,103,449	13,787	-	7,758	2,584,735
Other non-financial assets	589,565	1,313	118	313		591,309
	4,402,541	1,624,674	29,838	15,905	132,052	6,205,010
Financial liabilities						
Trading liabilities	79,119	48,240	-	-	-	127,360
Deposits from banks	142,604	76,186	-	-	65	218,855
Deposits from customers	2,386,906	1,742,329	27,456	1,901	123,720	4,282,311
Subordinated debt	-	134,222	-	-	-	134,222
Other non-financial liabilitiies	246,781	98,281	3,058	15,159	3,610	366,888
	2,855,410	2,099,258	30,514	17,060	127,395	5,129,636
Net on-balance sheet financial position	1,547,131	(474,584)	(676)	(1,155)	4,657	1,075,374
Off balance sheet	493,298	861,090	62	64	21,977	1,376,491

Risk and capital management

for the year ended 31 December 2019

Market risk (continued)

Concentrations of currency risk - on- and off-balance sheet financial instruments

Bank	**GHS GHS'000**	**USD GHS'000**	**GBP GHS'000**	**ZAR GHS'000**	**Others GHS'000**	**Total GHS'000**
2019						
Financial assets						
Cash and cash equivalents	**707,836**	**1,944,702**	**40,160**	**43,273**	**191,709**	**2,927,680**
Non-pledged trading assets	**635,969**	**6,864**	**-**	**-**	**-**	**642,833**
Investment securities	**611,824**	**56,570**	**-**	**-**	**-**	**668,394**
Loans and advances to customers	**2,463,407**	**1,460,057**	**19,341**	**-**	**3,786**	**3,946,591**
Other non-financial assets	**556,301**	**39,092**	**21**	**2,062**	**-**	**597,476**
Other financial assets	**512,708**	**-**	**-**	**-**	**-**	**512,708**
	5,488,045	**3,507,285**	**59,522**	**45,335**	**195,495**	**9,295,682**
Financial liabilities						
Trading liabilities	**96,683**	**5,856**	**-**	**-**	**-**	**102,539**
Deposits from banks	**406,327**	**122,629**	**-**	**-**	**186**	**529,142**
Deposits from customers	**2,705,171**	**3,827,404**	**34,806**	**3,544**	**178,857**	**6,749,782**
Subordinated debt	**-**	**83,556**	**-**	**-**	**-**	**83,556**
Other non-financial liabilitiies	**280,754**	**137,124**	**9,158**	**40,986**	**6,439**	**474,461**
	3,488,935	**4,176,569**	**43,964**	**44,530**	**185,482**	**7,939,480**
Net on-balance sheet financial position	**1,999,110**	**(669,284)**	**15,558**	**805**	**10,013**	**1,356,202**
Off balance sheet	**365,482**	**1,134,693**	**-**	**11,115**	**105,107**	**1,616,397**

At 31 December 2018	GHS	USD	GBP	ZAR	Others	Total
Financial assets	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Cash and cash equivalents	1,032,086	518,509	15,933	15,592	125,016	1,707,136
Non-pledged trading assets	633,211	1,403				634,614
Investment securities	682,264					682,264
Loans and advances to customers	1,459,741	1,103,449	13,787		7,758	2,584,735
Other non-financial assets	594,525	1,313	118	313		596,269
	4,401,827	1,624,674	29,838	15,905	132,774	6,205,018
Financial liabilities						
Trading liabilities	79,120	48,240				127,360
Deposits from banks	142,604	76,186			65	218,855
Deposits from customers	2,387,129	1,742,329	27,456	1,901	123,720	4,282,535
Subordinated debt		134,222				134,222
Other non-financial liabilitiies	246,648	98,281	3,058	15,159	3,610	366,756
	2,855,501	2,099,258	30,514	17,060	127,395	5,129,728
Net on-balance sheet financial position	1,546,326	(474,584)	(676)	(1,155)	5,379	1,075,290
Off balance sheet	493,298	861,090	62	64	21,977	1,376,491

Exchange rates applied

year-end spot rate*	**2019**	2018
US Dollar	**5.5337**	4.8000
GBP	**7.3164**	6.1711
Euro	**6.2114**	5.5131
ZAR	**0.3954**	0.3348

Risk and capital management

for the year ended 31 December 2019

Operational risk

Operational risk is the loss arising as a result of the inadequacy of, or a failure in the internal processes, people, systems or external events. The Group and Bank recognises the significance of operational risk in all facets of its business. Accordingly, a comprehensive framework detailing the identification, assessment, measurement, monitoring and reporting of operational risks have been formulated to guide all line managers in the collective effort to minimise exposures.

The tools for achieving the objective of minimal losses resulting from operational risk include:

• operational loss reports which enable management to identify improvements to processes and controls arising from loss trends;

• risk and control self assessments through which existing and potential future risks and their related controls are identified and assessed; and

• key risk indicators which measure specific factors to provide an early warning to proactively address potential exposures.

In addition to these, a comprehensive insurance programme covering losses from fraud, theft and professional liability claims and damage to physical assets is held. The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Capital management

Regulatory Capital

The Group's capital management framework is designed to ensure the Group and its principal subsidiary are capitalised in line with the risk profile , regulatory requirements, economic capital standards and target ratios approved by the Board of Directors. The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders. The capital management process ensures that the Bank and its subsidiary maintain sufficient capital levels for legal and regulatory compliance purposes. The group ensures that its actions do not compromise sound governance and appropriate business practices and it eliminates any negative effect on payment capacity, liquidity and profitability.

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

- Tier 1 capital which comprises share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital relates to subordinated debts.

Capital Adequacy

Regulatory capital adequacy is measured based on Pillar 1 of the Basel II capital framework. Capital adequacy ratio is calculated by dividing the capital held by total risk-weighted assets. Risk weighted assets comprise computed risk weights from credit, operational and market risks associated with the business of the bank. Notional risk weighted asset for market risk is calculated using the standardised approach while operational risk is determined using the basic indicator approach. Management monitors the capital adequacy ratio on a proactive basis.

Throughout the year, Stanbic Bank Ghana Limited operated above its targeted capitalisation range and well over the minimum regulatory capital adequacy ratio of 10% as mandated by Bank of Ghana.

Capital Requirement Directive (CRD)

Bank of Ghana issued the CRD under section 92(1) of the Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) (the BSDI Act') and section 4(d) of the Bank of Ghana Act 2002 (Act 612) for Banks to calculate a prescribed Capital Adequacy Ratio (CAR) under the BSDI Act. Under CRD, Banks are to hold appropriate capital commensurate for unexpected losses that may arise from business through capital transactions, credit, operational and market risks.
The CRD requires the measurement of risks to capital using the Basel II framework.

The implementation date of the CRD is 1 July 2018 and the effective date by which Banks are to comply with it is 1 January 2019.

Risk and capital management

for the year ended 31 December 2019

Regulatory capital (continued)

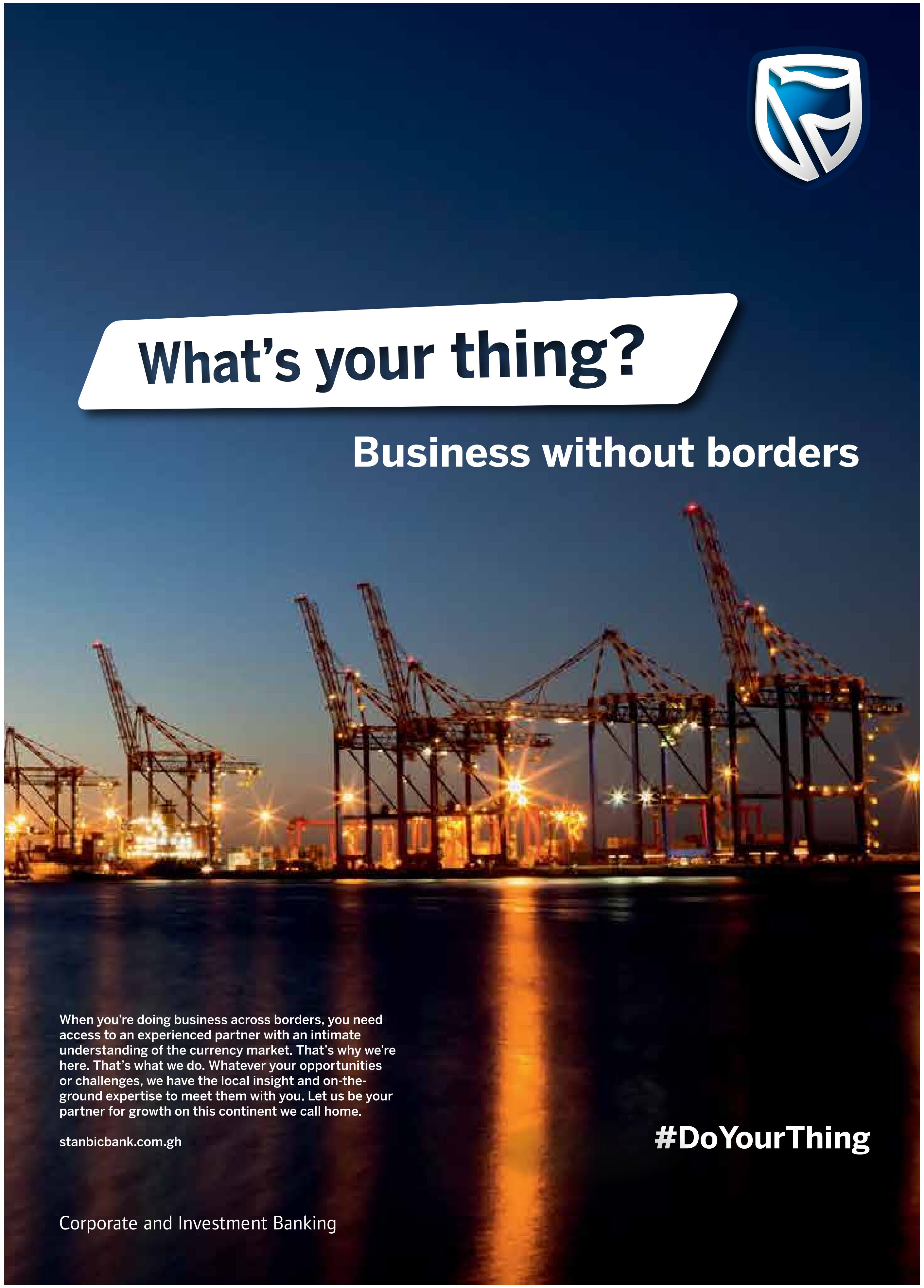
Capital adequacy computation

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019** GHS'000	2018 GHS'000
Tier 1 Capital				
Capital and unimpaired reserve funds	1,000,655	1,075,305	1,001,172	955,528
Issued ordinary share capital	414,213	414,213	414,213	414,213
Ordinary shareholders' reserves	586,442	661,092	586,959	541,315
Less: regulatory deduction	99,985	205,790	102,485	88,509
Software	78,113	119,761	78,113	-
Intra group transactions	15,145		15,145	-
Investment in subsidiary	-	-	2,500	2,500
Prepayment	6,727	86,029	6,727	86,009
Total Tier 1 Capital	900,670	869,515	898,687	867,019
Tier 2 Capital				
	144,980	132,550	144,946	132,550
Subordinated debt	144,980	132,550	144,946	132,550
Total regulatory capital	**1,045,650**	1,002,065	**1,043,633**	999,569
Risk weighted assets:				
Credit risk	5,785,080	4,217,242	5,784,813	4,251,494
On-balance sheet	5,235,144	2,840,813	5,234,877	2,875,065
Off-balance sheet	549,936	1,376,429	549,936	1,376,429
Operational risk	1,341,872	607,086	1,340,451	606,368
Market risk	122,039	8,060	122,039	8,060
Total risk weighted assets	**7,248,991**	4,832,388	**7,247,303**	4,865,922
Total capital adequacy ratio	14.4%	20.7%	14.4%	20.5%
Tier I capital adequacy ratio	12.4%	18.0%	12.4%	17.8%

Annexure :

Value added statement for the year ended 31 December 2019

	Group		Bank	
	2019 GHS'000	2018 GHS'000	**2019 GHS'000**	2018 GHS'000
Interest income and other operating income	**975,439**	797,641	**974,919**	796,461
Direct cost of servicess	**(164,781)**	(161,319)	**(164,466)**	(160,607)
Value added by banking services	**810,658**	636,322	**810,453**	635,854
Credit impairments	**(53,867)**	(38,680)	**(53,792)**	(38,678)
Valued Added	**756,791**	597,642	**756,661**	597,176
Distributed as follows:				
To Employees	**270,164**	226,776	**269,458**	226,192
Non-exective directors	**1,140**	842	**1,140**	842
Executive directors	**16,504**	12,890	**16,173**	12,616
Other employees	**252,520**	213,044	**252,145**	212,734
To Government				
Taxation	**130,251**	109,714	**130,227**	109,706
To expansion and growth				
Depreciation	**67,931**	28,286	**67,888**	28,286
Amortisation	**7,791**	6,845	**7,791**	6,845
Total	**75,722**	35,131	**75,679**	35,131
Retained earnings	**280,654**	226,021	**281,297**	226,147


What's your thing?
Business without borders
When you're doing business across borders, you need access to an experienced partner with an intimate understanding of the currency market. That's why we're here. That's what we do. Whatever your opportunities or challenges, we have the local insight and on-the-ground expertise to meet them with you. Let us be your partner for growth on this continent we call home.
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Corporate and Investment Banking


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